

DYESTUFFS

HEARINGS

BEFORE THE

COMMITTEE ON FINANCE

UNITED STATES SENATE

SIXTY-SIXTH CONGRESS

SECOND SESSION

ON

H. R. 8078

AN ACT TO REGULATE THE IMPORTATION OF COAL-TAR PRODUCTS,
TO PROMOTE THE ESTABLISHMENT OF THE MANUFACTURE
THEREOF IN THE UNITED STATES, AND, AS INCIDENT
THERE TO, TO AMEND THE ACT OF SEPTEMBER 8, 1916,
ENTITLED "AN ACT TO INCREASE THE REVENUE,
AND FOR OTHER PURPOSES"

—
DECEMBER 8, 9, 10, 11, 12, 13, 1919, AND JANUARY 12, 1920
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DYESTUFFS.

MONDAY, DECEMBER 8, 1919.

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

The subcommittee met at 10 o'clock a. m. in Room 312, Senate Office Building, on the call of the chairman, Hon. James E. Watson (chairman) presiding.

Present: Senators Watson (chairman), Curtis, Simmons, and Nugent.

Senator WATSON. The committee will come to order.

The subcommittee has been called together this morning for a hearing on H. R. 8078, which bill is as follows:

[H. R. 8078, Sixty-sixth Congress, first session.]

AN ACT To regulate the importation of coal-tar products, to promote the establishment of the manufacture thereof in the United States, and, as incident thereto, to amend the act of September 8, 1916, entitled "An act to increase the revenue, and for other purposes."

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That title 5 of an act entitled "An act to increase the revenue, and for other purposes," approved September 8, 1916, be, and hereby is, amended to read as follows:

"Sec. 500. That on and after the day following the passage of this act, except as otherwise specially provided for in this title, there shall be levied, collected, and paid upon the articles named in this section when imported from any foreign country into the United States or any of its possessions, except the Philippine Islands, the Islands of Guam and Tutulla, the Virgin Islands, and the Canal Zone, the rates of duties which are prescribed in this title, namely:

" FREE LIST.

"Group I. Acenaphthene, anthracene having a purity of less than 30 per cent, benzol, carbazol having a purity of less than 65 per cent cumol, cymene, fluorene, methylanthracene, methylnaphthalene, naphthalene having a solidifying point less than 79° centigrade, pyridin, quinolin, toluol, xylo, dead or creosote oil, anthracene oil, pitch of coal tar, pitch of blast-furnace tar, pitch of oil-gas tar, pitch of water-gas tar, crude coal tar, crude blast-furnace tar, crude oil-gas tar, crude water-gas tar, all other distillates of any of these tars which on being subjected to distillation yield in the portion distilling below 100° centigrade a quantity of tar acids less than 5 per cent of the original distillate, all mixtures of any of these distillates and any of the foregoing pitches, and all other products that are found naturally in coal tar, whether produced or obtained from coal tar or other source, and not otherwise specially provided for in this title, shall be exempt from duty.

" DUTIABLE LIST.

"Group II. Acetanilid not suitable for medicinal use, alphanaphthol, amido-benzoic acid, amidonaphthol, amidophenetol, amidophenol, amidosalicylic acid,

aminoanthraquinone, anilin oil, anilin salt, anthraquinone, arsanic acid, benzaldehyde not suitable for medicinal use, benzalchloride, benzanthrone, benzidin, benzidin sulphate, benzoic acid not suitable for medicinal use, benzoquinone, benzoylchloride, benzylchloride, betanaphthol not suitable for medicinal use, brombenzol, chlorbenzol, chlorophthalic acid, cinnamic acid, cumidin, dehydrothiocoluidin, dlaminostillbene, dianilsidin, dichlorophthalic acid, dimethylanilin, dimethylamidophenol, dimethylphenylbenzylammoniumhydroxide, dimethylphenylenediamin, dinitrobenzol, dinitrochlorbenzol, dinitronaphthalene, dinitrophenol, dinitrotoluol, dioxy-naphthalene, diphenylamin, ethylbenzyl anilin, hydroxyphenylarsinic acid, metanilic acid, methylantraquinone, naphthylamin, naphthylenediamin, nitranilin, nitroanthraquinone, nitrobenzaldehyde, nitrobenzol, nitronaphthalene, nitrophenol, nitrophenylenediamin nitrosodimethylaminin, nitrotoluol, nitrotoluylenediamin, phenol, phenylenediamin, phenylhydrazine, phenyl-naphthylamin, phenylglycocoll, phenylglycocoll-orthocarboxylic acid, phthalic acid, phthalic anhydride, phthalimid, resorcin not suitable for medicinal use, salicylic acid and its salts not suitable for medicinal use, sulphanilic acid, thio-carbanilid, thio-salicylic acid, tetrachlorphthalic acid, tetramethyldiaminobenzophenone, tetramethyldiaminodiphenylmethane, toluol sulphochloride, toluol sulphamid, tribromphenol, toluidin, tolidin, toluylenediamin, zyldin, or any sulphoacid of sulphoacid salt of any of the foregoing, or of any of the products provided for in Group I; all other products by whatever name known which are employed in the manufacture of any of the products provided for in Group II or III and which are obtained, derived, or manufactured in whole or in part from any of the foregoing or from any of the products provided for in Group I; anthracene having a purity of 30 per cent or more, carbazol having a purity of 65 per cent or more, metacresol having a purity of 90 per cent or more, naphthalene having a solidifying point of 79° centigrade or above, orthocresol having a purity of 90 per cent or more, paracresol having a purity of 90 per centum or more; all distillates of coal tar, blast-furnace tar, oil-gas tar, and water-gas tar, which on being subjected to distillation yield in the portion distilling below 190° centigrade a quantity of tar acids equal to or more than 5 per cent of the original distillate; all mixtures, including solutions, consisting in whole or in part of any of the foregoing except sheep dip and medicinal soaps, not otherwise specially provided for in this Act; all the foregoing not colors, dyes, or stains, color acids, color bases, color lakes, leuco-acids, leuco-bases, indoxyl, indoxyl compounds, ink powders, photographic chemicals, medicinals, flavors, synthetic resin-like products, synthetic tanning materials, or explosives, and not otherwise specially provided for in this title, 40 per cent ad valorem.

"Group III. All colors, dyes, or stains whether soluble or not in water, color acids, color bases, color lakes, leuco-acids and leuco-bases whether colorless or not, indoxyl and indoxyl compound; ink powders; photographic chemicals; acetanilid suitable for medicinal use, acetphenetidn, acetylsalicylic acid, antipyrine, benzaldehyde suitable for medicinal use, benzoic acid suitable for medicinal use, betanaphthol suitable for medicinal use, phenolphthalein, resorcin suitable for medicinal use, salicylic acid and its salts suitable for medicinal use, salol, and other medicinals; sodium benzoate; saccharin, methylsalicylate, coumarin, and other flavors; synthetic phenolic resin and all resinlike products prepared from phenol, cresol, phthalic anhydride, coumarone, indene, or from any other article or material provided for in Group I or II, all of these products whether in a solid, semisolid, or liquid condition; synthetic tanning materials; picric acid, trinitrotoluol, and other explosives except smokeless powders; all of the foregoing when obtained, derived, or manufactured in whole or in part from any of the products provided for in Group I or II; natural alizarin and natural indigo, and colors, dyes, stains, color acids, color bases, color lakes, leuco-acids, leuco-bases, indoxyl, and indoxyl compounds obtained, derived, or manufactured in whole or in part from natural alizarin or natural indigo; natural methyl salicylate or oil of wintergreen or oil of sweet birch; natural coumarin; and all mixtures, including solutions, consisting in whole or in part of any of the articles or materials provided for in this group, 45 per centum ad valorem.

"SEC. 501. That on and after the day following the passage of this act, in addition to the duties provided in section 500, there shall be levied, collected, and paid upon all articles contained in Group II a special duty of 6 cents per pound, and upon all articles contained in Group III a special duty of 7 cents per pound: *Provided*, That the special duties herein provided for on colors, dyes, or stains, whether soluble or not in water, color acids, color bases, color

lakes, leuco-acids, leuco-bases, indoxyl and indoxyl compounds, shall be based on standards of strength which shall be established by the Secretary of the Treasury, and that upon all importations of such articles which exceed such standards of strength the special duty of 7 cents per pound shall be computed on the weight which the article would have if it were diluted to the standard strength, but in no case shall any such article of whatever strength pay a special duty of less than 7 cents per pound: *Provided further*, That beginning six months after the date of passage of this act no package containing any such color, dye, stain, color acid, color base, color lake, leuco-acid, leuco-base, indoxyl, or indoxyl compound shall be admitted to entry into the United States unless such package and the invoice shall bear a plain, conspicuous, and truly descriptive statement of the identity and percentage, exclusive of diluents, of such color, dye, stain, color acid, color base, color lake, leuco-acid, leuco-base, indoxyl, or indoxyl compound contained therein: *And provided further*, That beginning six months after the date of passage of this act, no packages containing any such article shall be admitted to entry into the United States if it or the invoice bears any statement, design, or device regarding such article or the ingredients of substances contained therein which is false, fraudulent, or misleading in any particular. In the enforcement of this section the Secretary of the Treasury shall adopt a standard of strength for each dye or other product which shall conform as nearly as practicable to the commercial strength in ordinary use in the United States prior to July 1, 1914.

"The Secretary of the Treasury is hereby authorized to make regulations for the enforcement of the provisions of this title.

"SEC. 502. That paragraphs 20, 21, 22, 23, 170, 394, 452, and 514; and the provision for salicylic acid in paragraph 1; and provisions for salol, phenolphthalein, acetanilid, acetphenetidn, antipyrine, acetylsalicylic acid, and aspirin in paragraph 18; and the provision for benzoate of soda in paragraph 67; and the provisions for carbolic and phthalic acids in paragraph 387 of an act entitled 'An act to reduce tariff duties and to provide revenue for the Government, and for other purposes,' approved October 3, 1913, are hereby repealed: *Provided*, That all articles which may come within the terms of paragraphs 1, 5, 14, 20, 37, 46, 63, 501, and 538 of said act of October 3, 1913, as well as within the terms of Group I, II, or III of section 500 of this act, shall be assessed for duty or exempted from duty, as the case may be, under this act.

"SEC. 503. That on and after the day when this act shall go into effect all of the foregoing goods, wares, and merchandise previously imported, for which no entry has been made, and all of the foregoing goods, wares, and merchandise previously entered without payment of duty and under bond for warehousing, transportation, or any other purpose, for which no permit of delivery to the importer or his agent has been issued, shall be subject to the duties imposed by this act, and to no other duty, upon the entry or the withdrawal thereof: *Provided*, That when duties are based upon the weight of merchandise deposited in any public or private bonded warehouse said duties shall be levied and collected upon the weight of such merchandise at the time of its entry.

"SEC. 503 (a). During the period of two years after the date of the approval of this act it shall be unlawful for any person or persons or corporation to import or bring into the United States, or any of its possessions, except under license previously obtained, as hereinafter provided, from the United States Tariff Commission, any of the products enumerated in section 500 of this act, or any product derived directly or indirectly from coal tar, including crude products and intermediate products, as well as dyestuffs, medicinals, and other finished products, and including mixtures and compounds of such products and other products.

"To meet the reasonable expenses of the United States Tariff Commission in the execution of the duties imposed upon it by this act, the cost of maintenance of a suitable office at a place to be designated by the commission, the commission may charge a reasonable fee for the issue of each license. Should the moneys received from such fees in any year be less than the said expenses the deficiency shall be paid out of the appropriation for 'expenses of collecting the revenue from customs.'

"SEC. 503 (b). The said United States Tariff Commission shall issue licenses to import for domestic consumption such of the products covered by section 503 (a) of this act, as may be unobtainable from domestic sources and also such and such only of the said products as may, though obtainable from domestic sources, be unobtainable on reasonable terms as to price, quality, and delivery. The commission shall limit the issue of licenses to import any

product as nearly as may be to the quantities required by the actual current needs of the consuming industries in the United States, having regard to the necessities of such industries as are unable to determine beforehand their requirements. Nothing herein contained shall authorize the commission to refuse a license to a manufacturer, person, or agent to import for actual use by the manufacturer a foreign dye when such domestic dye of equal quality is not immediately available for his use. The commission in passing upon applications for such licenses may regulate its own practice and procedure, but shall so regulate the same as to prevent all avoidable delay.

"Sec. 503 (c). Any product described in section 503 (a) of this act which shall be imported into the United States or any of its possession without license, as provided in said section 503 (a), shall be forfeited and shall be destroyed whenever and wherever found.

"Sec. 503 (d). Any person subject to the jurisdiction of the United States who shall, either as principal or as necessary, import or attempt to import or aid in importing any product described in section 503 (a) of this act without license as therein provided shall be fined not exceeding \$5,000 or the value of such product at the time of importation, whichever shall be greater, or shall be imprisoned for not more than one year, or both.

"Sec. 504. Except as otherwise herein specially provided, this act shall take effect on the day following its passage."

Senator WARSON. After talking with other members of the subcommittee who are present this morning—and all of the members will be present at later sessions, being detained at this time, some of them—our thought is that the proponents of this measure, having the affirmative of the issue, make the first statement, and the subcommittee will determine from time to time as to the course of the proceedings; but in the meantime we do not desire that more than two persons shall be heard from any one angle of this question. We can then determine as to the further order.

Mr. Choate, are you the first witness?

Mr. CHOATE. I am hardly a witness, Mr. Chairman, but rather appear as counsel for the American Dyes Institute.

Senator WATSON. If you wish to make a statement the subcommittee will be very glad to hear you at this time.

Mr. CHOATE. I thank you.

Senator WARSON. Just state your full name, address, and the capacity in which you appear.

STATEMENT OF JOSEPH H. CHOATE, JR., ESQ., NEW YORK, COUNSEL FOR AMERICAN DYES INSTITUTE.

Mr. CHOATE. Mr. Chairman and gentlemen of the committee, my name is Joseph H. Choate, jr.; my residence is New York; and I am appearing before you as counsel for the American Dyes Institute, an association which includes the makers of, I think, upward of 90 per cent of the dyes produced in the United States, and nearly all those makers who produce a substantial quantity.

At this time I merely want to make a brief opening statement and call your attention to what we hope to show and prove in regard to the dye industry and give a brief explanation of the bill.

Our proposition is that the dye industry is of such supreme importance as to be absolutely—and I do not mean relatively; I mean absolutely—necessary to the continued prosperity and safety of the country; that on it depends the national defense, the security of the country; that on it depends the progress of scientific, particularly medicinal, chemistry, the progress of industrial chemistry, and

through industrial chemistry the progress of industry generally; that on this industry are economically dependent other industries which produce three billions of dollars of goods each year, with three billions of dollars more dependent upon this industry; that the German competition to which our new industry will be exposed after traffic is reopened will be so unscrupulous, so reckless, so powerful that special protection is required for our new industry to survive; that our new industry has been developed by great and patriotic sacrifice to a point it deserves to survive; and that it can not survive unless some protection more than the antidumping legislation or any conceivable corrupt-practice legislation is afforded.

With these ideas in mind, we have asked you to call a number of witnesses, coupled with the chairman's request that not more than two of them will show you the relations of chemical warfare, medicinal science, etc., to the chemical industry and to the industries which use the product of the dye industry. We wish to call witnesses to show the condition of the German industry at this time and of the American industry at this time; and we think that the testimony which they will give will enable you to see that the contentions which we make are unescapable.

The bill itself comprises two features; in the first place, an ordinary tariff bill, providing for a free listing consisting of those crude products which are produced as readily in this country as anywhere else and as cheaply; secondly, intermediates, on which very complicated manufacturing processes have been applied, and which are subjected to a duty lower than that on the finished products, a specified ad valorem; and, finally, on completed manufactured products, upon which a higher duty is imposed.

The rates imposed upon the products were selected by the Ways and Means Committee of the House practically without suggestion from the American Dyes Institute or from any other persons interested. It is our contention that no human being can state with any accuracy the relative costs of production in Germany and the United States to-day, and therefore we were unable to give the Ways and Means Committee of the House the assistance which they usually ask and desire in that matter. I make this statement to show you that we are not responsible for the rates made there. We do contend that they will afford no substantial protection, particularly in view of the extraordinary nature of the exchange prevailing between the two countries to-day which cuts normal German prices to one-fifth the normal figure.

In addition to the rates in the House bill, it incorporates the so-called license plan. The license plan is a selective embargo, if I may call it such, which is intended to shut out absolutely for a limited time those products which are made in this country and also those which are not necessary—

Senator SIMMONS (interposing). Without reference to whether they are made in sufficient quantities or not.

Mr. CHOATE. I am coming to that.

It is intended to shut out only those made in this country which are made on satisfactory terms as to price, quality, and time of delivery. The idea is to shut out what is not needed.

Senator NUGENT. What about quantity?

Mr. CHOATE. Yes, sir; as to quantity. To shut out what is not needed, and to let in everything that is needed. That, obviously, gives protection to industry in some flexible way.

Nine hundred and sixty-odd dyes were imported into this country before the war. Three hundred and odd dyes are made in this country to-day. New ones are being placed upon the market every week, and almost every day. Accordingly, no hard-and-fast rule can be laid down forthwith in legislation and some flexible system has to be adopted.

The only system that has been suggested to this day has been the license system which was adopted by Great Britain at quite an early stage and has now been adopted by France, in each case being applied for 10 years. Under this system, as provided in this bill also, none of the products covered by the bill are allowed to be admitted to entry unless and until the import is licensed by an appropriate body. This body in our bill is directed in mandatory language to grant all applications for license when the product in question is not made in this country on satisfactory terms as to quality, price, and delivery. So that unless somebody fails in the duty imposed upon him by the mandatory language of the act, any man who requires, needs, or wants, irrespective of its purpose and irrespective of his personnel, whoever he may be, importer or manufacturer, German or American, or whatever his purpose, can get what he wants by importing it if he can not get it on fair and satisfactory terms out of home manufacture.

As originally presented, this bill followed the plan adopted in Great Britain and France. It created a new commission consisting one-half of consumers and one-half dye makers, with a neutral chairman, the idea being to get a balance vote, so that in case the interests of the two industries conflicted and there should be a deadlock it would be solved by a neutral chairman connected with neither industry.

The original bill provided that the commission should be appointed by the Executive. That provision was deleted by the Ways and Means Committee of the House, who substituted a commission to be selected by the trade associations, which was perfectly satisfactory to everybody connected with the industry, for they did not care how the members of the commission were selected so long as selected from experts in the two industries. After the bill came into the House, however, doubts were expressed as to the constitutionality of a commission so composed to administer the powers delegated by this bill, and accordingly in the House the tariff commission was substituted as the licensing body. In some respects it is a highly appropriate licensing body, because it already has information and has the means of obtaining information that no other body has. However, I might state that I understand it does not consider itself an appropriate body for the purposes of this bill.

Senator SIMMONS. Why not?

Mr. CHOATE. Because it has not administrative functions at present. I think it could, however, easily acquire them.

Senator SIMMONS. If it is competent to administer the tariff it ought to be competent to administer those powers.

Mr. CHOATE. It does not administer the tariff, but informs the Congress in regard to the tariff.

Senator SIMMONS. Which is worse.

Mr. CHOATE. Which is more difficult.

The bill provides that the expense of the Tariff Commission in the execution of the duties imposed upon it shall be met by the charging of a license fee. This has been criticized by some persons, and I think with some fairness, as imposing a duty on the Tariff Commission that would be unpleasant. I think it would be more desirable that the expense should be met by an outright appropriation, but that is a detail which need not concern us at this time. The thing to remember in this connection is that the license plan is a mere attempt to provide a flexible partial embargo; to furnish the protection which a tariff alone can not furnish under the circumstances, and without which we believe and submit that our new industry can not survive.

Mr. Chairman, I have submitted a list of witnesses who will present you the various aspects of the question with which I have dealt, and I should like very much and will submit with all humility that the chairman call them in the order of the names as given, and after the witnesses named in the list have been exhausted I suggest that the members of the American Manufacturing Chemists' Association, who have come down here to present their views on this matter independently, be given an opportunity to be heard. I understand they will be very brief.

Senator CURTIS. Have you some one man who can cover nearly all this subject without our hearing 40 or 50 witnesses?

Mr. CHOATE. Senator Curtis, I think there are several men who could do it, but we do not like to give second-hand information. We would prefer to give you first-hand information, so that when you ask a question you may get an authoritative answer and not the mere say-so of myself or somebody else.

I do not think the method we have adopted will take very much more time; in fact, I doubt if it will take any more time and think you will find their statements very interesting.

Senator CURTIS. All right.

Senator WATSON. Who is your first witness, Mr. Choate?

Mr. CHOATE. The first witness is Gen. Sibert.

Senator WATSON. The committee will be very glad to hear Gen. Sibert.

STATEMENT OF MAJ. GEN. W. L. SIBERT, DIRECTOR UNITED STATES CHEMICAL WARFARE SERVICE, WASHINGTON, D. C.

Senator WATSON. Gen. Sibert, give your name and present position.

Gen. SIBERT. William L. Sibert; I am now director of the Chemical Warfare Service, and a major general in the Army, at Washington, D. C.

Senator WATSON. How long have you been director in the Chemical Warfare Service?

Gen. SIBERT. Since its organization as such. The work was underway under various heads before, but when it was consolidated under one agency I was made director of the service.

Senator WATSON. Now, Gen. Sibert, you may proceed in your own way to make your statement.

Gen. SIBERT. I was directed by the War Department to appear here this morning to answer any questions or to make a statement concerning the relation of the chemical industries, especially the dyestuffs industry, toward preparation for chemical warfare.

Senator WATSON. You may proceed.

Gen. SIBERT. I have been very much impressed during the war by a statement which I read somewhere that every great chemical industry was a potential arsenal. If you examine the products of any large chemical plant you will find that some one or other of its products is necessary in the production of high explosives, toxic gases, medicines, or some other substance essential in war. This is more nearly true in the dyestuff industry than in any other industry. In the destructive distillation of coal incident to the manufacture of dyestuffs we find that certain products are obtained which are essential to the manufacture of high explosives. Five of our most important gases have, as one of their constituent elements, either a by-product or an intermediate product formed in the manufacture of dyestuffs.

We found in the beginning of this war that only about 30 per cent of the ovens engaged in the production of coke were using the by-product method. During the war that increased to 50 per cent—that is, we were utilizing and saving at the end of the war about one-half of the by-product from the destructive distillation of coal in the manufacture of coke, and 50 per cent of it was still going to waste and not being used.

Germany, as I understand, furnished about 90 per cent of the dyestuffs of the world at the beginning of this war. That meant that she had available all the material that she could possibly utilize in the manufacture of high explosives for shells; it meant that she had available all the material she needed in the manufacture of certain gases—in the manufacture of many of her dyes she utilized chlorine, which is not a direct product of the distillation of coal but is essential to the dyestuff industry. Chlorine is the basis of more than half of our gases; and the five I mentioned must have as an element one of the direct products of the distillation of coal.

One may readily see, therefore, that a nation which has no dye industry is weak in high explosives, weak as to its capability to manufacture gases, medicines, and many other products. This Nation was especially weak in this respect at the beginning of the war.

The value of these great chemical plants is threefold: First, the phase that I have covered; second, the plants themselves are of great military value because nearly all of them can, with slight changes, be made to manufacture things needed in war; and, third, the plant personnel is a great war asset.

After the spring drive of the Germans in 1918—which, by the way, almost defeated the Allies through the unexpected use of gas in quantities that had never been dreamed of before—it was decided to increase by 800 per cent our program in the manufacture of mustard gas in this country. Col. Walker, who had charge of our gas production division, held a meeting at Baltimore, at which I was present, to determine how we could meet the situation. Mustard gas is made from salt, sulphur, and alcohol. That is, these are the basic materials used in the manufacture of this gas. We found that we

could get the sulphur, and we could make the chlorine and we could get the alcohol, but when the question was put up to manufacturers as to the actual making of mustard gas none of them wanted to attempt it, because they said they had no trained personnel. They did not have men who had the necessary experience to justify their attempting to make such a dangerous substance. So the Government concluded that it would have to make this material itself. However, later on two or three manufacturers decided to try it. I mention this experience to show the value that such personnel would have in this country. If we had great chemical industries, such trained personnel would be always available.

Senator WATSON. Does the manufacture of mustard gas have anything to do with the dyestuffs industry itself? In other words, is there any relation between those two industries, aside from personnel?

Gen. SIBERT. Not directly.

Nevertheless, in the manufacture of many of the dyes, chlorine is essential, which would mean that chlorine plants would have to be developed in our country along with the dye industry.

Senator WATSON. To what extent did our dye industries in this country manufacture high explosives at the close of the war that were used in warfare?

Gen. SIBERT. I can not give you the figure, but it was an immense amount, and it met the situation at the close of the war. We were meeting the situation then.

Senator WATSON. That is to say, you were supplying the demand of the American Expeditionary Forces?

Gen. SIBERT. We had plants and had started production that would do it.

Senator WATSON. How soon?

Gen. SIBERT. I think you better ask the Ordnance Department that question. I can answer that question with respect to gas better than I can with respect to high explosives.

Senator WATSON. Very well; what do you say about it with reference to gas?

Gen. SIBERT. We were manufacturing gas at the end of the war faster than Germany, England, and France all put together. We did not have the projectiles in which to put this gas, but we shipped to France nearly 4,000 tons of gas in containers that went into shells that were made in France and England, and we got our shells from France primarily.

Senator WATSON. Was that gas made in the dye plants in the United States?

Gen. SIBERT. No, sir.

Senator WATSON. What is the relation, then, between the manufacture of dyes and the manufacture of gas?

Gen. SIBERT. Five of our gases have as one of their constituent parts material produced in the manufacture of dyestuffs. In the preparation of toxic gases, high explosives, and dyestuffs up to a certain point the same substances are produced. The process, in other words, is the same up to this point when these substances become the raw materials used in the production of either a toxic gas, a high explosive, or one of the dye materials, as the need may be. The

dyestuff industry, therefore, may be said to furnish the necessary ingredients for either toxic gases or high explosives.

Senator SIMMONS. A chemical plant furnishes the material and then you use that material so as to produce high explosives or gas; is that it?

Gen. SIBERT. Yes. The distillation of coal or of coal tar produces materials which are constituents of gases, of high explosives, or of the dyes. Toluol is an example of such a material. This is one of the principal ingredients used in making such an explosive as T. N. T. which we had adopted for use in our shells.

Senator WATSON. You may resume your statement.

Gen. SIBERT. There is another consideration, and that is, preparedness for war—

Senator SIMMONS (interposing). Before you reach that point: You have just stated that we manufactured a large quantity of gas over here, more than France, England, and Germany all put together, or were doing it just before the war closed. Were we sending it over there?

Gen. SIBERT. Yes, sir.

Senator SIMMONS. Now, you did not state whether we were sending any high explosives to the American Expeditionary Forces or not.

Gen. SIBERT. You can get that from some representative of the Ordnance Department, and I think from some of them present here at this time.

Senator SIMMONS. I am asking you whether we were, as a matter of fact, furnishing any part of the explosives to the American Expeditionary Forces before the war closed.

Gen. SIBERT. We were making them and, as a matter of fact, had large quantities in storage. We also shipped explosive to Europe, but to what extent I do not know. It was not a part of my duty to know about that.

Senator SIMMONS. Were we shipping it in quantity?

Gen. SIBERT. I believe so.

Senator SIMMONS. In any great quantity?

Gen. SIBERT. The Ordnance Department can answer that better than I can, Senator. I did not have anything to do with that. I do know that it went over there; they can tell you exactly how much went over, however.

Senator SIMMONS. It was being produced in Government plants?

Gen. SIBERT. It was being produced by contractors largely.

Senator SIMMONS. Explosives?

Gen. SIBERT. Yes, sir.

Senator SIMMONS. Altogether by contractors?

Gen. SIBERT. Well, I am not posted along that line.

Mr. CHOATE. We can give you that information, Senator Simmons.

Gen. SIBERT. My work was connected with gas matters and not with explosives.

Senator SIMMONS. All right. We will get that later on from somebody else.

Senator WATSON. You may continue your statement, Gen. Sibert.

Gen. SIBERT. We found in this war that we were handicapped in our activities by the necessity for developed electric energy and electrochemical equipment. We could not manufacture chlorine, except

by means of electricity. We had to produce ten times our normal supply of phosphorus. This required large electric furnaces which consumed a great amount of electrical energy.

Senator WATSON. Gen. Sibert, this inquiry is about the necessity of establishing a dye industry in the United States. Of course, your testimony will bear upon that as you show the necessity of the industry in its relation to the manufacture of explosives and gases necessary for the defense of the country. If you can show this committee the relationship between products that are used in warfare and the dye industry that will enlighten us.

Gen. SIBERT. Well, this field I am on is along that line.

Senator WATSON. All right. You may proceed with your statement.

Gen. SIBERT. Any industry in this country, whether it be a dye industry or any other chemical industry, which demands and brings into existence electrical plants, is valuable, not only for commercial purposes but also for military use. The dyestuff industry demands such electrical equipment.

I believe that is all I have to say unless somebody wants to ask questions.

Senator WATSON. Of course, before the war we were making none of these things, were we?

Gen. SIBERT. No, sir.

Senator WATSON. All that we now have were developed during the war?

Gen. SIBERT. Yes, sir. Germany before the war, in the manufacture of certain dyes, such as Michler's ketone, used phosgene, which is one of the most poisonous gases known. I understand that in the manufacture of these dyes or dyestuffs they had facilities to produce about 10 tons of this gas per day. We had no facilities to produce this or any of the other gases on anything like a war scale.

Senator WATSON. Does any other member of the committee wish to ask Gen. Sibert any questions?

Senator CURTIS. I have none.

Senator NUGENT. I do not wish to ask any questions.

Senator SIMMONS. That is all I wish to ask.

Senator WATSON. That is all, then, Gen. Sibert. We thank you for your attendance here.

Mr. Choate, who is your next witness?

Mr. CHOATE. Admiral Earle.

Senator WATSON. The committee will be glad to hear Admiral Earle.

STATEMENT OF REAR ADMIRAL RALPH EARLE, CHIEF OF BUREAU OF ORDNANCE, NAVY DEPARTMENT, WASHINGTON, D. C.

Senator WATSON. State your name, please.

Admiral EARLE. My name is Ralph Earle; I am Chief of the Bureau of Ordnance, Navy Department, and have been since December, 1916.

Senator WATSON. You may proceed with your statement.

Admiral EARLE. Mr. Chairman, I have been asked to explain what influence the protection of the dye industry would have upon the production of explosives, and so forth, in time of war. As Gen. Sibert

has stated, a large number of explosives depend upon coal tar and its derivatives for their main body. Practically all the substances that we use in our high explosives work, for loading shells, loading our torpedo war heads, and loading our mines, depend upon the nitration of some form of these distillates.

During the war we used as much toluol as could be obtained, but the production of that material was not sufficient, so that we were led to adopt other substances, one of which was xylo; but the main reason why we were short in this country, or one of the main reasons, and I think the main one, was the fact that we had no well developed dye plants in existence. Had we had such plants in existence we would not have been forced to build plants during the war, at a tremendous expense to the Government and at great loss of time, in order to produce toluol and xylo, not to mention phenols and various other substances.

Senator WATSON. In other words, if we had had a dye industry at that time it would not have been necessary to build special plants to make that product; is that it?

Admiral EARLE. Well, it would take only about three weeks to convert the most of the dye-making industries of the country directly into war use, and, of course, without building plants. The Navy had to build one for the manufacture of xylo—one alone, and the Army helped and encouraged everybody to produce a larger amount of toluol from illuminating gas, and so forth.

Time is a very important element in these things, I mean in reference to war. Of course, we had time in this last war; there was no invasion of our country threatened at any time, and therefore we had time to do it. But from the standpoint of national defense we do not think we ought to be put in that position again, and I think it would be wise in time of peace to have industries fostered in this country, by regulation or otherwise, so that we would be ready at any time in the future.

As to the present situation, the war having concluded, these war plants must, quite naturally, go out of existence, and the only way to get distillation of by-products, and so forth, including coal tars and gases, and increase production in this country, is by protecting the dye industries.

Senator SIMMONS. In connection with your use of the word "protecting" you mean by permitting the industry to become established?

Admiral EARLE. Yes, sir.

Senator SIMMONS. I like that very much better.

Admiral EARLE. All right. Of course, the fact is, sir, that they will be soon built up, that they will build up these expensive plants and you will then have them. In other words, it appears to be a very desirable thing from really three points of view: One is, with the development of the industry there is brought about an erection of these plants—

Senator SIMMONS (interposing). Is there any other industry that could provide those plants?

Admiral EARLE. Not that I know of in time of peace.

Senator SIMMONS. Or in war?

Admiral EARLE. In war the Government may build chemical plants.

Senator SIMMONS. I assume that none were built when the war suddenly started. Is there any other industry except the chemical industry that has plants that could be easily converted for the purpose of producing these gases and explosives?

Admiral EARLE. You can obtain some of it from illuminating gas plants, but that is the only source I know of outside of the chemical companies. There are not many of them now; that is, forming any big production.

Senator SIMMONS. Do illuminating gas plants supply these products in sufficient quantities?

Admiral EARLE. No, sir.

Senator SIMMONS. But if we had a chemical industry well established in this country it would at all times have sufficient plants that would be easily convertible?

Admiral EARLE. It seems to me so from what little I can learn of what is necessary in this dye industry. It requires extensive plants, and that is one reason why we must have them.

Senator WATSON. Your theory is that this chemical industry is not so likely to be developed and plants constructed on a sufficient scale apart from the dye industry.

Admiral EARLE. That is my idea, sir. That is the information I obtained.

Another point is, that after the dye industry is once developed—

Senator SIMMONS (interposing). Would the chemical industry if not engaged in the production of dyes; that is, would their plants, the plants that they require, be of a kind or character that you would need?

Admiral EARLE. No, sir.

Senator SIMMONS. Then your theory about this is, I take it—or, we have had the theory in this country for a long time that we have not acted upon as fully as I think we should have acted upon it, that in order to have at all times a sufficient auxiliary navy we ought to establish a merchant marine.

Admiral EARLE. Yes, sir.

Senator SIMMONS. And require vessels to be built upon certain specifications?

Admiral EARLE. Yes, sir.

Senator SIMMONS. According to specifications provided by the Navy Department, so that they may be easily convertible into auxiliary vessels?

Admiral EARLE. Yes, sir.

Senator SIMMONS. Your theory with reference to the dye industry and the manufacture of necessary explosives and gases, is about on a line with our old theory in reference to the merchant marine?

Admiral EARLE. Exactly the same.

Senator SIMMONS. To use as an auxiliary of the Navy in time of war?

Admiral EARLE. Yes, sir; exactly so.

Of course, to develop a dye industry would give you a large body of trained men, who are essential from the standpoint of military and naval preparedness. For instance, you must have them if you are going to develop plants for either the manufacture of gas or explosives. You must have trained and experienced men for that purpose.

Senator WATSON. What explosives did we send abroad during the war?

Admiral EARLE. During the war the Navy's principal explosives, outside of powder, were, of course, trinitrotoluol and explosive D. we used trinitrotoluol in mines and torpedoes and explosive D in shells.

Senator WATSON. To what extent did you send them abroad?

Admiral EARLE. Well, we met all demands in the Navy, sir, for explosives. But in order to do it time was required, that is, I mean to continue to do it we had to depend on plants that we had started since the war.

Senator WATSON. That is, as far as these products are concerned which you actually sent abroad?

Admiral EARLE. Yes, sir.

Senator WATSON. The dye industry had nothing to do with those explosives?

Admiral EARLE. No, sir.

Senator WATSON. Those explosives were made in Government institutions?

Admiral EARLE. Yes, sir; a portion of them. That is the point I am making, if we had had plants and men we would have been able to do it much more quickly and much more cheaply or economically.

Senator SIMMONS. The Government, meaning the Navy, could build these auxiliary vessels I was talking about a moment ago, but it would take more time.

Admiral EARLE. Yes, sir.

Senator SIMMONS. If they had been already in commission you could have converted them quickly.

Admiral EARLE. Yes, sir.

Senator SIMMONS. And you make the same point about this matter?

Admiral EARLE. Yes, sir.

Senator WATSON. It is simply a question of preparedness?

Admiral EARLE. Yes, sir.

Senator NUGENT. Is there any reason why the governmental institutions can not continue in being, that is, any particular reason?

Admiral EARLE. There will be no incentive to manufacture or to increase distillation of toluol and xylol, for instance, if they are not wanted.

Senator NUGENT. Can not they be stored?

Admiral EARLE. No, sir; there is no way we can pay for it or have them stored.

Senator WATSON. Is that all you have to say, Admiral Earle?

Admiral EARLE. There is only one more point. I have brought out two points, but want to call attention to another point, and that is the fact that the industry is of—

Senator SIMMONS (interposing). Before you leave that let me ask: You say the Navy had to build these plants?

Admiral EARLE. Yes, sir.

Senator SIMMONS. How long did it require you to build and equip these plants?

Admiral EARLE. Well, it took us a little over a year to get the xylol plants going in the Navy. The toluol that we had been able to

obtain up to that time had been sufficient; and the xylo plant came into production in time, which was one year.

Senator NUGENT. Well, do the constituent elements of those high explosives, etc., you have mentioned deteriorate if they are kept for any length of time?

Admiral EARLE. Not necessarily so; no, sir.

Senator NUGENT. Could not they be stored in containers after having been manufactured in one of these Government plants?

Admiral EARLE. Yes, sir. What was left we have stored, of course.

Senator NUGENT. Could not they be manufactured in such quantities in these Government plants as to supply what might reasonably be determined to be a sufficient quantity to meet emergency?

Admiral EARLE. That could be done, yes, sir; there is no doubt about that. But, of course, a great many of the plants—and I am speaking of the one the Navy built more particularly—that has been dismantled already, and its machinery diverted to other uses.

Senator NUGENT. Then, it is your judgment that so far as the manufacture of these various elements that enter into high explosives, etc., is concerned, the Government could manufacture them at the plants which are now in existence, or which were in existence at the close of the war, and that the matter of their manufacture is not solely dependent upon the dyestuffs industry?

Admiral EARLE. No, sir; not wholly. Of course—

Senator SIMMONS (interposing). Aren't you dependent upon the dyestuffs industry for your basic material?

Admiral EARLE. We are dependent upon it for our chemists and trained men.

Senator SIMMONS. And they are quite as important as the matter of material, aren't they, or almost?

Admiral EARLE. Yes, sir.

Senator NUGENT. Can not the Government train them as well as can the manufacturers of these dyestuffs?

Admiral EARLE. We have no facilities in the Navy for doing this, sir, now.

Senator NUGENT. Can it be done, as a matter of fact?

Admiral EARLE. It could be done; yes, sir. Of course, we could do it.

There is only one other point I wanted to speak about, and that was, that the manufacture of dyes is a very intricate chemical work, and in its manufacture it calls for men of the very highest skill and chemical knowledge, and in that way it tends to research work and a study of many abstruse and intricate problems, which will be covered by having a large body of chemists engaged on the subject, a service we could not hope to obtain in any other way. But having in this country a basic industry like the dye industry these men will naturally be lined up with the industry and available on call.

Of course, I have only spoken of the use of the materials in connection with explosives, and Gen. Sibert in connection with gases; but the medical part of the problem is, as you know, about as big a one as any other part. That is, of course, the health of the Army and the Navy is a vital point during war. Right from the dye industry do we get men who are working along the lines of synthetic

drug manufacture. You know cancer is one of the biggest diseases in the world, and, of course, looks to the dye industry alone for relief. I do not know of any other place where we could get men who could develop cures for such terrible diseases: But that is not my point.

Senator NUGENT. Do you consider that the manufacture of the constituent elements to which you have referred would fall within the general heading of armament,

Admiral EARLE. Well, yes, sir; under the general head of preparedness.

Mr. Chairman, I have nothing more to add, I believe.

Senator SIMMONS. Admiral, Gen. Sibert was unable to tell us a little while ago to what extent at the time of the close of the war we were manufacturing and had already manufactured for use by our forces abroad, explosives. He thought you could give us that information.

Admiral EARLE. For the Navy we were able to manufacture sufficient explosives and were ahead. We were ahead of the demand.

Senator SIMMONS. You manufactured them in this country?

Admiral EARLE. Yes, sir.

Senator SIMMONS. Well, now, did you get all your essential materials from the manufacturing plants in this country?

Admiral EARLE. Yes, sir.

Senator SIMMONS. At the beginning of the war would those plants have been able to furnish you with the essential materials?

Admiral EARLE. No, sir.

Senator SIMMONS. What proportion would they have been able to furnish you of those materials at the beginning of the war?

Admiral EARLE. Our figures on the amount of high explosives needed for the Navy showed that we fell short about 60 per cent of what we actually needed. In other words, they supplied about 40 per cent.

Senator SIMMONS. Who supplied about 40 per cent?

Admiral EARLE. We could get toluol from plants then existing.

Senator SIMMONS. In existence at the beginning of the war?

Admiral EARLE. Yes, sir.

Senator SIMMONS. At the close of the war they were furnishing 100 per cent?

Admiral EARLE. Yes, sir. But I understand that the Army was much shorter than the Navy, because theirs was a bigger problem.

Senator SIMMONS. Did the plants succeed in furnishing the Army all they required?

Admiral EARLE. Eventually they did, when the plants were built up.

Senator SIMMONS. Were those plants engaged in the production of dyes?

Admiral EARLE. They were not dye plants. We did not have many dye plants. If we had had, it would have been an easy matter.

Senator SIMMONS. You are not speaking of materials secured from dye plants, but outside of them?

Admiral EARLE. Yes, sir. If we had had dye plants we would have had a sufficiency of gases, of toluol, and phenol, and xylo.

Senator SIMMONS. Did you have to get any of these essential materials from the dye plants?

Admiral EARLE. We got some from the chemical plants. I do not think that the dye plants, as such, were very large.

Senator WATSON. Were the chemical plants related to the dye plants at that time?

Admiral EARLE. They are all related. They are all tied up in these industries.

Senator WATSON. I believe that is all, Admiral. We thank you for your attendance here.

Mr. Choate, who is your next witness?

Mr. CHOATE. Mr. Manning.

Senator WATSON. The subcommittee will be glad to hear Director Manning.

STATEMENT OF MR. VAN H. MANNING, DIRECTOR BUREAU OF MINES, DEPARTMENT OF THE INTERIOR, WASHINGTON, D. C.

Senator WATSON. The subcommittee will be very glad to hear from you, Dr. Manning.

Director MANNING. Mr. Chairman, I am appearing to-day in the interest of the whole by-product coal-tar industry.

On September 3, 1914, shortly after the war was declared with Germany, the Secretary of the Interior called at Washington a conference of some 25 chemical manufacturers and textile manufacturers for the purpose of ascertaining whether or not the Government could do anything toward the promotion of the dye industry. The newspapers were announcing the fact that with an embargo placed upon the dye industry the United States would have to look to some other agency than Germany to get a sufficient quantity of dyes.

At that time, I understand, there were only about six coal-tar dye plants in the United States. At the present time there are about 160. I make that statement to show the stimulation given by the Secretary of the Interior toward the development of the dye industry; I mean, as far back as September 3, 1914. On October 28, 1919, the Secretary addressed a letter to Senator Lenroot in which he gives his unqualified approval of bill H. R. 8078, which I understand is before this subcommittee for consideration. Shall I read it?

Senator WATSON. I think not.

Director MANNING. I would like to submit it for the record. It gives a statement of his feeling in the matter now.

Senator WATSON. We will be very glad to have it go in.

Director MANNING. The letter is here submitted to be included in the record.

OCTOBER 28, 1919.

MY DEAR SENATOR: You will, I am sure, pardon me for urging upon you the need of early and immediate action on a bill which I feel is of the utmost importance to our industrial welfare, as well as for the country's future preparedness. I refer to House bill No. 8078, entitled "An act to regulate the importation of coal-tar products, to promote the establishment of the manufacture thereof in the United States, and, as incident thereto, to amend the act of September 8, 1916, entitled 'An act to increase the revenue, and for other purposes.'"

The bill above referred to has received very careful attention from some of the best of our country's business men and receives their unqualified approval, and I think also the practically unanimous approval of the country's chemical and

technical men. When I say unanimous approval I, of course, understand that there are certain interests, formerly connected with the importation of German dyestuffs, who, naturally anxious to continue their business after the war, are themselves opposed. They have undoubtedly also influenced some of their former customers against the American industry in favor of the continued importation of German dyes. They represent, however, only a few interested parties and the country's interests should not be allowed to suffer on account of their opposition.

America has within itself every facility in the way of raw materials, knowledge, men, etc., that is necessary for a great dye and chemical industry. During the four years of the war when there has been no competition with German dyes, nearly \$400,000,000 have been invested in American dye plants, and the American industry has naturally made very great strides. Dye for dye and color for color, the American-made dyes are equal in every way to any dyes that Germany ever produced. There are, however, a considerable number of dyes America has not yet produced, owing largely to the fact that they were covered by German patents and the dye industry did not dare to undertake their manufacture. The Chemical Foundation has, however, now taken over all German patents, so that these patents are available to the American dye industry, and the American factories are rapidly preparing to produce these dyes, especially the so-called vat dyes which are so necessary for the American market. Under the licensing system of the War Trade Board only so much of these dyes could be imported as the War Trade Board allows. This licensing power will, however, expire with the signing of peace, and, as Germany is thoroughly aware of the situation and has large stocks of these dyes on hand, the country could be flooded as quickly as steamers could come from Europe with a supply of these dyes which the Germans would be willing to dump on the American market in quantity, even at a considerable loss in order to throttle the American industry.

These tactics have been pursued many times in the past, as the Allen Property Custodian has so clearly and forcefully pointed out. There is no question but that Germany is ready to use these tactics again the first opportunity. She is especially willing to do so as England, France, and Japan have already established a licensing system which will keep these German dyes out of those countries. At the present time when the American dollar is at such a premium with reference to the German mark, no protective duty would suffice to keep German dyes out of this country, and a virtual embargo is necessary if our industry is to survive.

A dyestuffs industry has been shown very clearly to be necessary not only in time of peace, but it is a basic industry for war, as it contains all the essentials in the way of raw material, trained men, apparatus, etc., for quick and easy conversion into a munitions industry. It was through its dye industry that Germany was early prepared to make munitions and poison gases in quantity and in this country the two industries have proven to be closely related and in a sense interchangeable.

The bill above referred to plans for the importation in limited quantities of any dyes which are not made in America, so that our people may have the advantage of any colors made in Germany which are not produced here, but prevents the flooding of this country with these dyes and cuts off their importation whenever our own industry is prepared to supply them at a reasonable price. The licensing proposition is only proposed as a temporary expedient, as the American producers are confident that within a short time they can bring their plants to a basis of production whereby they can compete on a commercial scale with the entire world.

I sincerely trust the above bill may pass the Senate, as it has already passed the House, before the end of the present Congress. If for any reason it can not pass, I trust that a joint resolution continuing the powers of the former War Trade Board, now the War Trade Section of the State Department, may be passed.

Sincerely, yours,

FRANKLIN K. LANE.

The Hon. IRVINE LENROOT,
United States Senate, Washington, D. C.

I have a statement which I would like to make if the committee will allow me.

Senator WATSON. All right; we will be very glad to hear you.

Director MANNING. The life of any nation depends upon its source of raw materials, and the development of our own domestic resources by Americans is the most vital step in our preparedness for national security and defense.

We have the raw materials and our infant industries should be encouraged to further develop the new industries that were initiated as a result of the war. Many commodities were cut off during the war and the American capital and genius produced what was needed through achievements that saved our Nation from humiliation if not defeat. One of the most important achievements of American scientific men brought about by war conditions has been the rapid and efficient development of the dye industry in this country. Faced by a sudden and almost complete shortage of material, American chemists, backed by American capital, accepted the gage thrown down by war conditions and the result has been something of which our country can be proud. The question at issue now is whether this industry shall be continued or whether we shall go back to prewar conditions and once more become dependent upon German products, and not only lose the benefit of the commercial development of dye manufacturing during the last few years but also lose the potential industrial development that goes hand-in-hand with the manufacture of coal-tar-dyes. In addition, we must face squarely the decision as to whether we will or will not place ourselves on a preparedness basis for future possible international troubles, or we shall lose the favorable position we are now attaining along this line and once more place ourselves in the position of being absolutely unprepared as regards certain raw materials necessary for munitions should we have another national crisis.

The importance of these facts was early recognized by the Secretary of the Interior and the Bureau of Mines, for on September 3, 1914, the Secretary called together a conference of the leading manufacturers of coal-tar chemical and pharmaceutical products in order to determine what aid the Government could render to bring about the production of these materials, which previous to that time had been imported. The result of this conference was a thorough discussion of the conditions which existed and a suggestion of procedure to be followed to aid in the development of the dye industry. Suggestions were made to the various departments of the Government and the matter of the waste of products from coal and the effect that elimination of this waste would have upon the War and Navy Departments was brought out.

The importance of the dye industry to Germany can not be measured in dollars and cents. Although her dye exports in 1914 amounted to \$52,000,000, the commercial side of the subject was entirely secondary, as has been shown conclusively by the results of the war. Germany was practically cut off from foreign imports and yet she was able to supply her armies with the necessary explosive material almost entirely through direct or indirect connection with her dye industry. Not only did she manufacture the actual material for explosives in this manner, but her dye factories were easily convertible into munition plants of various kinds, and the personnel was used in the same manner. This fact can not be too strongly emphasized, and a full appreciation of its importance is one of the para-

mount necessities in connection with a proper estimation of the present dye industry in the United States.

In 1914 there were not more than half a dozen companies in the United States producing coal-tar dyes. The total number of these dyes produced in Germany is nearly 1,000. At the present time there are over 160 companies in this country producing more than 300 different individual dyes. This shows the splendid progress that has been made under very adverse conditions. It is one thing to learn how to manufacture a few individual chemicals under restricted import; it is another thing to learn how to make two or three hundred different complex organic chemicals in a very limited time. For this reason the American industry must have time as well as money. Our chemists and manufacturers have made splendid progress in the past. We can not expect them to achieve in a few years all of the results that it has taken Germany more than half a century to reach.

The development of our national dye industry will not only mean future independence from Germany, but more important still, the utilization of our own raw products and the development of associated industries that are vitally tied up with dye production. For example, it will give us synthetic drugs for our Army, Navy, and the general public; it will tend to increase the amount of ammonium nitrate produced, which has a direct bearing not only on munitions but also on fertilizers. As further by-products, either directly or indirectly associated with the manufacture of dyes, we have tar for roads, various paving materials, roofing, waterproofing materials, protective coatings, insulating materials, flavoring extracts, artificial perfumes, photographic developers, and wood preservatives.

Therefore, in the production of these materials as a result of the manufacture of coke, we are getting an increased efficiency in the utilization of our natural resources which should be fostered in every way. In addition to the large number of by-products which are connected with the dye industry and have a direct use in times of peace, some of which have been mentioned above, the development of the industry for preparedness purposes is of paramount importance. Coal tar is the source of our most important explosives. From it we obtain benzol, toluol, phenol, and naphthol, which are the base of most explosives not only used in war times but also in connection with blasting and for other purposes. From benzol is derived tetranitroaniline and tetranitromethylaniline, which have in past years assumed prominence as detonating explosives for projectiles, mines, and torpedoes.

Many other derivatives of aniline have been useful as stabilizers or as gelatinizing agents in nitrocellulose powders. Toluol is the source of trinitrotoluene or T. N. T., which has proved one of the most efficient, if not the most efficient, explosives for use in shells, torpedoes, and mines. The nitrotoluenes are more extensively used in explosives than any other nitroderivative compounds. The nitronaphthalenes are used as sensitizers in the "short-flame" permissible explosives of the ammoniumnitrate type. Picric acid and certain of the picrates are highly important as military shell explosives.

In addition to the benzol, toluol, etc., the ammonia produced during the coking process is a source of the nitrogen necessary for the nitrating of toluol, etc., in order to give the final product.

In the manufacture of certain series of coal-tar dyes use is made of phosgene which was an important war gas and was largely used both by the Germans and by the Allies.

While a reasonable import duty would handle the dye situation under normal conditions and while the Longworth bill provides for a duty which would undoubtedly be sufficient in normal times, at present a temporary licensing system is necessary to enable the dye industry of this country to build its necessary plants and to install its necessary apparatus for the manufacture of vat dyes which are not as yet manufactured to any extent in this country. This means simply a continuation of conditions for two years more which have existed for the last five years. The industry could not go into the manufacture of vat dyes chiefly because these dyes were all patented and the dye industry did not dare to go into their manufacture until the patent situation was cleared up. This has now been done by the taking over of the German patents by Government agents so that they are available to our American manufacturers and many millions of dollars are ready to be invested in the manufacture of vat dyes just as soon as the manufacturers are certain they can have an interim of two years to enable them to get this part of the industry on its feet. If peace should be declared without some form of a licensing system which would prevent the importation of these vat dyes already manufactured in Germany, vat dyes would be brought into the country in quantity and the new industry would have no chance of existence. This is specially true at the present time when the mark is worth only one-tenth of its normal value in American money, which in other words, means that an American purchasing German dyes would have to pay one-tenth the normal price, owing to the very favorable exchange.

I would like to answer Senator Nugent's inquiry that he made of Gen. Sibert and Admiral Earle as to whether or not the Government should not use some of the explosive and war gas plants in the manufacture of a part of the explosives and gases. My knowledge of some of the conditions forces me to the conclusion that these materials would be made in such large quantities that it would be impracticable to operate a great many of these Government plants which were erected during the war to manufacture these materials for future emergencies.

Senator NUGENT. What was done in those plants during the war?

Director MANNING. They were used during the war, but I thought your inquiry was whether or not they should be continued in operation.

Senator NUGENT. I asked whether or not they could not be continued in operation and the materials produced by them be stored.

Director MANNING. I was answering the question as to the impracticability of storing these materials and making them on such large scales.

Senator NUGENT. Upon what grounds?

Director MANNING. For example, if the Government had kept the plant at Nitro, W. Va., which I think cost the Government about \$80,000,000, to manufacture explosives, then would come the problem of storing them for future emergencies.

Senator WATSON. Germany stored very large quantities of war materials, did she not, for many years before this war broke out?

Director MANNING. Yes, sir.

Senator WATSON. Do you know whether or not she stored any of these high explosives?

Director MANNING. I do know, Senator, that Germany had some 500,000 tons, I think it was, of nitrate that was obtained from Chile. I am not sure of the figures. But when that amount was depleted Germany got her nitrates from the air.

Senator NUGENT. Is not that what you were doing, Mr. Director?

Director MANNING. Getting nitrates from the air?

Senator NUGENT. Yes.

Director MANNING. No; we did not secure any from that source. We had the plants at Muscle Shoals in preparation, but none of the product became available.

Senator NUGENT. They were not produced in any considerable quantity?

Director MANNING. No, sir; in fact, none were produced, so far as I know, from the air.

Senator WATSON. Are you familiar with that question. Is it not true that Germany had practically abandoned that plan before the war was over?

Director MANNING. No; she had to resort to that plan when the Chilean nitrates were exhausted.

Senator NUGENT. Was there any considerable quantity of nitrates produced at the nitrate plants you have referred to?

Director MANNING. I understand none.

Senator NUGENT. Nitrates could have been produced there, though?

Director MANNING. Oh, yes.

Senator NUGENT. And preparations were rapidly being made for that purpose?

Director MANNING. Yes, sir.

Senator NUGENT. And had not the war come to an end at the time it did it is reasonable to assume that by this time large quantities of nitrates would have been produced at those plants?

Director MANNING. I would not like to say "at that plant at this time," Senator.

Senator NUGENT. They were getting ready to produce nitrates there eventually?

Director MANNING. To produce them eventually.

Senator NUGENT. So that it could be done in the future?

Director MANNING. Yes.

Senator SIMMONS. We entered upon that scheme in a small way before the war began, did we not, of developing plants for the manufacture of nitrogen from the air?

Director MANNING. I know of no plant except the one at Muscle Shoals, Senator.

Senator SIMMONS. We made an appropriation for that purpose before the war?

Director MANNING. I understand that we made an appropriation of \$20,000,000 in the early part of the war to erect the nitrate plant, but I do not know just what year they finally began the erection of the plant.

Senator SIMMONS. That was not entirely to make nitrates for war purposes?

Director MANNING. Not wholly; it was also for fertilizer purposes.

Senator SIMMONS. Why can not this plant which you are constructing at Muscle Shoals be used for commercial purposes in times of peace?

Director MANNING. I understand the Secretary of War has this in mind, to utilize that plant as a peace-time producer of nitrates for agricultural purposes, that is, in the interim, during peace times, to use the products from the nitrate plants for fertilizer purposes.

Senator SIMMONS. This plant in West Virginia that you spoke of, what was its nature?

Director MANNING. That was an explosive plant.

Senator SIMMONS. What have you done with that?

Director MANNING. Admiral Earle was in charge of this work, and he can answer better than I. I think it has been sold, yet the information I have is only from the newspapers.

Senator SIMMONS. I was just asking that as a matter of curiosity.

Senator WATSON. Is it your understanding, Mr. Director, that Germany would not have been able to make the great preparation for war that she did make for several years had it not been for her dye industry?

Director MANNING. That is my understanding.

Senator WATSON. You believe that to be true?

Director MANNING. Yes, sir.

Mr. CHOATE. Will you please hear Col. Fries next?

Senator WATSON. We will be glad to hear the colonel.

STATEMENT OF LIEUT. COL. AMOS A. FRIES, UNITED STATES ARMY.

Col. FRIES. I was Chief of the Chemical Warfare Service of the American Expeditionary Forces throughout the war, with rank, in the latter part of the war and until afterwards, of brigadier general.

Senator WATSON. How long were you abroad, General?

Col. FRIES. I was abroad very nearly 17 months, sailing in July, 1917, and returning December 20, 1918.

Senator WATSON. And with what branch of the service had you been connected previous to that?

Col. FRIES. I had been in the Corps of Engineers since 1898. But within 5 days after my arrival in France I was made Chief of the Gas Service, as it was then called.

Senator WATSON. Had you had any experience before that in gas?

Col. FRIES. I had not. When they made me Chief of the Gas Service we had no masks over there, we had no gases, we had no determined policy as to masks or other defensive appliances or gases, and we had developed no trained personnel.

The first thing done was to get masks, because we had 10,000 or 12,000 troops within 30 or 40 miles of the German lines without masks and without any training in other gas defensive measures. We adopted the English type of mask, which in a measure, was adopted a little before and efforts were being made in this country to produce them. We immediately ordered 100,000.

I immediately set to work to get a trained personnel, and that was throughout the war one of my most difficult problems. We could not get chemists enough even at the end of the war. We finally got a general order issued in the A. E. F. to have every man with chemical training reported to us, and we made every effort to get each of them into the Chemical Warfare Service. It was very difficult to get them many times, as many of them did not want to change the service they were in, while the commanding officers of many others did not want to let them go. In that connection we only wanted about one out of four of the Chemical Warfare Service officers as chemists, because a great deal of the training and a great deal of the questions of supply and many other questions could be handled by men who were not chemists—better if they were chemists, but even at that we could not get them.

As an example of the difficulties we had with the question of personnel, I desire to state that during the last week in December or the first week of January, 1918, we received a cable from the United States requesting that we send a half dozen expert glass blowers to the United States to make the glass lined shell needed for certain tear gases. I took it up with the French at once, and they said, "We can not do it; we have not got enough trained men of our own. But if you will send technical men over here we will put them into our factories and research laboratories, or any other place, and train them." We cabled back promptly for 50, so that we could put them into the French factories. To that we got no answer. We cabled again, but we never got an answer and we never got the men. They were just as short over here.

That, to my mind, is one of the most serious problems connected with this dyestuff industry or any industry that will build up the chemical industry and provide us with a trained personnel for war. You can not train a chemist in six weeks, six months, or a year. We had to have men who were experts. If the Germans put over a new gas or if they used an old gas in a new way, or used a new mixture, we got hold of the "duds" or unexploded shells and opened them—which we had trained men to do—and we rushed them to the laboratory. There we made an investigation to see if there might be a new gas, and if it turned out to be a new gas we tried to find out methods to protect ourselves against it, because various gases have various effects on the human body, as they also have varied abilities in going through the masks.

Senator WATSON. How many different kinds of gases did the Germans employ?

Col. FRIES. I do not know; probably 15 or 20. They made a great many experiments on us, and toward the last when they began to run a little short of supplies we figured out they were using anything in that line they could get hold of. But their dye industry afforded them plants and personnel that put us at a terrible handicap; for instance, they began using mustard gas on the nights of the 12th and 13th of July, just a month before I arrived in France. I made a visit to the British gas headquarters, which was close to where they first used the gas on August 25, 26, and 27, 1917.

The British were terribly worried over this mustard gas. They had some 20,000 casualties within six weeks, and they did not know just what they were going to do. But they knew within 48 hours

what the gas was by opening shells and testing their contents, and they found where Victor Mayer gave a description of how he made it in 1886, and they knew the old German method of making it, and they knew the general symptoms it produced in the human body, because Victor Mayer had stated that he stopped experiments because it produced the same effect on the men experimenting with it as it did on animals.

We cabled back right away to start investigations as to the quantity of glycol chlorhydrin that could be gotten in this country, that being one of the essential elements needed in the manufacture of mustard gas by the only method then known.

The Germans produced this in their big plants, I think probably for photographic and similar supplies more than in the dyestuff industry; and they proceeded to make their glycol chlorhydrin by that method.

Senator WATSON. Was that related to or did it grow out of the dye industry in Germany?

Col. FRIES. I imagine it grew out of it. There is another very important point right here; that is, the discovery of mustard gas was made by one of the great chemists undoubtedly while investigating dyestuff materials.

We have got to depend in the future on research men in the colleges and in the great laboratories of manufacturing plants and other places for the discovery of new things. The Government can not afford to build up and maintain a big enough research institution for that purpose. Just as in ordnance, where perhaps two-thirds of all inventions come from men in civil life, just so we must expect our progress in chemical warfare to come in the future, because there will be a thousand men in these plants to one the Government can afford to maintain.

Senator WATSON. Have you any idea how many expert chemists were at work in the dye plants of Germany seeking to discover new methods of manufacture of dyes or some of the constituent elements of dyes?

Col. FRIES. I have no idea. Those figures are probably available. They undoubtedly had a very great many.

But they took these dye plants and converted them right into poisonous gas plants. I want to give you a few more facts about mustard gas.

Dr. STEPHENS, of the Federal Health Service. May I interrupt? I understand they had 1,500 expert gas men, well-trained doctors of philosophy in the universities and technical high schools.

Col. FRIES. We could not manufacture mustard gas by the German or glycol-chlorhydrin process, because we did not have the production of those essential materials; neither could the French or British, because they had not the production of those materials in the dyestuff industry. So all three nations started out to develop a new process. We manufactured ours eventually by the sulphur monochloride method, which does not depend very greatly on dyestuff materials. Since we had to build our own plants, we lost 11 extremely valuable months. When the great German drive started in the latter part of March, 1918, I have not any hesitation in saying that 5,000 tons of mustard gas would have absolutely stopped them—yes, 1,000 tons probably would have stopped them—but we did not

have it, and neither did the British or French have it. We did not have any mustard gas until June, 1918, 11 months afterwards. During that time there were probably over 300,000 casualties caused among the British, French, and Americans by that one gas alone. We had to develop an entirely new method. But the first efficient development of that new sulphur monochloride method was in a French chemical plant, the Usine du Rhone, where I think they made dyestuffs.

The next, and probably the best, method was developed in the factories of Levenstein, in England. This was also a plant engaged in the dyestuff and other chemical industries.

Thus these developments came from the industries, although the Government had undoubtedly the greatest number of able chemists in one body here in the American universities that was ever gotten together.

I am at present in command of the Edgewood Arsenal, where most all of the poisonous gases were made in this country, and the only place where mustard gas was made, except in the Dod Chemical Works, at Midland, Mich. Two other chemical works were starting to make it.

The plants established at Edgewood alone cost the Government something like \$35,000,000. They produced four or five of the principal gases.

Mustard gas, as I have said before, is not now directly dependent upon dyestuff materials, but the chlorine and other chemicals, which would be used in making dyes, would be available for its manufacture. However, for the Government to keep the Edgewood Arsenal going as a matter of preparation would cost several millions a year, and if we can get private individuals to build these industries up and build up the business of the country and pay some dividends at the same time they are preparing plants that will do the work in war, we will be much better off financially, it seems to me, than for the Government to attempt to run this on the huge scale necessary for war-time preparation.

Toward the close of the war we were looking forward to the time we would need 12,000 to 15,000 tons of liquid gas a month. All gases are liquid until they are liberated from shells at the front. That meant enormous facilities. We figured on 200 tons per day of mustard gas alone.

Unquestionably that is one of the things that caused the Germans to want to quit, because early in 1918 they asked all the allied powers to quit using gas. Mustard gas and other gases were coming back to them with greater force than they were able to send over to us, and they did not like the idea.

Senator WATSON. What are the elements of mustard gas?

Col. FRIES. It is made up of chlorine, sulphur, and alcohol. They take the alcohol and make ethylene vapor; then take chlorine and sulphur and make sulphur monochloride; then they let in the ethylene vapor which is brought into intimate contact with the sulphur monochloride, thus forming what is called dichlorethyl sulphide. This is a comparatively simple process, but as mustard gas burns the body wherever it touches, whether as a gas or a liquid, it is also one of the most ticklish processes in the world.

Senator NUGENT. I understand that is an entirely different process from the one in vogue in Germany?

Col. FRIES. Absolutely. We sent men into the occupied territories of France immediately after the armistice, and one of the early things they learned was that the Germans were going to abandon their methods of making mustard gas and adopt the American process. They learned the American method by opening unexploded gas shells, which showed them that our mustard gas had free sulphur in it, while the German method left no free sulphur. They then felt perfectly sure they had discovered our method, because their chemists were clever enough to reason back that Americans made it by the sulphur monochloride method, since they knew that mustard gas with free sulphur in it could not be obtained by any means under the old method.

Senator NUGENT. Then the mustard gas manufactured by the Government of the United States was not only a better gas, if I may use that word, than that employed by the Germans, but it was not dependent upon the dyestuff industry for its constituent elements?

Col. FRIES. I do not know that it was a better gas, but we were dependent on the chemists who had been in the chemical industries and, as I say, we lost a year of extremely valuable time because we did not have that knowledge and trained personnel to start in with, and that is where we would be in another war if we did not have a big industry which could furnish this personnel, plants, and material.

Senator NUGENT. Then, as I understand you, it was merely a question of personnel?

Col. FRIES. It was a question of plants, also; because all these plants had to be built. We have, for instance, at Edgewood, a 100-ton chlorine plant available—25 tons were operating, 25 tons were all ready to put into operation, though held up because we got our gas production ahead of the production of shells—and another 50-ton chlorine plant ready.

If there had been enough peace-time uses for chlorine the Government would not have had to build a 100-ton chlorine plant to furnish chlorine.

Then, of course, in the future there are two or three gases that may become equally important with mustard but which were not used in this war by us because we could not get around to making them. Moreover, we did not develop—neither did the Germans—efficient ways of putting them over. They put over a gas in 1917-18 that went through our masks like water through a sieve. We spent some exceedingly anxious months in 1918 endeavoring to develop a method of stopping that gas, though, fortunately, the Germans never succeeded in putting it over in sufficient quantity to be troublesome. We learned how to put it over in sufficient quantity, and we were afraid they would learn how to do it first. That gas, which is well known, may have a very great use in the future. One of its main constituents is a product of the dyestuff industry. Moreover, that series of gases is apt to be more greatly developed than any other.

Senator NUGENT. Aside from the personnel, was there any great assistance furnished to the Government in the manufacture of that gas by virtue of the fact that there were certain dye-manufacturing establishments then in operation in this country?

Col. FRIES. No; but the main reason was, as I understand it, that all of those factories were so loaded down with orders for things they knew how to produce that they did not want to tackle something they did not know how to manufacture; in other words, there was not only not enough personnel or facilities, but a very great lack of both. In fact, the Government had to finance and build additions to those plants. We built a phosgene plant at Niagara, for instance, though phosgene was used in the dyestuff industry before the war. We built it at Oldbury Chemical Works. We had to build those facilities from Government funds. In the same way they were building others in connection with the National Aniline Works in Buffalo.

Senator NUGENT. Then, as a matter of fact, the Government itself manufactured the constituent elements that entered into that gas, and manufactured those constituents elements at the plants which the Government erected?

Col. FRIES. We did not manufacture the different elements of phosgene; phosgene requires carbon monoxide and chlorine.

Senator NUGENT. The dye manufacturers did not to any large extent furnish those elements that you have referred to?

Col. FRIES. No; because they were so loaded down with the work which they had started upon before the war that they actually could not undertake any additional work. The Oldbury Chemical Co., at Niagara Falls, N. Y., was one of the first ones to produce phosgene, because the gas was already being used then in a commercial way, and they got that information through England, because their concern does a great deal of work over in Canada. Mr. Lidbury, whom I know pretty well, is an Englishman himself. They would have been perfectly willing to make the phosgene, but they did not have the facilities to produce the output we wanted. They used chlorine in other products. I think they also produced the liquid oxygen, and then the carbon monoxide that was needed in connection with phosgene. The two factors, trained personnel and mechanical facilities, are so bound together that we can not separate them.

Senator WATSON. Your theory is that we should have the dye industry developed in this country, thereby insuring the manufacture of phosgene gas in war.

Col. FRIES. Yes. Then we would not have to take the time to build a \$35,000,000 plant, as we did at Edgewood. Not only did we have to draw the personnel from the factories and laboratories of these other industries for Edgewood but we had to build additional facilities in their existing plants. That was done at Hastings upon Hudson; it was done at Buffalo and Niagara, and I think to some extent in New Jersey. The same condition existed at a plant in Stanford, Conn., and at some other place in New Jersey with which I am not very familiar, because I did not get in touch with these until the spring of 1918 upon my return from France.

Senator NUGENT. The Edgewood Arsenal is in good condition?

Col. FRIES. Yes; and we are keeping it in as good shape as we can.

Senator WATSON. Are you using it in any way?

Col. FRIES. No, sir. We are taking care of the plant. We expect that we can keep it in shape so that we will be ready for any emergency for five years; but it is gradually deteriorating, and unless

we put money into it to operate it we will not know whether it will operate or not.

Senator WATSON. That place could be operated if the Government decided to operate it?

Col. FRIES. Yes, sir. There is no question about it.

Senator WATSON. Colonel, do you know whether in these days you would have had any trouble in getting alcohol?

Col. FRIES. I do not know, but we are keeping a good lot of it on hand.

STATEMENT OF COL. C. T. HARRIS, UNITED STATES ARMY, EXECUTIVE ASSISTANT TO THE CHIEF OF MANUFACTURE OF THE ORDNANCE DEPARTMENT, WAR DEPARTMENT.

Senator WATSON. Please give your name to the reporter?

Col. HARRIS. C. T. Harris, colonel, United States Army. I was chief of the ammunition division, Ordnance Department, up until one month ago. I am at present executive assistant to the chief of manufacture, Ordnance Department. I wish to state that the Chief of the Ordnance Department is unavoidably absent from this hearing, and has asked Col. Burns and myself to attend and answer any questions that you may wish to ask. Col. Burns, who is present, is directly in charge of the nitrate plants at Muscle Shoals and can answer any questions about that.

The witnesses before me have covered very well the advantages in a general way to the Government of the dye industry, and I am going to specify in detail what I think the advantages are:

There are three: First, increase the number of chemists in this country; second, it will increase the amount of chemical research in the coal-tar derivatives in this country; third, it will increase the facilities in chemical plants which have potentialities for the manufacturing of gases and explosives in time of war.

As Col. Fries brought out, we were very short of chemists in the war, and anything that will increase the number of chemists available is a step in national preparedness. Likewise, in research work in organic chemistry, there was very little of this before the war in this country and very much in Germany; as a result thereof the Germans had a big lead on us in the coal-tar derivatives and the number of their organic chemists. In the field of coal-tar derivatives there are no limits. There are as many combinations as there are words in the dictionary, and some of these combinations will suit almost every need for drugs, explosives, and various other purposes.

Take, for example, diphenylamine, which is a stabilizer of smokeless powder. It was found by accident in the research of coal-tar derivative fields.

Likewise, as to explosives, take tetryl and T. N. A., they are coal-tar derivatives and the results of the German investigations in the dye industry.

Taking up the facilities of our plants in the dye industries, there will be plants, many plants, which will have a working force both from an investigative as well as an operative view, and these plants will be the nucleus from which we can draw a trained personnel for investigative purposes and likewise a trained personnel for manufacturing material.

I particularly wish to call attention to the coal-tar field. It is one of the basic foundations for high explosives, gases, dyes, and drugs, so that any activity in one of those materials may discover something that is of vital importance to explosives and gas industry, and thereby be indirectly of great benefit to the Government.

Senator SIMMONS. The military authorities in this country apparently believe that the development of the dye industry in this country is highly important from a military standpoint?

Col. HARRIS. Yes, sir; principally because it would disseminate chemical knowledge and spread out chemical research into organic and coal-tar derivative fields. Personally, I think the greatest advantage we would get is the dissemination of chemical knowledge and in keeping alive the research work in the coal-tar derivative fields.

Senator NUGENT. Colonel, could not this research work be carried on and developed both at the Naval Academy and at West Point?

Col. HARRIS. No, sir; because those are schools for training future officers and they touch chemistry in a purely academic way. They have so many subjects that the chemistry subjects in those institutions are very elementary.

Senator NUGENT. Well, could not departments be established in the Military and Naval Academies for the training of officers in chemistry?

Col. HARRIS. Yes; if the Government had training centers equipped to turn out chemists and encourage chemical research. I do not believe we would have funds enough to make it large enough to discover these beneficial materials which are in this unknown field and which are run upon almost by accident in the general work of research.

As I said before, in the coal-tar derivative fields the number of compounds that exist are countless. In investigations in that field we are likely to discover something of as great importance, as diphenylamine, the stabilizer in smokeless powder, which has added about 100 per cent to the keeping properties of smokeless powder.

Senator SIMMONS. That idea, of course, occurred to me and I would like to have your opinion with regard to the proposition. Of course, we are all aware of the fact that many new things have eventuated from this war and it is quite apparent that there should be a considerable number of trained chemists in this country, is there any particular reason, so far as the Government is concerned, why those chemists can not be educated at these two military academies along the line of research work which you have indicated. Could it not be conducted at these military academies in some effective way?

Col. HARRIS. It could, sir; but I think that even the governmental activities would not be at the academies but would be at the experimental plants. In the manufacture of ordnance we have an experimental plant which is carrying on chemical research, but the point I am making is that the funds that we would get—the volume of that would be quite small compared with the volume if there was commercial activity which stimulates research. They would be produced in growing concerns, while in our Government activities we would be limited by the money we could get.

At present we have large quantities of explosives, propellants, and material on hand for war, and the production and manufacture of these will be quite small in the future. For that reason organic chemistry will cease to be a profitable profession for a man and unless something is done to stimulate it there will soon be little graduation of men from colleges into organic chemistry. Unless something is done we may be confronted with the fact that there will be a decrease, and the Government's point of view is that the more organic chemists there are in this country the better prepared we will be in any emergency.

Senator NUGENT. Do you not believe that the so-called gas division of the Army will continue to exist for a considerable number of years?

Col. HARRIS. Yes, sir; doubtless it will.

Senator NUGENT. Do you see any particular reason why men should not be graduated from the Military Academy as officers for the gas division of the Army, with a thorough knowledge of chemistry, etc.?

Col. HARRIS. You mean as post-graduate to the military course?

Senator NUGENT. No; in another department for that express purpose.

Col. HARRIS. You could permit this, but the point I am making is that we should broaden the field and add a great many more men to the same force.

Mr. CHOATE. Will you give the committee some idea of the number of chemists that will be required in time of war and as to whether any such numbers could be trained by any school?

Col. HARRIS. Do you mean in the chemical production during the war?

Senator NUGENT. I presume you have reference to chief chemists?

Mr. CHOATE. No; I mean as to the highly trained chemists that are needed?

Senator SIMMONS. That is up to some one else?

Mr. CHOATE. Yes.

Col. HARRIS. During the war the Du Ponts had a force of well over a thousand chemists, and every other explosive company had as many chemists as they could get. The American University, which was turned over to the Chemical Warfare Service, secured through the Bureau of Mines the names of every chemist in this country and got their hands on as many as they could. The same condition existed in Ordnance.

During the war I was in charge of the engineering section that had charge of the explosives and propellants and personally made efforts to secure chemists and got as many as possible.

Senator NUGENT. That was in an emergency?

Col. HARRIS. Everybody was going as well as they could.

Senator NUGENT. Do you believe that a considerable number of chemists could be graduated from the military and naval academies during the course of, say, 8, 10, or 12 years?

Col. HARRIS. If the money is available and the schools are equipped to graduate them, they can do so, but in the manufacture of explosives, dyes, and similar materials there is a superior skill and knowledge that is not found in books and it has actually to be acquired from practical work.

Senator NUGENT. Also, in that connection, taking those men who have graduated in the gas division of the Army, the Government should stimulate the operation of certain of those manufacturing establishments so that students, after acquiring a theoretical knowledge in school, could acquire a practical knowledge in them?

Col. HARRIS. Yes, sir, as far as the money was authorized.

Mr. CHOATE. Colonel, am I not right in stating that there were over 4,000 chemists in uniform at one time during the war?

Col. HARRIS. I could not answer that question positively.

Mr. CHOATE. That statement was made to me by Dr. Perkins and I will get him to make it to the committee.

Now, one thing more on that subject. Would any conceivable form of academic training make chemists useful in actual manufacturing work—I mean such chemists who had not had actual manufacturing experience?

Col. HARRIS. In my opinion it would not. It would not make them satisfactory. They would have to get experience in actual manufacturing.

Mr. CHOATE. And the work of chemists in warfare is very largely manufacturing?

Col. HARRIS. Both manufacturing and research.

Mr. CHOATE. You mean both research chemists and chemists with manufacturing experience?

Col. HARRIS. That is true.

Senator SIMMONS. Colonel, did you make any inquiries as to what extent the German military establishment drew its chemists from the dye industry of that country?

Col. HARRIS. I have not those figures, sir, but I could probably get them out of the Military Intelligence Department. I do not have the figures in my mind.

Senator SIMMONS. I am not asking as to the number, but as to the fact whether they got their chemists chiefly from the dye industry?

Col. HARRIS. It is our feeling that the dye industry furnished a considerable number of their chemists on explosives during the war.

Senator SIMMONS. Are there any other sources where they could get them in such numbers?

Col. HARRIS. Well, explosives and munitions industries could have secured a number of chemists from other industries who could have been diverted to explosives, and likewise the dye industry.

Mr. CHOATE. The British commission, which inspected the converted dye plants after the armistice, put in the report that the entire supply of poison gases was produced in the German dye plants—so that the entire chemical warfare, as far as it was conducted with gases, was founded on their dye plants.

Senator SIMMONS. So that they had the personnel?

Mr. CHOATE. They had it made to order. The plants and materials were there and used by them almost without change.

Senator SIMMONS. I want to say at this stage of the proceedings I have no sort of question about the extreme importance of the development of the dye industry as it is related to our military operations. I have no question about that in the world. I have no doubt about the great importance to the industries of the country of the development of the dye industry. The great question and the only question is how are we going to develop it and what is the proper

way to proceed in order to secure the establishment of that industry in this country on a firm foundation.

The importance of the matter from any standpoint I do not think anybody can question and I think it is hardly necessary to spend time to determine whether it is important from a military standpoint or from an industrial standpoint. I think we all can see that.

Mr. CHOATE. Mr. Chairman, we have one more military witness and his testimony will be brief.

Senator WATSON. It is too late now. On account of the fact that it has taken longer than necessary and the fact that a number of witnesses are still to be heard, the committee will take a recess until 2 o'clock this afternoon.

(The committee took a recess until 2 this afternoon).

AFTER RECESS.

The committee resumed its session, at 2 o'clock p. m., pursuant to the taking of a recess.

Senator WATSON. The committee will be in order.

Mr. DEMMING. Mr. Chairman, if I may be permitted, before taking up the regular work of the committee—

Senator WATSON (interposing). What is your name and whom do you represent?

STATEMENT OF MR. GEORGE DEMMING, ESQ., PHILADELPHIA, PA.

Mr. DEMMING. My name is George Demming; I come from Philadelphia, and I represent the National Association of Hosiery & Underwear Manufacturers, and many other independent and individual mills, who are absolutely opposed to the passage of an act as incorporated in the Longworth bill. I am also authorized to speak for the shirt manufacturers, the leather manufacturers, the carpet mills, and other independent industries that are to a large extent, dependent upon the dye industry.

I am rather a stranger here and unfamiliar with your procedure, and I would like first to ask for a seat at your table in order that I may make notes of the testimony of the witnesses.

Senator WATSON. There is no objection to that; you may have a seat at the table.

Mr. DEMMING. I would like to ask, second, in view of the uncertainty as to when the advocates of the licensing system will have finished their testimony, that we be given about one day's leeway to present our testimony. We have no witnesses here, and some of them are rather distant from Washington and some of them want 24 hours' notice and some of them 48 hours' notice; they can't come here and spend the entire week.

Senator WATSON. Is there nobody here to represent the interests in which you are interested?

Mr. DEMMING. No witnesses are here yet, sir.

Senator WATSON. Can't you do it yourself?

Mr. DEMMING. No, sir; I would not undertake as an attorney to go upon the witness stand. In the first place, I am not acquainted with the technicalities of the industry, and I would not do it anyway.

Senator WATSON. I think you had better get them here at once; the sooner the better. You need not have more than two men, one

on one branch and another on another branch, but do not pile up witnesses here.

Mr. CHOATE. So far as we are concerned, Mr. Chairman, I think it is quite clear they will need their witnesses to-morrow.

Senator WATSON. You had better get them here as soon as you can.

Mr. CHOATE. Will the committee be good enough to call Col. Burns?

**STATEMENT OF COL. J. H. BURNS, ORDNANCE DEPARTMENT,
UNITED STATES ARMY, ACTING CHIEF, NITRATE DIVISION,
ORDNANCE DEPARTMENT.**

Senator WATSON. State your name and position.

Col. BURNS. My name is J. H. Burns, colonel in the Ordnance Department, United States Army, at the present time acting chief of the Nitrate Division of the Ordnance Department. During the war I was associated with the Explosives Division in the Ordnance Department.

Senator WATSON. Now, if you will kindly make your statement.

Col. BURNS. There has so much already been said that I doubt if I can add anything to it. However, I have briefly outlined my ideas on this matter and if you will bear with me I will read that, because I think it will give it to you better than in any other way.

1. Importance of problem: It is hardly necessary to state the importance of chemistry in warfare, but it must be constantly remembered that it is unquestionably the real vital power. The strength of an army is to-day measured by the amount of chemical power that it is able to turn loose on the enemy—either in the form of explosives, gases or other chemical materials. All the activities of the Ordnance Department are really centered in the task of efficiently harnessing the energy stored up in explosives or other chemicals and of turning it loose on the enemy at the proper time and place. The history of warfare shows that its development absolutely hinges around the effort to efficiently use chemicals. It is the heart of munitions.

2. Duty of Ordnance Department: It is therefore the paramount duty of the department to see to it that this country is thoroughly prepared from a chemical standpoint, and this means that we must constantly have up-to-date chemical knowledge and the ability to apply this knowledge to our war program. This knowledge can be either in the military establishment or in industry.

3. State of chemical knowledge in United States: We have always been behind in this knowledge. Practically all new developments have been obtained from abroad, and we have really been followers in military chemical knowledge rather than on a par with other countries. When the present war started in Europe we were in a really helpless state from the standpoint of chemical preparedness. We were dependent on importation of nitrogen from Chile and did not know how to obtain it otherwise.

We had no adequate developed sources for other essential raw materials—such as benzol, toluol, ammonia, etc., and of course we had practically no knowledge pertaining thereto. And we furthermore had hardly any knowledge or facilities for converting these raw materials into usable articles. Fortunately the purchases of the

Allies gave us great help in our preparedness task, but when we entered the war we were still in very bad shape from a chemical standpoint and especially as relates to explosives. During the summer and fall of 1917 we were very much worried about the supply of explosives and were only able to make supply meet demand by adopting the British policy for high explosives. It is recalled that during this time we were nervously seeking all sorts of substitute explosives to take the place of T. N. T. We were finally directed to arrange for the manufacture of a certain amount of T. N. A. or tetranitro aniline. After considerable effort, a dye manufacturer contracted to do this work. What we were suffering from mostly was lack of knowledge of the work in hand. Then there was a constant shortage of trained chemists.

4. Field covered by bill: This bill covers the field of organic chemistry, which embraces all of the coal-tar derivatives—that gigantic reservoir which was the real solution of many of our explosives problems. It supplied nitrogen, toluol, benzol, the base of diphenylamin, etc. The changes of these materials into explosives very closely resembles the chemistry of dyes.

5. Results of this bill: This bill tends to develop many organizations of a strictly chemical nature which would help to solve the coal-tar derivatives problem from all angles—namely, research, engineering, raw materials, supply, and manufacture.

6. Benefits to Ordnance Department: The benefits to the Ordnance Department would be of immense value for we would have available a very large reservoir of trained chemists to tap in time of need—we would have the benefits of their research developments and no one can admit that we have yet reached perfection in military chemicals—and lastly we would have their plant facilities which in many instances are adaptable to strictly war needs. In other words it would help give us the knowledge and the ability to apply it.

That summarizes my ideas of this problem, sir.

Senator WATSON. That is all, and we thank you, Colonel.

Mr. CHOATE. Will the committee be good enough to call Dr. Bogert?

Senator WATSON. Dr. Bogert, will you give your name, please?

STATEMENT OF DR. MARSTON TAYLOR BOGERT, PROFESSOR OF ORGANIC CHEMISTRY, COLUMBIA UNIVERSITY.

Dr. BOGERT. Mr. Chairman, my name is Marston Taylor Bogert; my present position is professor of organic chemistry in Columbia University, where I am also the senior professor of the chemistry department.

Senator WATSON. How long have you been connected with the Columbia University in that capacity?

Dr. BOGERT. I have been a teacher in Columbia University for 25 years.

Senator WATSON. In chemistry?

Dr. BOGERT. Yes, sir; and I may add to that, if you will permit me to say a word—not by way of boasting, but by way of qualification—

Senator WATSON (interposing). That is always proper among Senators.

Dr. BOGERT. I have been president of the American Chemical Society for two terms; was president of the International Chemical Society, where I had the honor of succeeding Sir William Ramsey, and being succeeded by Sir William Crook; I was a member of the raw materials division of the War Industries Board; I organized the division of chemistry and chemical technology of the National Research Council, with its 32 subdivisions, and remained its chairman until I entered the Army. I have also been consulting chemist for a number of the Federal departments. I was a member of the United States board on gas warfare from its organization to its disbanding. I was appointed a lieutenant colonel in the Army, chief of the Chemical Service Section, being acting director of the gas service in this country until the organization of the Chemical Warfare Service under Gen. Sibert, at which time I became a full colonel in the Army and remained such until my honorable discharge last May.

Senator WATSON. Did you render your service entirely in this country or partially abroad?

Dr. BOGERT. Entirely in this country. I was with Gen. Sibert as a member of the headquarters staff.

As an organic chemist; as one who has served in a consulting capacity for our dyestuff industry on the research side; as one who has had an opportunity of observing the synthetic color industry, not only in this country, but elsewhere, I feel that I have had rather wider experience than most of my colleagues in that direction.

Senator WATSON. Have you visited the dye factories in Germany?

Dr. BOGERT. Not for many years; no, sir; not since the war.

Senator WATSON. You have made a research in dyes?

Dr. BOGERT. Yes, sir; a consultant in dye industry in this country, and have taken out patents myself in this country and elsewhere in that field. I would add that I am a member of the National Academy of Sciences and learned societies on this side and in other countries as well.

Senator NUGENT. Are you connected with the dyestuff industries in this country at the present time?

Dr. BOGERT. I am a consulting chemist in that capacity; but I am not here to represent that side of it, but the educational side of it. But my experience has been in the Chemical Warfare Service also.

Senator WATSON. When did you first commence to study chemistry with reference to dyes?

Dr. BOGERT. 1886.

Senator WATSON. That far back?

Dr. BOGERT. Yes, sir.

Senator WATSON. Was there a dye industry in this country at that time?

Dr. BOGERT. No, sir.

Senator WATSON. When was the first one established?

Dr. BOGERT. I do not recall those dates, sir.

Senator WATSON. You can go on now, Doctor, and make whatever statement you had in mind to make.

Dr. BOGERT. I would like to make this statement, Mr. Chairman, that in the first place as one who has had experience in chemical warfare I have no hesitation whatever in saying that a well-developed synthetic dyestuff industry is absolutely necessary for the security of our country; as an educator that such an industry is vital for

the development of research in synthetic organic chemistry; and that the industry has been one of the greatest supporters of advanced research and of the cause of higher education in this country.

I should like to point out further that the industry of the synthetic dyestuffs is one that touches vitally so many industries in its ramifications that there is no single branch of chemical industry in which the welfare and the happiness and the health and the prosperity and the security of our country are so wrapped up as they are in this synthetic industry. The dyestuff industry, in the first place, is responsible really for the development of the distillation of coal-tar and the multitudinous applications of those products; because the by-products and the intermediate products are the products that are finally used in drugs and in photographic chemicals, and so on.

Senator WATSON. Had there been no distillation of that product before the development of the dyestuff industry?

Dr. BOGERT. The distillation began in the early part of the nineteenth century, but the present distillation is dependent upon the utilization of the product in the dyestuff industry.

Senator WATSON. Then it was largely Germanic in origin?

Dr. BOGERT. It was, yes, sir; it began in England at the same time, about, but it was Germany that first appreciated the importance to the maintenance of their civilization of the application of this work. And the developments of coal-tar, some of which arose in England, were not seized upon in England in the same way. Prof. Perkin in his presidential address some years ago—this was before the war—referred to the fact that the decadence of the chemical industry was due to a lack of appreciation on the part of the public of the service of synthetic chemical development—the service which it had rendered, the lack of appreciation of such men, and the scarcity, in the third place, of such men.

Senator WATSON. Then the side lines, so to speak, of the manufacturer of dye, in your estimation, are evidently of vastly greater importance than the dyes themselves.

Dr. BOGERT. No, sir; I would not say that. The dyestuff industry is tremendously important, but it serves to supply the necessary material for these collateral industries, notably the drugs, and canning materials, and photographic materials. May I illustrate that to show how these different lines are locked up together and to what extent they are dependent upon the dyestuff industry?

I might say, in the first place, that the extensive distillation of coal tar is dependent primarily upon its demand in this industry. When tar is heated for distillation and these various products pass through, they are separated by fractional distillation, taking the temperature up to a certain temperature, and then changing the receiver and the tar is first separated into the rough portions and then each one distilled, and that process is carried on until we get certain material, and each one of these materials, like benzol—I am embarrassed by the amount of material I have to draw upon for illustration—that benzol can be converted into a host of other materials; that is, into what is known as phenol, known to the layman as carbolic acid. That carbolic acid is then treated with a dilating acid and converted into a compound, one of which through a series of processes become phenacetin, a drug we are all familiar with. Or, if that carbolic acid is subjected to another treatment, if it is dilated still more, it becomes a

nitric or sulphuric acid, and then it is converted into a picric acid, a powerful explosive; and the picric acid is also developed through a series of processes to become chloro-picric, one of the poisonous gases used on the western front.

If the carbolic acid is treated in a little different way, if it is chloroformed, it is converted into a substance known as salicylate fluorid. And by the use of a sodium and acetic acid there is derived a valuable perfume known as coumarin, which is the base of many of our best perfumes, particularly the new-mown hay—which is as near as it gets to new-mown hay. On the other hand, if that is treated with carbon dioxide, which is taken from the air, it is converted into salicylic acid, which may be developed into aspirin, which we were in need of and could not develop, and Gen. Ireland, the Surgeon General of the Army, will tell you that if you ask him.

And so I might go on and elaborate and extend this story out; but I am taking only one of a host of materials. Each one of these cases, as I could show you, is dependent upon an interlocking and inter-related to the coal-tar industry, out of which Germany has made its great profit; the coal-tar industry is the way Germany has opened the way to her dye trade. And Germany has recognized that in its contribution, not only in chemistry but to the advancement and security of her industry and civilization, there is no more potent factor than a well-developed dyestuff industry.

Senator WATSON. In other words, it has taken years of research to bring about the present situation.

Dr. BOGERT. Forty years they have been working at that problem over there, and have been able to look up the various lines of the product so that one material goes on to another.

Senator WATSON. But the basic industry of all is the dye industry.

Dr. BOGERT. The dye industry is the basic industry of all; and it was the necessity for these dyes, Mr. Chairman, which was responsible for all kinds of developments, not only in applied sciences but in pure science itself.

In the case of indigo; synthetic indigo, the first process was discovered in 1880. The development of that material necessitated large amounts of chlorine, and it became necessary to improve the methods of producing chlorine; the Deken and Welden methods were not sufficient, and the result was the development of an electrolytic process, by passing an electric current through the brine solution. Another thing that was necessary was the production of sulphuric acid in immense quantities, and this they have done upon a commercial footing.

And so I might cite many other directions in which the development of the coal-tar industry is not only responsible for organic but also inorganic chemistry, and it has been the main field where the highly trained research man has found his fullest reward and his work has been of the greatest importance.

Senator WATSON. Now we can develop chemists with just as much knowledge and efficiency as the fellows on the other side?

Dr. BOGERT. But it takes six years after we get them from the high schools; it takes six years before we can turn them out.

Senator WATSON. But it can be done?

Dr. BOGERT. Yes; we are doing it at the present time. May I add this: As a result of the developments which have already taken place

in establishing this industry in this country on a fragmentary basis, we have many times more students in synthetic chemistry than we have had before the war. In my own classes I have had an increase of anywhere from 200 to 300 per cent of these men who are going into advanced synthetic chemistry, the majority of them because they believe there is a great future in this country for the synthetic dyestuff industry.

Senator WATSON. Why haven't we made dyes here in the past?

Dr. BOGERT. There have been a great many reasons, Mr. Chairman. One has been the high cost of labor; and another, a very important one, the shortage of trained men to do this work; and that was during the war. As I pointed out, the great obstacle was the shortage of men. The fact that we had not the same kind of well-developed dyestuff industry here as Germany had cost us not only time but cost us an immense amount of treasure, and cost us American lives. Germany was able to use her plants and the personnel she had there to carry on this work, because the great majority of the work in connection with gas is synthetic and organic chemistry, and the men turned to this work.

Senator WATSON. Of course, Doctor, you have studied the chemistry in connection with the dyes manufactured in Germany?

Dr. BOGERT. That is rather an extensive field.

Senator WATSON. I understand that, but you have been at it a long time. The way you talk I think you have studied the chemistry of everything. Is there any reason why we can not, under proper conditions, manufacture those in this country?

Dr. BOGERT. Not the slightest.

Senator WATSON. What about the vat dyes?

Dr. BOGERT. We can manufacture every one of them.

Senator WATSON. Have you ever investigated the patents taken by the Alien Property Custodian?

Dr. BOGERT. Only superficially.

Senator WATSON. As to whether they describe patents that were really valuable?

Dr. BOGERT. In the majority of cases, the first time you try a patent you will not get the result the patent claims; it requires some practice.

Senator WATSON. That is to say, I have the understanding—and I am trying to find out from you whether or not it is so in your judgment—that in all these German patents there was omitted some important item somewhere down the line, so that when they undertook to carry out the process and obtain the product they found something missing somewhere, so that these patents, after all, are of no really great value.

Dr. BOGERT. They are of value, of course, as giving the general outline, the defect usually being in the yield, which makes the difference between a profitable process and an unprofitable process, and it takes time to develop that side of it.

One or two questions have also been asked here concerning the direct dependence of gas upon dyestuffs. I would like to point out, as I have already pointed out, that chlorine is a very essential ingredient, and is, in fact, the backbone of most of our toxic gases; and that it was the development of the dyestuff industry which provided Germany with an immense amount of chlorine, particularly of liquid

chlorine, which she had, and which she was in a position to use at the time of the first gas attack, which was at the beginning of the second battle of Ypres, on the afternoon and evening of the 22d of April, 1915.

They had, in the second place, phosgene, of which Col. Fries has spoken, which was a common product of the German dyestuff industries, because they were using phosgene for the synthesis of certain important dyestuffs and intermediates. An important intermediate which is known as Mechler's Ketone, for example, is the basis of at least a dozen valuable dyestuffs. Phosgene was also being used as the basis for the synthesis of certain useful synthetic drugs. In the case of mustard gas, these dyestuff factories had also prepared what was known as chlorohydrin, which Col. Fries has also mentioned. So they were ready in a moment to start in to make mustard gas by that process. It was the presence of these dyestuff industries with their large personnel which made possible these things which, if we had had them, would have saved American lives in the early days of our participation in the war.

A complete dyestuff industry needs an enormous staff of research men. It has already been pointed out that in the case of the Badische, which is one of the largest concerns on the other side—the Badische and the Elberfeldt being probably the two largest—an enormous number of research men are necessary. In the Badische, for example, there were before the war probably in the neighborhood of from 500 to 1,000 university-trained men, Ph. D. men, men of the highest kind of training. For us before the war to have produced that number of men over here would have meant the output of at least five years of all the Ph. D. graduates in chemistry in the country.

It is that reflex action of the industry upon the whole field of synthetic organic chemistry, with which all these things are locked up, which means so much not only to our lives and happiness, but to the security of the whole Nation. It is that with which I am concerned, Mr. Chairman, and which brings me here to testify in the hope that I may be able to convince you and the other members of the Senate committee and enable you to see this imperative need as I see it for the development of a full-fledged synthetic color industry in this country.

There were one or two other questions that were brought up. I believe it was Senator Nugent that asked whether we had turned to any of the dyestuff factories in this country for the manufacture of these materials. Of course one answer to that was that we did not have so very many to turn to at the beginning of the war. If we had had them we would gladly have turned to them. In the second place, we did draw upon the chemical color plants of the country as far as we could and as far as their equipment of men and material and funds would permit us. We drew upon the Newport Chemical Co., for example, to help us in handling some of the poison gases that we required and for the erection of that great phenol plant which was put up there at Carrollville, Wis., by the Government. We drew upon the National Aniline Co. for one of their fine new buildings, and for the assistance of certain of their staff for one of our principal mustard gas plants.

So we did draw upon what there was available, scant as that material was, to help us during the war. Many a time we prayed that

we had a more extensive dye industry here that we might have more men to draw upon.

At the beginning of the war we figured that we had about 15,000 trained chemists in this country. According to our information Germany had in the neighborhood of 30,000 skilled chemists ready to carry on this work. Those men, if we are correctly informed, were maintained as the last line of reserve by the German general staff; they were kept back of the lines; they were kept at work there because it was felt that they were of the utmost importance to the safety of the country.

Our great problem here was to know how to utilize the limited number of men we had in order to meet all the numerous needs that we had in the development of these new lines of work incident to chemical warfare.

Senator WATSON. Is it your idea that the 30,000 skilled chemists in Germany before the war became such through the dyestuff industry?

Dr. BOGERT. The majority of them; yes, sir.

Senator WATSON. Did Germany have a system by which if a man became eminent in research work he would be put on a bounty so that he might devote himself to that research?

Dr. BOGERT. Not exactly that; but in no country in the world is the status of the successful chemist so high as in Germany. He was either ennobled or rewarded in some other way; he was recognized as a leader in his community. Chemistry was a profession of a standing in Germany not reached in any other part of the world as yet. No nation appreciated so much as Germany what it meant to their efficiency as a nation, aside from other benefits. Emil Fischer, for example, received several ennobling titles.

Senator WATSON. Of course under their theory of Government they thought it was of tremendous value to their military success?

Dr. BOGERT. Yes, sir; there is no question about that.

May I add this further word? The importance of research to this kind of work, where we are dependent upon trained men, can not be overestimated. The wars of the future—my military colleagues will disagree with me, perhaps, on this—are going to be determined more and more in the laboratories, and scientific research institutions of the country, by the scientists of the country, and unless we are in a position to meet those weapons with similar weapons or adequate means of defense, we are absolutely at the mercy of the other nation.

It is perfectly possible at any moment for a scientific organic chemist, in the quiet of his own laboratory, to discover a new gas which, in point of toxicity, will surpass anything we now have and which will go through the masks of any other nation. If he does that, the armies of the other nation are absolutely at our mercy. That is what I mean by "research." To that extent we are dependent upon the maintenance of an adequate supply of men of this type.

I should be glad to answer any questions, Mr. Chairman.

Senator NUGENT. Do you know, Doctor, how many dyestuff manufacturing establishments there were in this country at the outbreak of the war?

Dr. BOGERT. I do not; I have not those statistics at all, Senator.

Mr. CHOATE. There were five, Senator.

Senator NUGENT. You have no personal knowledge, have you, of the quantity of dyestuffs imported into this country for the period of several years prior to the war?

Dr. BOGERT. Only through the reports of the Tariff Commission; that is all.

Senator NUGENT. There were enormous quantities, were there not?

Dr. BOGERT. Yes, sir.

Senator NUGENT. And those dyestuffs were utilized very largely by textile manufacturers?

Dr. BOGERT. Yes, sir.

Senator NUGENT. I am rather curious to ascertain, if you know, why it was there were no dyestuff manufacturing establishments—that is, large numbers of them—in existence in this country prior to the outbreak of the war, in view of the fact that such enormous quantities of dyes were used in this country?

Dr. BOGERT. I think it was because, by reason of economic conditions—although I am not very well qualified to speak on that subject—it was possible for the Germans to undersell us in our own markets here, and whenever the necessity for that arose, they did so without hesitation, through dumping material over here and also through their control of the intermediates. Certain of our establishments in this country depended upon the German raw materials or intermediates, and took those and, as we say, assembled those into the final product. And the person who makes the intermediate or the raw material, after all, has the others more or less at his mercy.

Senator NUGENT. Do you know whether or not there was combination of any kind or character entered into between the textile manufacturers of this country who used the dyes and the German manufacturers, by reason of which agreement there were no great manufacturing establishments organized and in existence in this country?

Dr. BOGERT. No, sir; I do not. I do not know that at all.

Senator NUGENT. It seems utterly inconceivable to me, in view of the tremendous quantities of dyestuffs used in this country for many years prior to the outbreak of the war, that there should not have been, under normal conditions, a very considerable number of great dyestuff manufacturing establishments in this country producing a tremendous quantity of dyestuffs. As I understand it, from the information that has been accorded to the committee this morning, we have in this country in practically unlimited quantities all the things that enter into the manufacture of these dyestuffs, and it is utterly beyond my comprehension why that industry had not progressed to be a great industry at the time of the outbreak of this war.

Dr. BOGERT. I think it was because of those economic trammels, Senator, which I have just mentioned—the fact that Germany would undersell us in our own markets here, and that there was no adequate protection for the dyestuff industry to prevent that.

Senator SIMMONS. Had Germany acquired the same ascendancy in the French and British markets before the war as it had in our markets?

Dr. BOGERT. Yes, sir; that is, Germany was providing about 90 per cent of the synthetic dyestuffs required by the countries of the world.

Senator SIMMONS. And was that accomplished by the same methods that have throttled competition in this country?

Dr. BOGERT. No; that was accomplished primarily, I think, through the fact that they were pioneers in many of these products—through their appreciation of the value of the research side of the matter.

Senator SIMMONS. Do you know whether the German manufacturers received any assistance directly from the German Government that gave them an advantage over the industry in a country where the Government was not aiding it?

Dr. BOGERT. I think that is one thing that had a great deal to do with it, that Germany gave every possible assistance to the development of its dyestuff industry over there, the fact that it encouraged the formation of combinations which would permit of cheaper manufacturing—

Senator CURTIS. It requires that, does it not?

Dr. BOGERT. I think so.

Senator NUGENT. Could not that condition have been neutralized through the tariff laws in this country?

Dr. BOGERT. I do not know, sir.

Senator SIMMONS. Through that method they established practically a world monopoly, did they not?

Dr. BOGERT. They did.

Senator SIMMONS. And then they used that world monopoly to suppress the industry in every country whose markets they sold in?

Dr. BOGERT. They did; yes, sir; so far as they could do so.

Senator SIMMONS. That is the history of German ascendancy in these lines?

Dr. BOGERT. It is; and the entering wedge throughout the world was the manufacture of synthetic dyestuffs, so far as the chemical industry is concerned.

I should like to read the statement of the Germans themselves on this question of the value of research to their industry:

Only the land which some day will assume the leadership in pure scientific chemical investigation will also be in a position to snatch from German chemical industry the palm to which it is at present entitled.

That is the German appreciation of the value of research to industry.

Senator SIMMONS. To what extent will the German industry have an advantage over the American industry by reason of the greater concentration and centralization of the industry in Germany than is possible in this country?

Dr. BOGERT. Only to the extent that we fail to take advantage of those opportunities that we already have here in developing, in association with our dyestuff industries, some of these collateral lines which lock into the products of the dyestuff industry. German success in that field has been due more largely to an appreciation of those interlocking relationships and the fact that they could utilize a by-product from one step in the process for the production of something else than to almost any other single factor, I think.

Senator SIMMONS. They have in Germany only six or seven great dyestuff establishments and they have a unified control?

Dr. BOGERT. Yes, sir.

Senator SIMMONS. And we have in this country already established, I believe somebody said, about 160 different factories or plants. When the industry is developed to the point of supplying our own needs we will probably have twice that many. It would be

practically impossible, I take it, to consolidate and unify these different plants. Does not that give Germany an advantage which it would be difficult for us to overcome?

Dr. BOGERT. Unless we have a certain number of large corporations which are in a position to enter the world markets. If we are all split up into a lot of very small units, that may be true.

Senator SIMMONS. Doctor, do you think it would be possible for us to produce in this country all the different dyes that we require in our industries?

Dr. BOGERT. I not only think so, sir, but I am positive of it, from the fact that we have already produced practically all of the dyestuffs that are necessary here, either on a commercial scale or, at least, on an experimental scale.

Senator SIMMONS. My understanding was that a good many of the dyestuffs we are not producing now.

Dr. BOGERT. Commercially, not as yet. But we have already produced them in the laboratories, which goes to show that we do know how to make them. It takes time to translate the laboratory results to the manufacturing scale. That is the difficult proposition in many cases.

Senator SIMMONS. You feel that the industry needs only proper encouragement in order to develop all these plants for the manufacture and production of all the dyes that we need?

Dr. BOGERT. I do, sir.

Senator Nugent, may I answer a question you asked me awhile ago in regard to why I would not have this work done at West Point, for example, and this training of chemists?

Senator NUGENT. That was merely a suggestion on my part.

Dr. BOGERT. I would say that the answer to that would be that you can, if you are willing to reproduce at West Point or at Annapolis the same great research and chemical engineering institutions that you have in the other educational institutions throughout the country. And, by the same token, the great universities and technological schools of the country can train officers for the Army, and you can dispense with West Point if that becomes necessary. It is a question where it is wisest to handle that type of work. Even if we trained men at West Point in chemical engineering they would still have to go out and become acquainted, through the existence of a dyestuff industry, with the methods of that industry. That is something you can not learn simply in the research laboratories.

Senator WATSON. Doctor, did I understand you to say that we had made in this country, rather experimentally, all the various shades and tints and hues of dyes that are made in Germany?

Dr. BOGERT. I would hardly go so far as that, because we have not had occasion to make all of these different hues and shades. There are, I do not know how many, hundreds of thousands covered by patents, but I think we have made representatives of all the important colors of dyestuffs.

Senator WATSON. I have the impression—and I feel sure it is quite distinct in Congress—that there are certain shades or hues of these dyes that we can not make in the United States now, and that it will be several years before we can possibly produce those in the United States, if at all; and I understand that an allied proposition to that contained in this bill is that there shall be protection

from the imports from abroad the like of which we are producing in the United States, and that those we are not producing shall be permitted to come in without any tariff wall or any limitation.

Dr. BOGERT. I think that arises, Mr. Chairman, from a misunderstanding of what I meant by my statement a moment ago. My statement was to the effect that such material can be and has been made in this country, but so far it has been made only in the experimental stage in the research laboratory. The distance between a successful commercial process and the initial production of the substance was measured, for example, in Germany from the time the process for the production of synthetic indigo was first suggested in 1880; it was about 20 years before a thoroughly successful commercial process was worked out in that case. Heumann worked 20 years on the structure of indigo, but he finally solved the problem, the result of which was the displacement of natural indigo from the markets of the world and the introduction of synthetic indigo.

Senator NUOENT. But it is now known that certain of the dyes that are not now being made here can be made here, and it is your opinion that if the demand for those dyes is such as to warrant their manufacture in quantity lots they will be manufactured?

Dr. BOGERT. Exactly, Senator, and with proper protection and development of this industry there is no question that you will have them. You will not only that, but you will have dyes, in my opinion, superior to anything Germany has turned out, just as you will have drugs and everything else, because we shall be the leaders and not the followers. But the only way we can do that is by having proper support for an industry of this kind which has wrapped up in it all these possibilities that I have endeavored to outline for you. Twenty-five years' consideration of the problem has made me, perhaps, overenthusiastic about it.

Senator WATSON. Doctor, you have told such a remarkable story here about the essential character of this industry and what it can do that I have been led to wonder how we happened to become such a great Nation as we are.

Dr. BOGERT. We would not, Mr. Chairman, if a war had broken out on the border and we had not had to face the German and his gas, because we would have had no coal-tar industry.

Senator WATSON. There is one other question I would like to ask you just for my own personal information. You spoke of synthetic indigo. What do you mean when you apply the term "synthetic" to a single product?

Dr. BOGERT. I mean a product which is built up step by step from its elements, in contradistinction to an artificial or substitute product which may not be at all identical with the natural substance.

I can, perhaps, illustrate that in this way: When ordinary turpentine is treated with hydrochloric acid it gives a crystalline solid which looks and smells something like camphor and was called artificial camphor, but it is not camphor at all. On the other hand, we do know how by starting with the same material and proceeding through a series of steps to convert that into a material which is identical with natural camphor. That is another one of the triumphs which has been brought about in this country through the existence of the type of plants I am pleading for, and the type of chemists that

can only be developed as a result of the existence of such an industry. Otherwise we would continue to be at the mercy of Japan in that case, Mr. Chairman.

Senator SIMMONS. What you mean in all you have said is about this, is it not: That this vast chemical organization that you have spoken about, capable of accomplishing such great results, in order to attain to its potentialities has got to be financed, and the dyestuff industry has to be the financier?

Dr. BOGERT. That is the idea, sir. It has got to have the necessary support.

I would like to sum it up here in the words of an American writer, writing in the North American Review, whose statement was quoted in a German publication by Dr. Grossman, who is a very well-known writer on pedagogical subjects and chemical subjects in Germany. Writing in a German technical periodical of December 4, 1918, he quotes this statement from the North American Review as representing his sentiments:

That country which has the best chemists will eventually become the richest and most powerful. It will possess at the lowest prices, the best foods, the best manufactures, the best weapons, and lose the least in production. Its people will make the best possible use of the natural resources of their land. Because of universal hygiene they will enjoy the best health and be the least dependent upon other nations for supplying their needs. Instruction in chemistry and other natural sciences is, therefore, to be regarded as the best investment of the people's capital.

That summarizes my judgment on the matter.

Senator SIMMONS. Before you go may I ask a question or two? How long will it be, in your judgment, before we can produce these dyestuffs in this country as cheaply as they can be produced in Germany?

Dr. BOGERT. That is a difficult question to answer, Senator. In the case of some dyestuffs it would probably be a relatively short time; in the case of others it may be many years. Such problems as that of indigo, for example, are exceedingly difficult, because they are so complex. Each individual step has not only to be worked out in itself, but it brings with it a whole collateral train of other problems which have to be solved before that particular problem can be solved.

As I have mentioned, the question of an adequate supply of liquid chlorine; the question of the recovery of the sulphuric acid used as an oxidizing agent for converting naphthalene and other coal-tar constituents into phthalic acid—those problems had to be solved in a commercially profitable way before they could go on to the next step in the synthesis of indigo, and those problems not only involve the highest type of industrial and engineering research, but the most noted minds in the pure science field of German chemical endeavor were at work on that. It is a step by step process. It is not a question which can be answered categorically. But it is worth it, sir.

Senator SIMMONS. Of course we can protect our own markets here if we want to do it, against German competition by various shifts, some of which are proposed in this bill, and in that way we can build up our industry here at home to the point of supplying our own needs. But after we have built it up to the point of supplying our own needs, if we want to go into the markets of the world with those products we have got to be able to produce as cheaply as Ger-

many does. I do not believe that we are going to have anything hereafter like the disparity in labor and material costs of production in this country and in Europe that we had before the war. Assuming, then, that I am correct and that with a readjustment of wages and prices generally there will be something like a parity between the labor costs and material costs here and abroad, would you say it would take us 10 years to get into a position where we could sell in the markets of the world the products of our dye factories?

Dr. BOGERT. I should think we could do it in that time, sir, because I have the utmost confidence not only in the skill but in the energy and the resourcefulness of our American chemists. American chemistry was put to its crucial test in chemical warfare. The Germans had been working on it for years. We were suddenly confronted with the problem of developing totally new processes over here, with a very limited supply of properly trained men to do it. But we delivered the goods, Senator, and the best proof of it—I think perhaps it was cited by Gen. Seibert—is that at the close of the war Germany had given orders to scrap the method which she had developed and prided herself upon for the manufacture of mustard gas, which was the most important gas used in the war, and to adopt the American process. That is, I think, a very high tribute to American chemistry, for we had to work that all out ourselves over here.

Senator SIMMONS. What I had in mind was to find out, if you have any definite ideas on the subject, if we enter upon this scheme of artificial encouragement of the dyestuff industry, how long we would have to continue that policy?

Dr. BOGERT. I should say that 10 years would be a fair period.

Senator SIMMONS. Do you think it would take that long? I mentioned that as the maximum, and I thought you would bring it down.

Dr. BOGERT. It is not alone the cost of the labor; it is a question of providing over here the necessary staff of skilled men to do this work—expert research men. It is also a question of learning the details of development of these processes which Germany has had to work out step by step.

Senator SIMMONS. How long do you say it would take us to obtain in this country an adequate corps of educated chemists?

Dr. BOGERT. It takes six years at Columbia University after a man has graduated from high school before we feel that he is properly trained to go out and undertake work of this kind.

Senator SIMMONS. Then, have we got to wait for that new element, or have we got men now who are partially trained and who can in a briefer period become thoroughly competent?

Dr. BOGERT. We have not enough, sir. You will have to wait a number of years before you will have a sufficient army of men to carry on that work. We can not now fill the demands from all over the country for properly-trained chemists.

Senator SIMMONS. How many did you say we had now?

Dr. BOGERT. We estimate in the neighborhood of 15,000 trained chemists, but that does not mean organic chemists.

Senator SIMMONS. How many trained organic chemists have we?

Dr. BOGERT. I do not know; I have not had a chance to ascertain that.

Senator SIMMONS. A third of that number?

Dr. BOGERT. I should think less than that. I should think that not more than 10 per cent of that number at the most.

Senator SIMMONS. How many would be required if the industry were developed to the point of supplying our domestic demands only?

Dr. BOGERT. I should say we should have at least 3,000 or 4,000 such men available in this country.

Senator SIMMONS. And it would take six years to get that number?

Dr. BOGERT. Yes, sir; because after those men are first turned out they must have some practical experience in the plant before they really become of actual service in the plant. That is a product that we can not turn out at once, Senator, and that was our controlling trouble during the war.

Senator SIMMONS. But we can go on just as soon as we get the men that are needed in its development?

Dr. BOGERT. If they are given the chance; yes, sir.

Senator SIMMONS. But it will be six years, in your judgment, before we will have an adequate force to supply the needs of our own domestic market?

Dr. BOGERT. I think so; yes, sir.

Senator SIMMONS. And we are now exporting some of our dyestuffs?

Dr. BOGERT. I hope we will export a great many more in the years that are to come. I want to see this country where it belongs, Senator—at the head of the list.

Senator SIMMONS. Those that we are exporting now, I suppose, are the dyestuffs that we were making before the war?

Dr. BOGERT. Yes, sir; and which do not require quite so many years for development.

Senator WATSON. You have no knowledge, have you, of the wages paid in the dye industry in Germany?

Dr. BOGERT. I am not familiar with that at all, Mr. Chairman. My occupation has been more in the research side of it than in connection with the commercial side.

Senator WATSON. That is all, Doctor.

Mr. CHOATE. Mr. Chairman, will the committee be good enough to call Dr. Steiglitz?

STATEMENT OF DR. JULIUS STIEGLITZ, CHAIRMAN DEPARTMENT OF CHEMISTRY, UNIVERSITY OF CHICAGO.

Dr. STIEGLITZ. Mr. Chairman, I am professor of chemistry at the University of Chicago and chairman of the department at the university. I have been chairman of the committee on synthetic drugs of the National Research Council during the war, and am still chairman of that. For 15 years I have been connected with the council of chemistry and pharmacy of the American Medical Association.

I am here to-day to tell you the relation of the synthetic drug work to the dye industry. As chairman of the committee on synthetic drugs of the National Research Council I had to find out what drugs were absolutely necessary and could not be obtained during the war in this country and to determine which men in the country

could manufacture such drugs and help them develop methods for preparing these drugs.

Senator WATSON. This organization of which you speak was a war organization?

Dr. STEGLITZ. Yes; a war organization—the National Research Council.

As a result of that experience I have come to the conclusion that we would have saved a great deal of suffering and a great many lives in this country if we had had an organic chemical industry, as they have in Germany, before we started in the war.

This organic chemical industry involves three branches—one, the explosives and the poison gases, which are used only in warfare; the second, the dyes; and, the third, the synthetic drugs and synthetic medicaments and related finer organic chemicals, such as photographic developers and the like. The bulk of the work in peace times must be in dyes, because we require huge quantities of dyes; but, in my judgment, the really important feature of the synthetic work is in the synthetic drug line, because that involves the health and the future of the people of the country. It requires, however, the materials that come with the manufacture of dyes, it requires research facilities, and it requires the research men that we can get through a thriving dye industry.

Each citizen of this country, I imagine, spends not more than 50 cents or a dollar a year on dyes. He spends quite a little more on synthetic drugs and his health and the health of his family are involved. That is a far more vital question, and I think I can do best by giving you a specific illustration of the development of two or three drugs in this country, especially of arsphenamine, 606, or salvarsan—three different names for the same product. As you know, this is a specific for the cure of syphilis, and it is insisted on by the physician and by the patient.

Even before we started in the war importations were prevented, and the demand was so enormous that for a time absolutely fancy prices were paid for the drug. As soon as it was seen that there would be such a shortage some of the research chemists of the country started preparing arsphenamine, and the results at first, following the patent specifications, were so poor that some of these men thought of appearing in court to have the patents annulled, stating that the product could not be prepared according to the patent specifications. That was wrong; one can prepare arsphenamine according to patent specifications, but just about enough to look at, not enough to use. It is altogether a question of yield. There are from three to five steps in the manufacture, and we can easily see that if the yield at each step is say but 10 per cent, then with only three stages the total yield would be one-tenth of 1 per cent. With five stages, which were used at first, it would be one-thousandth of 1 per cent. That is, we will use say 100,000 pounds of material to prepare 1 pound of arsphenamine, which is, of course, commercially impossible. I have been told that a director of the German company which controlled the German rights to arsphenamine stated that one could manufacture it according to the patent specifications, but he could not get any yield. The patent protects the product, but does not reveal the method.

Senator WATSON. We took possession of those German patents in this country, did we not?

Dr. STIEGLITZ. We did; at first through the Federal Trade Commission.

Senator WATSON. But you say you could not reproduce the product by the processes set forth in the patent?

Dr. STIEGLITZ. No, sir; not directly. But these research chemists studied the problem and worked out their own methods, and as a result in 1917 we were manufacturing American arsphenamine under licenses from the Federal Trade Commission.

This drug is exceedingly poisonous. It is injected directly into the veins of the patient, and unless it is quite pure it is likely to lead to severe reactions and even to death. Government control was instituted at an early date, and the maximum toxicity which was permitted to go into trade was 60 milligrams; that is, about a grain for 2 pounds of white rat. That was the original quality of the American product.

The German product sold before the war—that is, before 1914—at \$3.50 a dose. The first price fixed by the Federal Trade Commission was from \$1 to \$1.50 a dose, which showed already the tremendous advantage of American manufacture.

In the course of these two years the following developments have occurred: In the first place, the purity of the drug has risen to such an extent that the official standard, instead of being only 60 is 100 milligrams, which is over a 50 per cent improvement. But, as a matter of fact, the American brands run now from 120 to 130. There is practically none on the market now that will not run from 120 to 130. That is twice as good as it was originally. That is, the result of research work of about a year and a half. In the second place, the drug is now being sold wholesale to hospitals at 60 cents, and I was told this noon some even at 30 cents a dose. That, of course, means that the drug is from 5 to 10 times as cheap as it was before 1914, and the blessing to the country can not be overestimated.

Senator WATSON. Was that recently discovered by chemists working in dyestuff plants in Germany?

Dr. STIEGLITZ. It was originally discovered by an organic chemist, Dr. Paul Ehrlich, and he had the cooperation of the Casella Dye Co. The crude material comes from the dye plants, and the product is very much like a dye. It is very closely related to some of the real dyes, simply containing arsenic instead of part of their nitrogen. That is the sole difference.

The value of these triumphs in synthetic organic chemistry to the country can best be illustrated if we consider that there are approximately 10,000,000 people afflicted with syphilis in some form or other in the United States, and that this is a specific which, if used promptly, will entirely prevent the disease, and used later, will cure it. I have spoken with physicians in Chicago—with Dr. Ormsby, for instance, who uses the drug in dispensary practice and in private practice at the rate of about 2,000 injections per month. We are now making in this country, I believe, in about three weeks as much as the total annual importation from Germany before the war, and I am quite sure that we are ready now to export. In fact, our manufacturers want an outside market in order to get rid of the great bulk of the product. That shows to me what can be done by start-

ing with nothing, and developing scientific, going methods of manufacture.

Senator WATSON. How does the quality of the American product compare with the quality of the German product?

Dr. STIEGLITZ. It is rather better.

Senator WATSON. And what is the difference in price?

Dr. STIEGLITZ. The price is at least one-fifth, and into some hospitals, I am told, one-tenth the price it was before the war.

Senator WATSON. What is the price here as compared with the price of the German product in Germany?

Dr. STIEGLITZ. I do not know what the price in Germany is, but the doses brought to this country have sometimes on them a label giving, I believe, a price of from 8 to 10 marks, which would correspond to \$2 or \$2.50 here. Mr. Metz has told me we are manufacturing now as cheaply in this country as they ever did abroad. It is merely a question of finding out how to do it.

Senator WATSON. And it is your belief that that is being manufactured as cheaply and as purely here to-day as it was in Germany before the war or as it is now?

Dr. STIEGLITZ. As cheaply and as purely, or rather of superior quality. It is an excellent brand as we have it now.

I would like to bring in one or two instances which may shock you, to show the real importance of this one line of effort to public health. As I have stated, the estimate is that there are 10,000,000 syphilitics, and I was recently told by a prominent physician in one of our large cities that in the case of any baffling malady every doctor now makes a test to see whether there is any hidden syphilis. It may be inherited. It may come in a perfectly innocent way, from contact.

One specific instance, which shocked me terribly, but which showed the importance of it, was this: A young woman, a virgin, who had chest trouble, refused to respond to any treatment. The doctor made a Wassermann test and was surprised to find a perfect test. He gave this arsphenamine treatment, and the result was that in a few weeks she was in perfect health—perfectly innocent, but still subject to this disease.

We intend in this country under the lead of the Public Health Service, to try to stamp out syphilis if we can possibly do it, and this is perhaps the best remedy we have for that purpose.

Senator WATSON. Is there enough being made in this country to supply the home demand?

Dr. STIEGLITZ. I think there is enough made even to supply the markets in South America, Mr. Chairman. One manufacturer can make in one day some 15,000 doses.

Senator WATSON. What has the manufacture of this drug to do with the dye industry in this country at this time? How are they related, if at all?

Dr. STIEGLITZ. The original crude material should come from the dye manufacturers.

Senator WATSON. You now get your crude material for the manufacture of salvarsan from the dye plant?

Dr. STIEGLITZ. From the dye or coal-tar plants. In the second place, one of the most successful large productions has been carried

out by a manufacturer who has had dye-making experience. He has put it on a large scale, producing from 8,000 to 15,000 doses in a day, in a room smaller than this one here.

I would like to turn to a second drug, procaine, or novo cocaine. During quite a long period in the war we had no local anesthetics for our hospital work in surgery—that is anesthetics injected under the skin for local operations, and we had what we called among ourselves “Bulgarian” operations—that is, operations without anesthetic, throwing us back some 50 to 70 years in civilization.

Senator WATSON. You mean by that that you had no cocaine?

Dr. STIEGLITZ. Very little; and cocaine is exceedingly expensive. This drug procaine or novo cocaine which is a substitute for cocaine, is manufactured from coal-tar products. It is better and less dangerous. The injection of cocaine occasionally causes death—a few cases, but sufficient to make the doctor often unwilling to use it unless he is absolutely compelled to use it.

Senator WATSON. The dentists are using the novo cocaine, are they?

Dr. STIEGLITZ. They use procaine or novo cocaine. Procaine is manufactured from nitrobenzoic acid, which we get directly from the dye manufacturer. It is an intermediate. Another component is diethylamin, which also we secure best from the dye manufacturer. Nitrosodiethylaniline is the source for the preparation of diethylamin.

Senator WATSON. What is diethylamin used for?

Dr. STIEGLITZ. To make procaine. Procaine is built from various components, one of which is diethylamin. We are manufacturing it in this country now on as large a scale as is needed to supply the country, and I rather think it could be exported, because the price has fallen steadily.

Senator WATSON. That is also related to the dye industry?

Dr. STIEGLITZ. That is related to the dye industry.

The third drug that I would like to mention is atophan. That is the sovereign remedy for gout, and that may be of interest to you, because in 1917 I had a most pathetic letter from a United States Senator asking where he could get atophan. The drug is made successfully in this country by synthetic processes. We have ample supplies of it, and there is no need whatsoever of importing it.

Now, I want to make two points, to draw two lessons from our experience with synthetic drugs. The first is this: It is only a question of time until we can succeed in solving all the intricate problems connected with any compound whatsoever, whether it is a drug or a dye. Probably it would take only two years with any individual dye, which would be my estimate, to produce it in quantity so that we could even export it. The difficulty with the manufacture of dyes is that there are not half a dozen dyes, as there are essential drugs, but a large number. They can not take hold of them all at the same time; they must solve one problem after another. But, taking up one problem after the other, I think it is probably a matter of only two or perhaps three years on an average before production on a commercial scale can be successful.

Dr. Bogert was perfectly correct in stating that it took the Germans 30 years to manufacture indigo synthetically, but that is an

exception, a rare exception, because it was a particularly difficult problem. From the history of the newer dyes, I think we can say it is only a matter of a few years with each individual dye, because they are continually producing new dyes.

The second lesson I want to bring out is this. If we have brought into being a sovereign remedy for syphilis, if we can at least remove the pain of gout, if we can produce a local anesthetic better than cocaine, if we have in quinine a natural drug and specific for malaria—then we have every reason to believe that with proper research we will find remedies for the other great diseases from which humanity is suffering, notably tuberculosis, pneumonia, and cancer. Those are the three great diseases which, with syphilis, cause the greatest loss of life.

In fact, we already have something for the pneumococcus externally—for instance, in a pneumococcus infection of the eye. If we had had a remedy like arsphenamine for pneumonia during the influenza epidemic we would probably have saved from 100,000 to 150,000 lives in this country alone.

That means that there is a tremendous amount of most important research necessary to develop new remedies, and that research can be stimulated best, I think, through a thriving commercial industry in fine organic chemicals like the dye industry. That will give us the resources; it will be a going thing. We will have the output of the dyes, and as an additional gain for the country we will have this research work. We will have research work not only on dyes, which will be valuable, but research work on medicaments, which I think will be invaluable, of far greater value than any work on dyes no matter how great the income therefrom may be. That is the way I look at the future.

Such work is going on now, but in order to find a remedy you have got to have concentrated effort. The more workers there are, the quicker we will get the result. For instance, I find people now saying, If we had only had arsphenamine 10, 15, or 20 years ago, how many lives we could have saved, how much suffering we could have prevented. The only way to accomplish this is to intensify research, to have a great many more men working than we possibly can have at present. Every year saved means lives saved, and suffering saved and the nation put on a better footing.

Senator WATSON. Doctor, where were you educated?

Dr. STIEGLITZ. I was first educated in the public schools of New York, and then went to Germany for nine years for my college and university education.

Senator WATSON. Were you familiar with dye manufacturing in Germany?

Dr. STIEGLITZ. Not through working in any of the factories. Like Dr. Bogert, I have been simply a research man.

Senator WATSON. Did you take a course in chemistry in Germany?

Dr. STIEGLITZ. Yes; five or six years.

Senator WATSON. But you did not come in contact with the chemistry of dye manufacturing, did you?

Dr. STIEGLITZ. No; but with men who made possible dye manufacturing. One of my chief professors was Prof. A. W. Hofmann, one of the great founders of the dye industry in Germany. Then I

worked with Victor Meyer, who developed mustard gas. It occurred to me this morning that by a curious coincidence I must have been in his laboratory when he discovered mustard gas. I know he was working with sulphur preparations. That was in 1888.

These are all important branches of synthetic organic chemistry, of which the living trunk is the dye industry, because that is a practical commercial matter. The best fruit, I would say, is on the extending branches which are supported by the trunk.

We scientific men have been so convinced of the value of this, Mr. Chairman, that the American Chemical Society has drawn up resolutions, which I will present to you. The society is an organization of some 14,000 chemists of the United States. Their opinion is unanimous—I have heard no other opinion at all—that we do need this development of synthetic organic chemistry, and the best way to do it is to give the dyes a chance.

(The resolutions referred to are here printed in full, as follows:)

Resolution of the American Chemical Society passed at the Philadelphia meeting and unanimously approved by its committee on national policy and its board of directors on November 29, 1919:

Whereas the establishment of a complete self-sustained coal-tar chemical and dye industry is a national necessity because of its well-defined character as a key industry in our economic life; and

Whereas this industry has a much deeper significance in that it constitutes a vital reserve both as to personnel and supplies for our Army and Navy in modern warfare; and

Whereas this industry is also essential for supplies of synthetic drugs for the health of the Army, Navy, and general public in peace and in war; and

Whereas this country possesses an abundance of raw material for such an industry, ample capital, and chemists capable of solving the many scientific and technical questions involved, as evidenced by the splendid progress of the past three years; and

Whereas this initial period, with all of its attendant difficulties, has not yet been adequate to admit of the efficient production in domestic plants of all colors needed by American consumers; and

Whereas the greatly depreciated rate of exchange in that country which in the past has manufactured the bulk of the world's supply of dyes present a new and threatening factor in all transactions of an international character: Therefore be it

Resolved, First, that we urge all Americans to stand loyally by the young industry which embodies such far-reaching potentialities of service and protection for our country;

Second, that every needful safeguard be thrown around this industry by the Congress of the United States, especially through the imposition of effective import duties and the provision of a temporary licensing system along the general lines embodied in H. R. 8078 as the Longworth bill.

Correct.

[SEAL]

CHARLES L. PARSONS, *Secretary*.

Dr. STIEGLITZ. I think you have an invaluable heritage of the war in your hands. Protect it for a few years; do not throw it overboard. It has given invaluable results in the case of arsphenamine. I am quite certain that if the Germans had any say in this matter they would say, let it go. They are going to do the very best they can to stifle it in its young years, for two reasons; first, for the commercial reason that they want the trade, and, in the second place they want to cripple this country, if they possibly can, in the matter of national defense and also national health. That is my judgment, summing it up in a few words.

Senator CURTIS. Doctor, I would like to ask you one question, if I may, about the cost of production. I do not know whether you know about it or not. In this report of the Tariff Board I find this:

Rhodamine B is an interesting example of dye, which, although only used in comparatively small amounts (1914 imports were less than 60,000 pounds), is yet urgently demanded by consumers. It gives a pink of unrivaled beauty on silk and wool. It was not produced in the United States until 1918 and is still not produced in amounts sufficient to supply the demands. It is now quoted at about \$75 per pound, although the foreign value declared at the custom house on imports of the dye in 1914 was only 41 cents per pound.

Do you know anything about that dye?

Dr. STIEGLITZ. Yes; I know what rhodamine is and, Senator, it is only a question of time until we will prepare it just as cheaply as they do in Germany. It is a matter of yield.

Senator CURTIS. You do not think there is any doubt about that?

Dr. STIEGLITZ. I have not the least doubt about the result, because we have already been successful with other dyes and with drugs. It is only a question of time when instead of getting a yield, say, of one-tenth of 1 per cent we will get a yield of 90 per cent. That makes a difference of 900 fold, you see. If you get a yield of one-tenth of 1 per cent instead of 90 per cent the cost of the commodity is 900 times as great. We are continually improving the yields.

I could give you one other instance if you have the time. Luminal is a drug used as a specific to prevent seizures in epilepsy.

Senator WATSON. Is that a successful specific, Doctor?

Dr. STIEGLITZ. Yes. The pathetic letters on file in my office in connection with luminal are even more heartrending, perhaps, than those in connection with the other drugs.

That was the one drug which we were not prepared to make at the end of 1917. So we took it up at the University of Chicago, tried the process described in the patent, and got just enough to look at it; not enough to send to a single patient for treatment for epilepsy. So my assistant, Miss Rising, set about modifying the method, and we very quickly developed a method—within six or seven weeks—which gave yields in excellent quantity, avoiding everything that was expensive and difficult, and we put the process at the disposal of any manufacturer who wanted to use it. Luminal is now made in this country.

Senator CURTIS. Will that result in a cure?

Dr. STIEGLITZ. It is not a cure; it is a preventive.

Senator CURTIS. Well, there is a preventive, is there not, that is already being used?

Dr. STIEGLITZ. Nothing as valuable as luminal. They do use bromide, but I had letters from leading physicians in New York and from hospitals like the Cincinnati hospital and hospitals in Idaho or in Montana—hospitals all over the country—demanding luminal. It is the surest thing to prevent epileptic seizures. It is not a cure; they have found no cure for epilepsy.

Senator NUGENT. Is that a coal-tar derivative?

Dr. STIEGLITZ. I did not mention it at first, because it is not derived from coal tar, but it is made by processes quite analogous to those used in coal-tar factories.

Mr. CHOATE. And the patent was owned by a German coal-tar company, was it not?

Dr. STIEGLITZ. Yes.

Mr. CHOATE. And was one of those sold to the Grusselli Chemical Co.?

Dr. STIEGLITZ. Yes. I only mention that to show that it is only a question of time before we can make these things, and make them at reasonable prices.

Mr. CHENEY. Mr. Chairman, may I interrupt to reply to your inquiry with regard to rhodamine?

Senator WATSON. Will you please state your name?

Mr. CHENEY. Frank D. Cheney, of Cheney Bros., of South Manchester, Conn. We are silk manufacturers. We have used rhodamine for many years in our manufacturing. It is made and sold in several different concentrations. We formerly purchased the highest concentration we were able to purchase. The lowest price I recollect being able to procure it for was 92 cents. We now purchase it for \$25 a pound—not \$80 as stated—and I understand the price is soon to go still lower.

Mr. DANIEL F. WATERS (of Germantown Dye Works, Philadelphia, Pa.). I might add, Mr. Chairman, that I am buying rhodamine to-day for \$10 a pound.

Senator WATSON. That is all, Dr. Stieglitz, unless you have something further to offer.

Dr. STIEGLITZ. Let me give one more detail in this history of the development of the manufacture of arsphenamine in this country, typical of the development of the manufacture of any finer synthetic organic chemical, whether it be drug, dye, gas, or other product. After our American houses, under license of the Federal Trade Commission or of the Chemical Foundation, had so successfully solved the problem of manufacturing arsphenamine itself of a high degree of purity at a greatly reduced price, they took up the problem of the manufacture of neoarsphenamine (neosalvarsan), a derivative of arsphenamine which very many physicians prefer on account of its great convenience in treatment of patients. A dose of arsphenamine is prepared in about 5 ounces of water, and this solution is injected very slowly into a vein. This is a very large quantity of fluid and it takes time and care to inject it properly. Neoarsphenamine is much more readily soluble, and the dose can be dissolved in about half to a quarter of a teaspoonful of water. It is, of course a tremendous convenience to inject only this small amount; many patients can be treated in a short time. Some physicians even assert that the treatment is for medical reasons preferable. The history of the manufacture of this neoarsphenamine shows the same eventual triumph of American chemists over a difficult problem. The American neoarsphenamine is as easily soluble, as pure and as efficient as the very best foreign brands, the result of at most a year's efforts.

Let me add that sodium hydrogen sulphite is a chemical used in preparing arsphenamine, and it is even more widely used in the dye industry. One manufacturer estimated that from 50 to 60 per cent of the cost of arsphenamine is for this hydrosulphite, which is still imported and is very expensive. A flourishing dye industry in this country in my judgment undoubtedly would lead to an American production also of a very pure hydrosulphite, which is needed for the preparation of pure arsphenamine, at very much lower costs.

Mr. CHOWTE. Will the committee be good enough to call Prof. La Wall?

STATEMENT OF MR. CHARLES H. LA WALL, ANALYTICAL AND CONSULTING CHEMIST, PHILADELPHIA, PA.

Mr. LA WALL. Mr. Chairman, I am here representing no manufacturing interests or commercial products, or any of the products involved, but in the interest of organized pharmacy. I am the chairman of the United States Pharmacopœia revision committee. The United States Pharmacopœia is the book of standards for medicinal substances, providing tests for identity and purity for the drugs used by physicians and dispensed upon their prescriptions by pharmacists all over the United States and its possessions.

This book is revised by a committee selected from the delegates sent to a decennial convention representing the scientific workers in pharmacy, chemistry, and medicine. It is controlled by a board of trustees, who use the profits for the succeeding revision. It may, therefore, be said to be owned by the professions which are represented in the convention.

I also am the dean of the Philadelphia College of Pharmacy, an institution which is just rounding out its ninety-eighth year of service in educating pharmacists in the scientific work of their profession. I have been associated in the teaching work of that institution for 19 years, and during that time have kept in close touch with pharmaceutical progress and pharmaceutical thought. I have been president of the American Pharmaceutical Association and of my own State pharmaceutical association, and during the latter period of the war was called into consultation as a member of an advisory subcommittee of the committee on medical supplies of the Council of National Defense. I feel, therefore, that I can speak for the profession of pharmacy.

In the opinion of pharmacists the coal-tar dye industry has for many years been closely linked with the manufacture and supply of medicinal compounds. This has been evidenced in the large number of these medicinal compounds which have appeared upon the market bearing the trade-mark or name of companies manufacturing dyestuffs in Germany. The development of the coal-tar dye industry has taken place most largely in Germany, we feel, because of the cooperation and support which it has received from the governmental authorities, the large numbers of research workers, who find an outlet for their enthusiasm and ability, and also because for many years they were favored by the use of industrial tax-free alcohol, while other countries were not.

In the coal-tar dye industry the development has not always been rapid and has been largely associated with the use of by-products. In fact, for many years what we now value and use under the name of phenol was cast aside as worthless, just as coal tar previously had been cast aside in its day. Throughout the whole of the industry there has been a necessity for making other things than dyes in order to utilize the products which otherwise would have been thrown down the sewer and which would have gone to waste.

The interrelationship between the dye works and the manufacture of medicinal compounds may be shown in many ways. On consult-

ing a current price list of medicinal chemicals, I picked out 29 substances in the letter A alone which were manufactured by and have associated with them the names of German coal-tar chemical plants. It is also shown by the fact that these same organizations even publish literature showing the importance of drug manufacture in their work. I have with me such a work, entitled "Method For Testing Our Pharmaceutical Preparations," by Farbwerke vorm Meister, Lucius & Bruning.

Synthetic medicines are not necessarily made in dye factories, but they employ the same intermediates and in that way are tremendously interdependent for their economic success. I note in the bill which you have before you 15 substances in Group III which are of importance in medicine and almost every one of which is official in the United States Pharmacopœia. You may hear arguments to the effect that medicines are not economically important in this connection from the purely monetary standpoint, but is not the production of remedial agents to be classed as work which should not be measured in dollars and cents, but as of the highest importance for the welfare of the people and for proper development of the industry?

This development can not take place without proper protection, and especially the stimulation of that research work which, it has been testified, is so necessary. It will indeed take six years for the teaching of a group of men to carry on this work, but before these men engage in such an arduous course of instruction they must know that there will be an outlet for their energy at the end of that time. By the passage of this bill encouraging the manufacture of dyestuffs, munitions, and medicines, such assurance would be complete, and our educational institutions would be crowded with young men aspiring to this important branch of scientific work.

Among the many specific instances which have been given of remedial products of importance which are directly connected with dye-works development there has been overlooked one which has contributed greatly to the relief of the suffering wounded. I refer to dichloramin T, one of the newer antiseptics, which for its production is absolutely dependent upon dye-works methods and dye-works intermediates.

For many years pharmacy was in the grip of the German manufacturing octopus, to the extent that the products which were controlled and sold on the American market at high prices were sold across the border line in Canada at less than one-fourth of what we were compelled to pay. The records of previous tariff and patent investigating committees will show this to be true in the case of phenacetine and also, later, aspirin.

With all of these facts in view, we in pharmacy feel sure that when this committee comes to render its final decision upon the merits of the bill before you you will deem it wise to foster this essential industry under the wise provisions which have been therein formulated.

(Thereupon, at 3.45 o'clock p. m., the committee adjourned to meet at 10 o'clock a. m. to-morrow, Tuesday, December 9, 1919.)

DYESTUFFS.

TUESDAY, DECEMBER 9, 1919.

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

The subcommittee met at 10 o'clock a. m., pursuant to adjournment on yesterday, Senator James E. Watson (chairman) presiding.

Also present: Senators Curtis, Sutherland, and Nugent.

Senator WATSON. The subcommittee will resume its hearing on bill H. R. 8078.

Mr. HOWARD. Mr. Chairman and gentlemen of the committee— Senator WATSON (interposing). Are you going to be the first witness this morning?

Mr. HOWARD. I am going just to make a few remarks and will call on three members of our association.

Senator WATSON. All right. If that is the understanding you may proceed.

STATEMENT OF MR. HENRY HOWARD, CHAIRMAN EXECUTIVE COMMITTEE OF THE MANUFACTURING CHEMISTS' ASSOCIATION OF THE UNITED STATES AND VICE PRESIDENT OF THE MERRIMAC CHEMICAL CO., BOSTON, MASS.

Mr. HOWARD. I represent the Manufacturing Chemists' Association of the United States, an organization that was founded in 1872. I wish to submit for the information of the subcommittee a list of the officers of this association, together with a list of its members:

Officers.—President, T. S. Grasselli, president Grasselli Chemical Co., Cleveland; vice presidents, William H. Childs, president The Barrett Co., New York, and H. H. S. Handy, president Semet-Solvay Co., Syracuse; treasurer, O. Wilbur Miller, president the Davidson Chemical Co., Baltimore; secretary, A. H. Weed, 84 State Street, Boston.

Executive committee.—Henry Howard (chairman) Merrimac Chemical Co., Boston; Adolph G. Rosengarten, Powers-Weightman-Rosengarten Co., Philadelphia; Lancaster Morgan, General Chemical Co., New York; E. R. Grasselli, Grasselli Chemical Co., Cleveland; D. W. Jayne, the Barrett Co., New York; J. D. Pennock, Solvay Process Co., Syracuse; Dr. Charles L. Reese, E. I. du Pont de Nemours & Co., Wilmington.

Members.—Armour Fertilizer Works, Chicago; the Barrett Co., New York; Baugh & Sons, Philadelphia; Henry Bower Chemical Manufacturing Co., Philadelphia; Calco Chemical Co., Bound Brook, N. J.; B. P. Clapp Ammonia Co., New York; Columbia Chemical Co., Pittsburgh; Consolidated Color & Chemical Co., New York; Contact Process Co., Buffalo; Davison Chemical Co., Baltimore; Detroit Chemical Co., Detroit; Dow Chemical Co., Midland, Mich.; E. I. duPont de Nemours & Co., Wilmington; General Chemical Co., New York; Grasselli Chemical Co., Cleveland; Harshaw, Fuller & Goodwin Co., Cleveland; Herf & Frerichs Chemical Co., St. Louis; Heller & Merz Co., Newark; Heyden Chemical

Works, New York; Hooker Electrochemical Co., New York; Hord Color Products Co., Sandusky, Ohio; Kuhlbleisch Corporation, New York; E. C. Klipstein Sons Co., New York; Chas. Lenning & Co. (Inc.), Philadelphia; Mullnekrodt Chemical Works, St. Louis; Mathieson Alkali Works, Providence; McKesson & Robbins (Inc.), New York; Merck & Co., New York; Merrimac Chemical Co., Boston; Michigan Alkali Co., Detroit; Mutual Chemical Co., New York; National Ammonia Co., Philadelphia; National Aniline Chemical Co., New York; National Lead Co., New York; Naugatuck Chemical Co., Naugatuck, Conn.; New England Fuel & Transportation Co., Boston; Newport Chemical Works, New York; Nichols Copper Co., New York; Pennsylvania Salt Manufacturing Co., Philadelphia; Chas. Pfizer & Co. (Ltd.), New York; Philadelphia Quartz Co., Philadelphia; Powers-Weightman-Rosengarten Co., Philadelphia; Roesler & Hasslacher Chemical Co., New York; Rollin Chemical Co. (Inc.), Charleston, W. Va.; Semet-Solvay Co., Solvay, N. Y.; Solvay Process Co., Syracuse, N. Y.; Tartar Chemical Co., New York; U. S. Industrial Alcohol Co., New York; Western Chemical Manufacturing Co., Denver, Colo.

Many of the members of the association have been in the chemical business continuously since its formation in 1872, and will continue, in all probability, whether the dyestuffs bill is passed or not. We have, however, observed the way in which Germany, by all means in her power, has strangled the coal-tar dye industry in this country; first, by unfair competition, and, second, by using our own defective patent laws to retain her monopoly. We are strongly convinced that it will not be possible to preserve the industry by a tariff alone, either with an antidumping or an unfair-competition law, desirable as these features are, without some sort of a flexible selective embargo on imports, which we feel can be satisfactorily accomplished by the proposed method of licensing imports.

We older manufacturers observed with great concern our absolute unpreparedness when the European war first came on. The difficulty of getting started in the production of munitions on a large scale in spite of the most lavish expenditure of money by the English, French, Italians, and Russians in this country in 1914, 1915, and 1916 is a matter with which those who were in the chemical business at that time are all familiar. Col. Harris and Admiral Earle have spoken of the difficulty of getting adequate supplies after our entry into the war in April, 1917. They did not mention that before that time hundreds of millions of dollars had been spent by the Allies in bringing about the development of the many American munitions plants then existing, including large plants for coal-tar products, such as phenol, T. N. T., and picric acid.

It might interest you gentlemen to know my personal experience in that matter: I am a chemical engineer by profession, and vice president of the Merrimac Chemical Co., and, with some allied interests in Boston we started, in the spring of 1915, when all materials were readily accessible for building, to build a plant for the production of synthetic phenol and picric acid to supply the French and Russian contracts. The prices at that time being offered by those Governments were nearly three times as high as the fixed price which the United States Government had to pay when it came into the war. Those early prices were made of a magnitude that high in order to induce American manufacturers to go into that line of business.

We retained the services of Stone & Webster, one of the largest engineering companies in this country, to rush through the construction of our plant. Money was spent lavishly; as many men as could

possibly work on the plant were put to work on it, and at 24 hours a day. We started work about the 1st of May, 1915, and got the plants finished about October. It then took us nearly six months to get a personnel trained so that we could really make the plant work. During the first three months we turned out practically nothing in the way of products. After we had been running a year everything was running smoothly, but we had all that time to do this practicing on the Allies while American industry was getting started in the manufacture of high explosives.

Our company was one of the most successful war-time munition plants; it was not one of the largest but one of the most successful. I think the experience we had was the experience of nearly all other companies that started in, in a similar way. I think it a fair statement to make that no munitions were delivered to the Allies during the first two years of the Great War in any substantial quantity, or during the first year and a half at least—except those that were made by already existing explosive manufacturers who had trained personnel, and plant and equipment, like the du Ponts and other explosive manufacturers in this country. Therefore we can readily see what would have been the situation if we had been open to attack at that time.

The chemical manufacturers to-day who are not directly interested in the manufacture of dyestuffs fully realize the immense increase in their prosperity that has come through the development of the dye industry. Let me give you another personal experience: Before the war the strongest sulphuric acid, called oleum, was hardly known in this country as an article of commerce. It is, however, of extreme importance in the manufacture of modern high explosives, and one of the first things the manufacturers of heavy chemicals had to do in 1915 was to provide plants for the large scale production of oleum. When the armistice was signed and the manufacture of munitions was stopped we thought that the demand for oleum would largely disappear, but, to-day, to our surprise, owing to the largely increased demand by the dye industry, the demand for oleum upon my own company is substantially as great as it was during the war, which means that our entire oleum equipment will be kept in operation, and its entire product could be diverted upon a moment's notice to the manufacture of munitions.

Senator WATSON. What is oleum?

Mr. HOWARD. A highly concentrated sulphuric acid that is used in the manufacture of high explosives, like T. N. T. It was not prior to the war an article of commerce to any extent in this country.

Senator WATSON. Did the dye industry in the United States or in Germany ever have anything to do with developing that product?

Mr. HOWARD. Yes, sir.

Senator WATSON. What did it have to do with it?

Mr. HOWARD. The product was originally developed in Germany by the Badische Co. as an adjunct to its dye industry, and because in many processes of sulphonation and otherwise in that industry this highly concentrated sulphuric acid is absolutely essential and it could not be made by the old chamber process.

Senator WATSON. Did its manufacture here grow out of or is it in any way related to the dye industry; where you made it, for instance?

Mr. HOWARD. The initial large scale production was brought about through the enormous demand for its use in the explosive field. We were not prepared to make it on a very large scale prior to the war because we had no dye industry to develop it. In fact, we had two or three years in which to get ready before we ourselves came into the war, and after we came into the war we had already a very large production of oleum. But, as I have said, now, instead of that production absolutely falling off to where it was before the war, it is still keeping up at a very high rate as the result of the large demand made for it by the dye industry; and it is likely to continue so if the dye industry continues.

Senator WATSON. For what purpose in the making of dyes do they use oleum?

Mr. HOWARD. Oleum is used principally in the first treatment of the products, like naphthalene or toluol, for processes called sulphonation.

Senator WATSON. In the making of dyes?

Mr. HOWARD. Yes; in the making of dyes. And, as was pointed out on yesterday by Dr. Bogart, that first step could be succeeded by other steps, so that instead of making those things into dyes, you could make those things into explosives.

Senator NUGENT. Were you obliged to carry on work of an experimental nature in order to produce this material in the first instance?

Mr. HOWARD. In order to produce oleum?

Senator NUGENT. Yes.

Mr. HOWARD. We were not, because we bought a fully developed process from Russia.

Senator NUGENT. Why, if you know, was there no dye industry in this country at the outbreak of the war?

Mr. HOWARD. Well, there are a good many reasons. I suppose no two people who might come on the stand here would be likely to give exactly the same reason, but one of the principal reasons was the efforts of German dye manufacturers to keep us out of the business. And they did that by several means: One was their system of patenting everything in this country and then refusing licenses to any one in this country to work those patents. In other words, they made use of our patent laws to maintain the monopoly for their own country. And, I might explain right there, that as long as they had that monopoly they would sell those goods here at a very high price.

Furthermore, I believe it was customary in their works to write off their plants during this period of high prices, down to a merely nominal value, and then as soon as the patents in this country expired prices would be dropped on those particular products to a point where there was no inducement for an American chemical manufacturer to go into the business with only the promise of a moderate profit. In one or two cases where an American manufacturer did have the temerity to go into the business prices were immediately dropped to a point below cost of production; and in one case, of which Mr. Wigglesworth, whom I am going to call a little later on, can tell you about personally, and I only know it from hearsay, an additional duty was put on—in the case of anilin oil, I believe, as to which, in spite of the duty, the price was put lower than before the duty was put on. But these facts I do not know of my own knowl-

edge, and Mr. Wigglesworth can bring the matter out when he goes on the stand, if you wish to hear about them.

Senator NUGENT. All right.

Senator WARSON. You may proceed with your statement, Mr. Howard.

Mr. HOWARD. Any attempt for the industry to show its head in this country was met by the putting in of those particular products at a price low enough to drive that American-made product out of the market. That was done through the enormous strength of those German industries. Of course, they lost a good deal of money in doing it, on that particular product, but they were making large sums on their patented products.

Senator NUGENT. For what period of time did that continue, approximately?

Mr. HOWARD. Well, so far as I know, it has continued as long as I can remember back in the chemical business.

Senator NUGENT. Do you know whether or not there was any tariff placed upon German dyes during the time that you now refer to?

Mr. HOWARD. There was never during my connection with the industry a tariff adequate to protect the dye industry in this country.

Senator NUGENT. Do you know whether or not any effort was made, either by the manufacturers of dyes or by others interested in the business, either directly or indirectly, to bring about the enactment of tariff laws by the Congress on the importation of dyestuffs?

Mr. HOWARD. Well, of course, you mean some time back; you do not refer to 1916?

Senator NUGENT. No; I mean prior to the war.

Mr. HOWARD. Well, I know in 1909, I think it was, during the Payne-Aldrich bill—and I was at that time chairman of the executive committee of this same association—I know we did our best to try to get duties placed on some of the basic materials. I mean materials that were the basis of the dye industry.

Senator NUGENT. Were your efforts successful?

Mr. HOWARD. Not adequately successful.

Senator NUGENT. Were those efforts opposed by any persons?

Mr. HOWARD. Not openly; but—

Senator NUGENT (interposing). Covertly or otherwise?

Mr. HOWARD (continuing). Not openly, so far as I remember; but we always felt that the textile manufacturers were opposed; in fact, I know, through some of my friends who were textile manufacturers, that they were then opposed to the matter.

Senator NUGENT. Thank you.

Mr. HOWARD. But those same friends of mine have completely changed their minds as the result of finding out what they were up against during the war.

Senator NUGENT. That is, when their supplies of dyestuffs were cut off?

Mr. HOWARD. Yes, sir.

Senator NUGENT. I understand. I thank you.

Senator CURTIS. You stated a moment ago the license system was needed in order to protect the industry; will you state why that is so?

Mr. HOWARD. At the present time if you were to try to create a tariff according to the rule that we tried to apply in 1909 or 1910—that is, a tariff to cover the difference in cost of production at home

and abroad—I do not know how it would be possible to find out what that difference would be. Who could tell what the cost of production in Germany to-day is as compared to the production in this country? And more especially in view of the perfectly extraordinary rate of exchange, and in view of the further fact that, as I understand, prices are different in different parts of Germany? I understand that the reichsmark in Germany does not pass uniformly over the country; that different portions of Germany print their own money to-day, and if you go into one section of Germany to-day from another section you have to change your outside money into the money of that section—the money of that particular principality—and then the money of that principality is no good in the next place. So, gentlemen of the committee, it would be hopeless to attempt to discover what would be the difference in cost of production here and in Germany. Then, again, even supposing you were able to make a tariff covering the difference between cost of production in Germany and here, you would be still confronted by the willingness of that enormous industry to pay no attention to cost of production there and proceed to stamp out the industry here at all costs that might be necessary to do it as quickly as possible before the industry here gains any more strength.

Senator CURTIS. Well, if that is the only difficulty why could not that be prevented by an antidumping law?

Mr. HOWARD. An antidumping law, or an unfair competition law, so far as any I have ever seen, would not act until after the dumping or the damage had been done. No antidumping law that I have ever seen would anticipate such action by Germany. It could only be brought to bear after the damage had been done. In other words, we have a situation to-day in which things are moving with almost lightning-like rapidity in these different countries. The English, as has already been pointed out, fully realize that, and they have established a license system. The French realize the situation and have done the same thing. The Italians also have foreseen what would happen and have done the same thing.

Senator CURTIS. You know, Mr. Howard, a licensing system is very strongly opposed in this country. I am not speaking for the other members of the committee, but according to my judgment there is not much opposition to the levying of a tariff in order to build up this business while there is opposition to a licensing system. Therefore, so far as I am concerned, I would like to hear you people very fully on the antidumping or the tariff features of this matter.

Mr. HOWARD. Senator, I do not pretend to be an expert on legislation, and therefore I do not pretend to say that the licensing system is the only system that could be effectively used.

Senator CURTIS. Why could not an antidumping law be so framed as to prevent the filling of our markets to such an extent as to destroy your industry?

Mr. HOWARD. There are such rapid changes—

Senator CURTIS (continuing). Because in that way the matter would be controlled at the place of entry of the product and products could be prevented from landing, or from being disposed

of in this country, by an antidumping law the same as under a licensing law.

Mr. HOWARD. The situation is liable to such extremely rapid changes that we feel you must have some means in the hands of the executive departments of the Government to meet changes in the policies as they arise during this extremely critical period of our foreign competitors in the next few years.

Senator CURTIS. I hope that during the hearings you will have some one who is fully advised on that point and that he will cover it fully.

Mr. HOWARD. I think we will. I am not a lawyer or a legislator.

Senator CURTIS. I am not speaking for the members of this subcommittee, but I think that is the real point of this bill.

Senator WATSON. That is the point of this bill. We heard witnesses here on yesterday on questions that were not in dispute and that nobody is objecting to either as a peace proposition or a war proposition; everybody takes that for granted. We heard those witnesses because they were here and wanted to be heard, or other people wanted them to be heard. However, the real question here is, the method by which this industry is to be sustained. Some say one thing and some say another. It is not necessary to go into any questions, either directly or collaterally, having to do with the necessity for the support of this institution in this country. Therefore, if you gentlemen can come down to the other proposition it will be very satisfactory to the committee.

Mr. HOWARD. Will you now call on Mr. A. H. Hooker?

Senator WATSON. Certainly. We will be very glad to hear Mr. Hooker.

STATEMENT OF MR. ALBERT H. HOOKER, TECHNICAL DIRECTOR HOOKER ELECTRO-CHEMICAL CO., NIAGARA FALLS, N. Y.

Mr. HOOKER. Mr. Chairman and gentlemen of the committee, we are electrolytic manufacturers of caustic soda, liquid chlorine, and chlorine products.

There are three quite large manufacturers of chlorine in the United States, but we are, perhaps, the largest.

Senator WATSON. Did you say chlorine?

Mr. HOOKER. Yes, sir; chlorine gas.

Our plant is possibly the largest plant in the world manufacturing chlorine gas. The connection between our work and the dye industry and preparedness in case of war comes out in this way: The manufacture of monochlor benzol—that is a combination between chlorine and benzol, which you have heard is derived from coal tar, forms the base for the manufacture of sulphur black in the form of dinitro phenol, and also forms the base for the manufacture of such explosives as picric acid by the monochlor benzol process.

Dinitro phenol, which is the direct intermediate that would make sulphur black, was also one of the ingredients of the principal French explosive. They used that to reduce the melting point of picric acid and make it possible to load it into their shells, using about 20 per cent of dinitro phenol in their shells. I might say

that in February, 1914, I went over to Germany and spent about 10 days in Bayer & Co.'s plant, at Leverkusen, just outside of Cologne. That is one of the largest German anilin dye plants——

Senator NUGENT (interposing). What year?

Mr. HOOKER. February, 1914, just six months prior to the war.

It was a beautiful plant, covering about a square mile of territory, with factory buildings, laboratories, and streets, to say nothing of the surrounding parks and villages for their workers. In this works were employed fully 1,000 highly trained chemists and engineers, and the interchange internally of products included the manufacture of acids, alkalies, paints, pigments, dyes, pharmaceutical preparations, and photographic chemicals, all interwoven in a common fabric.

The reason I was over there was that in 1912, at the time of the international congress of applied chemistry, Dr. Duesberg had visited this country and had visited our works, and found, I believe, that we had the most efficient electrical equipment and cells for producing chlorine that were then in use. We saw no reason for not licensing them, as an interchange of courtesy for chlorine manufacture and for introducing these cells, and we did so. They started to use some of these cells. I went over there to assist them in the manufacture of chlorine at that time, and had entrée to their works. I found that chlorine was being used, a considerable part of it, for this monochlor of benzol I speak of, for dyes.

I might say, aside, that little did I think when we licensed them, in 1913, or even when I was assisting them early in 1914 in the production of chlorine, that my own son, as gas officer for our Twenty-seventh Division, would be combating poison gas produced from chlorine gas made at that dye plant.

However, to continue——

Senator WATSON (interposing). When did you establish your plant?

Mr. HOOKER. In 1904.

Senator WATSON. To what use were you putting the products of your plant?

Mr. HOOKER. A very large amount of our chlorine was being used in the paper industry and the textile industry, in the manufacture of bleaching powder and for bleaching paper pulp——

Senator WATSON (interposing). No part of it at that time was being used for the manufacture of dyes?

Mr. HOOKER. None.

Senator WATSON. How long before a part of it was so used?

Mr. HOOKER. Not until after August, 1914. I will come to that point almost immediately.

Senator WATSON. All right. You may proceed with your statement.

Mr. HOOKER. Having seen that this chlorine was used in certain of these dye products in February, 1914, when the war broke out in August, 1914, and shipping conditions were being disturbed in September, I discussed fully with the officers of the National Anilin Co., in Buffalo, just a few miles away, this dinitro phenol and monochlor benzol to make intermediates which would make sulphur black. They were then getting these intermediates and getting chlorine products, from Germany. It is true, they were making some sulphur

black here, but making it only from intermediates which came from Germany. They were helpless to manufacture without these products.

We then started experimental work. This process itself is a simple one, seemingly. We started our experimental work on the manufacture of monochlor benzol; and before the winter was over and along toward spring we felt that we had a working process. We then ordered equipment to put up a small plant for the manufacture of chlor benzol; and in July, 1915, there was a rather urgent demand for it, and we commenced operating. We then had very much the same experience that Mr. Howard mentioned—when we got into our plant, and got to making chlor benzol, chlorine, and hydrochloric acid the fumes attacked our operators and we had to go into the matter further—and, gentlemen of the committee, it was just one merry hell, I will say, getting thing going. For a period of six months we worked on the process trying to overcome our difficulties, and by the time we got going the French Government was calling on us for this same chlorbenzol. It first started as a supply for the shortage of dyes, but by that time the French Government was calling on us for this same product for use in their explosives.

We increased our plant, changed our methods of manufacture, and kept on constructing and reconstructing. Finally, we built an entirely new plant, and had to tear down the old equipment, going over a period of two years. But before the end of the war we were producing the equivalent of 10,000,000 pounds of this product a year, and from it was produced perhaps 20,000,000 pounds for high explosives for the French Government.

At the same time this product was being used for picric acid in a plant which we had built for our own Government in order to supplement its supply of picric acid from phenol, which was made in such plants as Mr. Howard's plant; and which has had a twofold purpose: First—in ordinary processes through phenol, they used large quantities of caustic soda; and in our processes we produced caustic soda and produced chlorine to make chlor benzol, and, hence, in supplementing the other processes it resulted in the conservation of the material resources of this country, and the two processes worked very well side by side.

That production was really very important, particularly important to the French, and would have been important to us if conditions had gone on beyond the point where they did, had gone on a little longer with us.

I will say this about our plant and about that situation at the present time: Here was this dinitro phenol that we were absolutely unable to obtain in this country. It had never been manufactured until we started its manufacture. It was the basis of what might be called the sulphur dye manufacture. It is the principal dye used in hosiery and a great many other articles. We now have the equipment worked out to the point where I believe it is more efficient, or better equipment and a better layout than the Germans have at this time—or had before the war. In other words, I am satisfied that our chlorine situation is better than their situation.

Senator WATSON. How much more does it cost you to produce sulphur black than a competing plant in Germany?

Mr. HOOKER. I have no ideas on the sulphur black industry.

Senator WATSON. How about chlorine?

Mr. HOOKER. I would say that basically it ought not to cost us any more.

Senator WATSON. I know; but whether it ought not to cost any more or not, does it, in fact, cost any more?

Mr. HOOKER. Well, I do not know what it costs in Germany. I have no means of finding that out.

Senator WATSON. Of course there would be some difference in the matter of labor.

Mr. HOOKER. I have tried to find that out but can not figure it out in my own mind, even though knowing their conditions over there to some extent.

Senator WATSON. None of that is coming in here now, is it?

Mr. HOOKER. No, sir.

Senator WATSON. Is any of it coming in indirectly, that is, through Canada or any other countries? I mean, more particularly, through Mexico or any other country?

Mr. HOOKER. I do not know about that, but do not think so.

Senator NUGENT. You have no definite idea with regard to the difference in cost of production in this country and in Germany?

Mr. HOOKER. No; I have no definite idea in the matter of dollars and cents, so to speak, as to cost of production. If you were to ask me about manpower, or hours, or something else along that line, I would answer that we are able to meet Germany on a fair basis on that particular intermediate. But if you ask me about the dollars and cents situation, considering the condition of the market and other matters, and the effect if they want to stifle our industry as they have done in the past, I can not answer. If they want to bring about a situation of that kind, and we are not protected, they will put that product in here below cost and absorb the loss. Therefore, I have nothing to say as to what the comparative situation would be on it.

Senator NUGENT. You have no idea with respect to the difference in cost of coal, of electricity, or of whatever power is used in their factories?

Mr. HOOKER. I have a very definite idea. After visiting that plant and spending 10 days in their works in Germany—

Senator NUGENT (interposing). I am speaking as of this time.

Mr. HOOKER. Well, I can not tell you as to that. As of the time when I was there I was satisfied that we could compete with them quite fully in the production used in the early stage of this product.

Senator NUGENT. But you know nothing about the situation at this juncture?

Mr. HOOKER. No, sir.

Senator WATSON. You may proceed with your statement.

Mr. HOOKER. What I wanted to bring out was this: That it did take us nearly three years of strenuous work, with a process that in itself is simple, to get the working problems down to a point where we really had a plant that was running smoothly, a personnel that could operate it, and the kind of equipment that could stand the corrosive effect of chlorine and the corrosive effect of hydrochloric acid in order to get to a point where there would be a living and working condition. That knowledge having been acquired after

a hard struggle in time and expense, it seems to me all-important to maintain the operating, going, growing, evolving plant so produced, and one that is getting better and better as time goes on. It is only because of what we did for the Allies and for the dye industry that we went through the earlier stages of research, and preparation, and changing, and rechanging that we were able to produce something for our own Government when we went into the war.

Senator WATSON. I am not familiar with the tariff situation as to that matter. Were you operating under a protective tariff before the war as against chlorine?

Mr. HOOKER. There was some tariff on the bleaching powder, for instance, that we had. We were not making the product before the war; at least, the intermediates they used other than chlorine. As to dinitro phenol the National Aniline Co. brought in and which the French used in connection with picric acid, that was material that the Germans sold to the National Aniline Co. for the manufacture of sulphur black. We did not make that product, but could make it now.

Senator WATSON. You did not make sulphur black before the war?

Mr. HOOKER. No, sir. And our chlorine did not enter to any large extent into dyes before the war.

Now, gentlemen of the committee, from our plant at Niagara Falls, we are supplying this product for the manufacture of dyes in this peace-time situation. Of course, with shipping conditions and all other conditions as they exist at this time, they act as a license barrier and hold that competition in leash. But what is going to happen to us later on I do not know. I feel that our industry, our own particular industry, will survive without that chlor benzol production; but I further feel, as a matter of preparedness for the country, that the interests of the people at large are greater than our own in the matter of the continuation of that process, so that our plant may be equipped and our workmen ready to jump in in a hurry if the emergency should arise and keep things going.

In connection with that same situation, of course, our chlorine production entered into such things as sulphur chloride for the manufacture of mustard gas, using picric acid and chlorine from our works, combining the two, would make chlor picrin, which was another one of the gases used in gas warfare. And the bleaching powder which we made from our chlorine was the one thing we used to combat mustard gas and neutralize its effect on territory where mustard gas had been scattered in the trenches so that our boys could stay in them. And chlorine was used to disinfect the water, to prevent contagion and make possible living conditions.

I believe that is all that I have to present, gentlemen of the committee.

Senator WATSON. All right. We thank you for your attendance.

Mr. Howard, who will be your next witness?

Mr. HOWARD. I would like to have the committee call Mr. Pardee, of the Dow Chemical Co.

Senator WATSON. The committee will be very glad to hear Mr. Pardee.

**STATEMENT OF MR. JAMES T. PARDEE, VICE PRESIDENT OF THE
DOW CHEMICAL CO., MIDLAND, MICH.**

Mr. PARDEE. Gentlemen of the committee, as Col. Fries stated yesterday, our company was the only company in the United States outside of the Edgewood Arsenal that produced any mustard gas. I think we were the first producers of mustard gas in this country; and the reason why we could produce mustard gas was that we had a chlorine plant.

Senator WATSON. When was your company organized?

Mr. PARDEE. The present Dow Chemical Co. was organized in 1897.

Senator WATSON. What did you manufacture before the war?

Mr. PARDEE. Bromine and bromides, chlorine products, and insecticides.

In addition to mustard gas, which Gen. Sibert spoke of as being so important in warfare, and in which chlorine cuts a very important figure as one of its constituents, there are other gases which he did not mention, I presume from lack of time, which, in some respects, are more important than mustard gas, and which depend upon bromine as one of their principal constituents.

The foundation for the present organization of the Dow Chemical Co. was laid in 1888, when Mr. Dow started to develop a new process for the manufacture of bromides. It took about five years to complete his process and begin the manufacture of bromides on a commercial scale. I merely mention this to show you the time it takes to develop chemical processes.

Mr. Dow then turned his attention to the manufacture of chlorine by the electrolytic process, and at that time about the only use we knew of for chlorine was in combination with lime to make bleaching powder. It took another five years, about, to manufacture chlorine into bleaching powder on a commercial scale. That was about the first to be made in this country, all the bleaching powder we then used being imported from England and the continent, Germany.

We increased our capacity for the manufacture both of bromides and chlorine from time to time, and had a surplus of bromides which we exported to Australia and England. This aroused the anger of the German Bromine Trust, who sent one of their directors to this country to tell us we must stop exporting bromides.

I should like to have incorporated in my remarks a letter from Mr. Dow to Representative Fordney, giving a brief statement of the circumstances connected with that visit:

THE DOW CHEMICAL CO.,
Midland, Mich., July 18, 1919.

HON. JOSEPH W. FORDNEY,

House of Representatives, Washington, D. C.

DEAR MR. FORDNEY: In reply to your letter of July 14, our experience with the German Bromine Trust was somewhat as follows:

Fifteen or sixteen years ago a German who spoke good English came into my office and introduced himself as a director in the Deutsche-Bromkonvention (Bromine Trust), and explained that the Bromkonvention was a subsidiary of the Kali Syndicate (potash syndicate). He elaborated somewhat fully on this point, explaining that the Prussian Government was a party to the potash syndicate and that the Bromkonvention was to the same extent a Government institution.

After some further preliminary remarks he stated that they had secured evidence that we had exported bromides. He did not complain that we had

exported them to Germany, but that we had exported them out of the United States. I replied that I knew of no law in the United States that prevented Americans from exporting bromides, whereupon THIS GERMAN STATED that he knew there was no United States law but THAT HE HAD COME ALL THE WAY FROM STASSFURT, GERMANY, TO TELL ME THAT THE BROMIKONVENTION WOULD NOT PERMIT ME TO EXPORT BROMIDES, AND THAT IF I PERSISTED THEY WOULD PUT 2 POUNDS OF BROMIDES IN THE UNITED STATES FOR EVERY 1 POUND THAT WE EXPORTED. I stated that we could make bromides just as cheap as he could, to which he replied that price was no consideration and had no bearing on the subject; that THEY WOULD PUT 2 POUNDS IN HERE FOR EVERY 1 POUND WE EXPORTED, ENTIRELY IRRESPECTIVE OF PRICE.

I did not give the matter very serious consideration and we continued to export bromides.

Some considerable time after his visit A BIG CONSIGNMENT OF BROMIDES WAS LANDED IN NEW YORK AND DISTRIBUTED BY the Roessler & Hasslacher Chemical Co. AT 15 CENTS A POUND, THE PRICE IN GERMANY BEING APPROXIMATELY 40 CENTS PER POUND AND THE IMPORT DUTY 25 PER CENT AD VALOREM. FROM THIS YOU WILL SEE THAT THE PRICE THEY RECEIVED PROBABLY DID NOT PAY FOR IMPORT DUTY, TRANSPORTATION, AND DISTRIBUTION EXPENSES. I do not remember the American price at that time, but it was somewhere near 30 cents.

Of course, many jobbers of pharmaceutical chemicals availed themselves of the opportunity of stocking up on a standard pharmaceutical product like potassium bromide, and if I remember correctly, there was no method by which we could secure from the Government information in regard to the quantity imported. But almost simultaneously with the arrival of this bromide in the United States the same German referred to above visited one of our best customers, the Mallinckrodt Chemical Co., and Mr. Mallinckrodt wired me that he was there and asked me to join them in a conference, which I did, but would not agree to desist making exports. THE GERMANS SOLD ALL THE BROMIDES THEY COULD AT 15 CENTS PER POUND, AND WHEN THEY COULD SELL NO MORE AT THAT FIGURE, REDUCED IT TO 14 CENTS, THEN TO 13 CENTS, AND I THINK THE LOWEST OFFER MADE WAS 11 CENTS. This extended over a period of about three and three-fourths years, but in the meantime we had entirely ceased selling bromides. We, however, continued to sell moderate amounts abroad and have market, and during the last year of that period we sold more bromides in Germany than the Germans sold in the United States, and it netted the Dow Co. very much more than the American price. Such a large quantity of bromides was brought into the United States during this time that for approximately three years thereafter there was no market in America for bromides. We, however, continued to sell moderate amounts abroad and have never desisted, and at the time Germany entered into war we had the usual amount of foreign trade, which suddenly increased to large proportions when German competition dropped out.

The only thing that prevented the Dow Chemical Co. from being eliminated from the bromide business was the high tariff, which handicapped the Germans to such an extent that they ultimately gave up the fight. If we had been less persistent and had dropped out, everybody would have said that the Americans could not compete with the Germans in this line and would have believed it sincerely.

The above are the main facts in regard to our bromide fight with the Germans, and I think more or less well known by most of the manufacturing chemists.

Very truly, yours,

HERBERT H. DOW.

Senator WATSON. To what uses are bromides put?

Mr. PARDEE. Bromides are largely used in medicinal preparations.

Senator WATSON. I understand, but what else?

Mr. PARDEE. And in photographic chemicals. They are a very important factor in photographic films.

Senator WATSON. Was there a protective tariff on bromides before the war?

Mr. PARDEE. Twenty-five per cent ad valorem.

Senator WATSON. Was that sufficient to enable you to go on with your industry in the manufacture of bromides?

Mr. PARDEE. Yes; because we had a very different process from any other process in the world for the manufacture of bromides.

Senator WATSON. So that there was no direct competition?

Mr. PARDEE. No, sir; not in the way of our process. There was direct competition and very great competition in the manufacture of bromine, and in other ways, however.

Senator WATSON. All right. You may proceed with your statement.

Mr. PARDEE. This shows one method the Germans used to stifle competition by American manufacturers, and was undoubtedly used to prevent the manufacture of dyes in this country before the war and will be used in the future.

I think it might be interesting to note that other uses for chlorine have been developed. Sometime previous to the breaking out of the war we had discontinued entirely the manufacture of bleaching powder, leaving it in the hands of other American manufacturers who had for some time been able to supply the American requirements, remembering that previous to about 1897 all bleaching powder used in this country had been imported.

About 1915 we started preliminary work for the manufacture of synthetic indigo. This was described by Dr. Bogart, yesterday, as being very difficult to manufacture, involving a number of quite intricate steps. It had never been manufactured in the United States and we put it on the market for the first time on a commercial scale in December, 1917, just two years ago. Our reason for selecting indigo was on account of the large consumption of it in this country, amounting to about 10,000,000 pounds a year—I can not be sure of the actual figures—and also that it gave us another use for our bromine.

Starting with indigo and adding bromine in varying amounts you get a variety of shades of blue, which are much more brilliant than you can obtain from the indigo alone and of faster color.

And just here I want to show you the relation between bromine as a dye and as used in warfare. As I have stated, bromine is a very important constituent of some of the gases which were used in the recent war; for instance, what is commonly called tear gas, and which I understand the Army would use in many cases where they would not want to use mustard gas. Here is a gas that is not toxic, is not poisonous. It simply incapacitates a man, so that he is put out of the fighting temporarily without leaving any permanent injury.

The French Government considers bromine so important that they have absolutely prohibited the importation of it into their country in order to encourage the manufacture of it there, even though, as we know, it costs nearly twice as much to produce bromine in France as the price at which they could buy it from us or some other manufacturer in this country. Our own Government considered it so important that they got us to almost double our capacity for making bromine, and therefore at the present time we have a capacity to produce a supply more than twice sufficient to meet the demand of the United States; although we have never been able, outside of the time when we had this fight with Germany some 14 years ago, to export bromine or bromides in any great quantity. So our only use for our surplus bromine, as we see it at the present time, is in the

manufacture of indigo. In the manufacture of indigo, notwithstanding we had the benefit of the 30 years' experience of Germany, before they perfected the process, as mentioned by Dr. Bogart, and had their book knowledge on the subject, we did not have their manufacturing experience, and in the four years since we started and the two years that we have been manufacturing it on a commercial scale, we have not been able to secure the yields, that is, produce the amount of indigo that we should, from the amount of raw materials which go into the manufacture and from the power used. That simply goes to show that notwithstanding a man may be educated in chemistry in a college he is not competent with his book knowledge to go into a plant and manufacture either dyes or war material on a commercial scale without a great amount of training.

The reason we were able to assist the Government in the manufacture of mustard gas was that we had the chlorine to start with, and we had a very competent organization—we have always made it a point to have more chemists than we really needed for the manufacture of our goods, in order to do a lot of research work—and we had the apparatus which could be turned into use for the manufacture of mustard gas. One interesting thing in that connection is that in the manufacture of chloroform we use large tumblers—large cylinders—which we used in the manufacture of mustard gas; and we had other apparatus right there at our plant to start with.

Senator WATSON. Do you know anything about the difference in cost of production of synthetic indigo in this country and in Germany?

Mr. PARDEE. We could not make synthetic indigo, as I say, with our imperfect yields, and put it on the market at a profit, for much less than 65 cents a pound, while it was laid down in this country by the Germans, before the war, at the price of 18 cents, or 15 cents, a pound, and I was told this morning as low as 12½ cents a pound.

Senator WATSON. You say on account of the yield. Do you mean that you did not get as much from a given quantity of basic materials or constituent elements as they did in Germany?

Mr. PARDEE. Exactly; and it took them 30 years to secure those results. And even with the benefit of their knowledge and our four years' experience, we have not been able to duplicate it, or anything like it. We have tried many times during the last six months to increase our yields, but something has happened in every case, so that we have not yet succeeded in increasing our yield to a point where we could make more than about 5,000 pounds a day on the average.

Senator WATSON. What is the difference in production of the different yields?

Mr. PARDEE. Anywhere from 50 per cent to 90 per cent in the various steps.

Senator SUTHERLAND. Are their patents protected in this country?

Mr. PARDEE. Yes, sir; and it took us a year or so to get around their patents. When we started the Chemical Foundation did not have control of their patents, and we spent considerable time devising ways and means of circumventing those patents.

You must remember, as Dr. Bogart stated yesterday, that there are a number of intricate steps in the manufacture of indigo, some

twenty-odd different steps before you get the final product. There are only three companies in this country that have attempted to make indigo.

Senator SUTHERLAND. Did you get any of their patents?

Mr. PARDEE. No sir.

Senator SUTHERLAND. Did you ever try any of the German processes that were developed in those patents?

Mr. PARDEE. I think not. We have done so in the laboratory, but not commercially. We could not use their process for making indigo before the war, and what we may be able to do in the future we can not tell, of course.

A protective tariff without some licensing feature or some form of embargo will not protect us in the manufacture of indigo. In talking with one of the chief opponents of the licensing system he said that probably 18 per cent of the dyes used in this country could not be protected by a tariff alone. I asked him where he would put indigo, whether in that class or not, and he said, "I do not see any way to protect indigo by a tariff alone."

Senator WATSON. What did you say your business is?

Mr. PARDEE. I am vice president and secretary of the Dow Chemical Co.

Senator WATSON. Of the company?

Mr. PARDEE. Yes, sir.

Senator WATSON. You are not a chemist?

Mr. PARDEE. No, sir.

Senator WATSON. You are a business man?

Mr. PARDEE. Yes, sir.

Senator WATSON. We do not know the difference between cost of production at this time in this country and other countries in anything. Nobody knows anything about how many men have been killed or incapacitated for work on the other side, or how many men are going back to work in other countries in any line of industry. Nobody knows what production is going to be in other countries, or what they will have for export. A protective tariff is based on the theory of difference in cost of production at home and abroad—if you will permit me, Senator Nugent, to state what has been my idea of the matter.

Senator NUGENT. Certainly; go ahead. I understand your theory.

Senator WATSON. But if the unsettled condition in the dye industry would necessitate a license system in this country, then on the same line of reasoning it would necessitate a licensing system in every other line of industry. If you have a license system in this country you will build up a vast bureaucracy, with thousands of men running around all over the country going into everybody's business, and \$1,500 clerks sitting in the department in Washington telling men what they shall do. We all know that the license system is repugnant to the sense of nearly everybody. They can do it in England, but we have a different kind of government here. It might be that it would be all right to apply it in this country to this industry because of the practical conditions that surround it, but it is the principle of the thing that nearly all of us object to. And, after all, if you establish the principle of the license system as to this industry, you then open the door for it to enter other industries. And, you

know, if the camel gets his nose in he will get his hump in after a while and crowd you out of the tent.

If you gentlemen have any other plan to suggest than the license system, I would like to hear it. I am speaking for myself and not attempting to voice the sentiments of any other member of the committee, because we have not discussed it; but I feel quite sure, after having talked to quite a number of Senators about the license system, that you will have to show very strong reasons for the adoption of a license system in regard to this industry and thereby establishing that principle in the United States, or they will most certainly not favor it.

Mr. PARDEE. I think that can be shown, but do not think I am capable of showing it.

In my opinion, it is necessary in the dye industry, because Germany is so strongly entrenched—and I think it is the only industry in which they are so strongly entrenched. Other products could be kept out of this country, or at least their manufacture in this country could be protected by a tariff; but in the case of dyes from Germany, with their experience in the manufacture of dyes, and with the products which they have on hand, which I was told several months ago amounted to 7,000,000 pounds of indigo ready to ship to this country as soon as the embargo was lifted, you can see that our situation is very different.

Senator WATSON. I want to ask you about that.

Mr. PARDEE. I can not verify it.

Senator WATSON. I understand. But we have had reports here of great quantities of dyes stored away in Germany, and reports have come that there were ships lying outside the 3-mile limit ready when peace is proclaimed to come and dump great amounts of dyes on our market, enough to supply the American market for two years; and all that kind of thing. I took up with the department the matter of an investigation of that question, and I have correspondence in which they say they do not know anything about it. They do not know whether Germany has a great quantity of dyes to export or not. I also spoke to Representative Longworth about it, who introduced this bill, and showed him some newspaper clippings to the effect that Germany had any quantity of dyes for export; and those newspaper clippings stated that dyes from Germany had been sent into Switzerland and Holland and there stored ready to be shipped here.

I inquired also of the department about that, and they said they had no information in regard to it; and I assume that if the department does not know anything about these things nobody else does, or that the situation does not exist. Therefore, if you have any particular knowledge of that phase of this question, or information to show that we are in immediate danger from the dumping of German dyes on our market, such knowledge or information would be very interesting and enlightening to this committee.

Mr. PARDEE. I can only say that at a meeting I attended in New York on August 7, 1919, Mr. Paul Nobbe, who is an importer of dyes, told me he had been offered Swiss indigo the day before for 64 cents a pound, and also that he had been informed that there were 7,000,000 pounds of indigo in Germany, reported at Bingen on

the Rhine, on April 28, 1919, and that the price at that time was 42 cents a pound, which, with a duty of 30 per cent and freight charges, would make the price in this country about 57 cents a pound.

Senator NUGENT. Did he contend that his information was authoritative?

Mr. PARDEE. He gave it to me as such. Of course we were having a friendly talk, and did not have any particular argument about it.

Senator CURTIS. He was an importer?

Mr. PARDEE. Yes, sir; and a manufacturer, too, I think.

Senator CURTIS. This was offered to him?

Mr. PARDEE. The indigo from Switzerland was; not the 7,000,000 in Germany.

Senator WATSON. Do you maintain that there is no dye manufactured in this country and also manufactured in Germany that could be protected sufficiently by a protective tariff except with an anti-dumping clause.

Mr. PARDEE. No, sir; but—

Senator WATSON (continuing). Of all varieties of dyes that were made, how many could be protected by a protective tariff, and how large is the ratio of dyes manufactured that could not be protected by a protective tariff and that you think would require the license system to protect them?

Mr. PARDEE. You understand that I am only interested in indigo and am not familiar enough with other dyes to answer your question.

Senator WATSON. Do you feel that in the manufacture of indigo the only way the industry in this country could be saved—that is, yours and others that might be manufacturing indigo—is by the application of the license system?

Mr. PARDEE. The licensing system or a continuation of the present embargo.

Senator WATSON. Thereby shutting the other fellow out?

Mr. PARDEE. Yes, sir; because we can make more than enough in this country to supply the demands of this country.

Senator WATSON. Well, I am a pretty high protectionist and always have been and have been accused of being a standpatter—

Senator NUGENT (interposing). But unjustly so.

Senator WATSON. Oh, yes. But I have never been in favor of shutting the other fellow out. That is a rather extreme protective tariff view.

Senator CURTIS. Unless it is necessary.

Senator WATSON. Yes; unless it is necessary, and could be shown to be necessary.

Mr. PARDEE. The only reason we ask it is to build up the dye industry as a war measure.

Senator WATSON. That is true. But if you had an absolute monopoly in this country and there could be no competition from abroad, what would you do about price?

Mr. PARDEE. So far as our own company is concerned I can say we have always been satisfied with a very fair margin on the cost of manufacture.

Senator NUGENT. Have you even the most remote idea as to a rate of tariff that would adequately protect you?

Mr. PARDEE. On indigo?

Senator NUGENT. Yes.

Mr. PARDEE. Something that would be absolutely absurd, 1,000 per cent or something like that—

Senator NUGENT (interposing). Upon what facts would you base that?

Mr. PARDEE. I am speaking as of the present time with the present rate of exchange.

Senator CURTIS. That could be cured by an order of the Treasury Department with reference to valuation.

Mr. PARDEE. The Treasury Department could not regulate what a man should go into Germany and pay for it.

Senator CURTIS. But they could make him tell what he did pay for it and base it on the value here instead of there.

Mr. PARDEE. That would be for the tariff only.

Senator CURTIS. I think the Treasury Department might do that, and that would get rid of the exchange proposition.

Mr. PARDEE. Yes; so far as any duty is concerned, but not so far as the amount he has paid for his product is concerned.

Senator WATSON. If there are no questions to be asked Mr. Pardee, I will be glad to hear the next witness.

Mr. HOWARD. Mr. Henry Wigglesworth will present a brief of the Manufacturing Chemists' Association of the United States in re dye legislation. He was selected for that duty because he was chairman of the committee which drew up the brief. I have some printed copies here, which I will be pleased to present to the members of the committee.

STATEMENT OF MR. HENRY WIGGLESWORTH, OF THE MANUFACTURING CHEMISTS' ASSOCIATION OF THE UNITED STATES.

Senator WATSON. Please give your full name to the reporter.

Mr. WIGGLESWORTH. Henry Wigglesworth is my name. I am on the board of the General Chemical Co., a member also of the executive committee and, specifically, director of research and development.

I have been made chairman of this subcommittee, I presume, because I have been in the chemical industry for 30 years. You gentlemen, apparently, are all agreed upon the desirability of promoting the dyestuff industry, and I would like to get as quickly as possible to the points about which you seem to have some misgivings.

I have here a memorandum of the Manufacturing Chemists' Association of the United States in the matter of dye legislation, but I do not think that this memorandum quite covers the points about which you seem most doubtful.

Senator WATSON. It is to be printed, and you can now make any additional statements that you wish.

(Memorandum of the Manufacturing Chemists' Association of the United States, re dye legislation, submitted by Mr. Wigglesworth, is here printed in full, as follows:)

MEMORANDUM OF THE MANUFACTURING CHEMISTS' ASSOCIATION OF THE UNITED STATES RE DYE LEGISLATION.

The Manufacturing Chemists' Association of the United States is a noncommercial institution organized in 1872, and having a membership of 50 chemical manufacturers, which is a large majority, and thoroughly representative of the chemical industry of the United States.

The association urges the speedy enactment of suitable legislation of the character set forth in the Longworth bill (H. R. 8078), entitled "A bill to regulate the importation of coal-tar products, to promote the establishment of the manufacture thereof in the United States, and, as incident thereto, to amend the act of September 8, 1916, entitled, 'An act to increase the revenue and for other purposes.'"

The American dyestuff and related coal-tar chemical industry has reached a stage which gives substantial promise of a lasting future, but its complete success is threatened by extraordinary factors that have developed out of the war and which are likely to increase in force and extent.

The Manufacturing Chemists' Association of the United States has given this matter careful study and concludes that a complete dyestuff and coal-tar chemical industry should be assured, for the following reasons:

1. A well-rounded independent American dyestuff and related coal-tar chemical industry is absolutely essential to national defense and national welfare. The close chemical relation between dyestuffs and explosives and poison gases makes the dyestuff industry quickly adaptable both in equipment and personnel to the manufacture of high explosives and material for chemical warfare.

2. The textile and other dye-consuming industries producing annually goods valued at \$5,000,000,000 are absolutely dependent upon dyestuffs at all times and should have an ample domestic supply at hand without dependence on the foreign product.

3. The chemical industry needs the dyestuff and related coal-tar chemical industry to aid the nation in efficient and economic use of its natural resources. It affords new outlets for the products of American manufacturers for domestic and foreign trade.

4. The chemical industry, and particularly the dyestuff and related coal-tar chemical parts of it, is peculiarly the industry above all others which through research continually adds to the number of useful products for other industries. Important developments are now in progress in synthetic ammoniates for fertilizers, synthetic nitrates and nitric acid, synthetic oxalic and formic acids, synthetic gallic acid, synthetic camphor, oleum and chemicals for oil refining, saccharine, permanganates, photographic chemicals, ore flotation chemicals, medicinals and pharmaceuticals.

5. A coal-tar chemical industry is indispensable to the nation in the matter of drugs. A wealth of valuable coal-tar medicinals, examples of which are aspirin, salvarsan, and veronal, have been produced in recent years. The research which is continuous in a coal-tar chemical industry has but touched the possibilities in this direction.

6. A dyestuff industry stimulates scientific research as it employs chemists, engineers, and physicists to the extent of about 10 per cent of its total personnel. This personnel constantly adds to the sum total of scientific knowledge and is invaluable in time of war.

7. The American dyestuff industry has grown from nothing to a large industry in less than four years and has shown itself worthy of every aid and encouragement. Though hampered by lack of many supplies and the diversion of its personnel and facilities to war activities the industry produced 45,077,240 pounds of dyes alone in 1917, and 56,461,446 pounds in 1918. The average selling price per pound for the production in 1917 was \$1.26 and for 1918, \$1.07. (See Tariff Commission Report 1918, Dyestuffs and Related Coal-Tar Chemicals.) It is doubtful if any other industry can show a decrease in selling price during this period of ever-increasing cost of raw materials and labor, and it may be stated with certainty that this reduction was accomplished through chemical efficiencies and healthy domestic competition. Figures are not yet available for 1919, but there is every indication of still further progress in this respect. It is noteworthy that during 1919 a number of dyestuffs very difficult of manufacture, have been added to the list of American colors. These include bromo-indigo, true alizarine colors, developed black, niramines, chrysophenine, and the first commercial production of the vast dyes.

8. It is one more American industry to add to the prosperity and well-being of the whole people.

It is the belief of the Manufacturing Chemists' Association of the United States that legislation embodying a tariff coupled with a system of regulation of imports by license is necessary for the adequate protection of the industry.

The licensing plan is the only method that has so far been devised, which furnishes an elastic method of admitting dyes and related coal-tar products

that are essential to the textile and other consuming industries, while shutting out dyes and related coal-tar products that are produced domestically.

It is a plan to regulate, not to prohibit, and is above all else, temporary. It does not displace the tariff but is ancillary to it as an additional, and at this time necessary protection to the new industry.

Practically the entire industrial world has adopted new dyestuff regulations based on their recent experiences in war. England has partially subsidized her industry and adopted a license system for imports. Similar license legislation has been adopted by her most important colonial possessions. France has adopted a license system for imports and not only raised her tariffs, but also provided a sliding scale of increased duties, while Japan has increased her tariffs and prohibited imports except under license.

Is America to open its doors to each of these countries without suitable import regulations to promote domestic dye manufacturing?

This method has the endorsement of the important consumers in this country, including practically every line of industry concerned. No solid progress is possible unless consumers are in sympathy with the means employed to promote its development, to be followed by capital investments in buildings and apparatus when processes are perfected and dyes of satisfactory standard to consumers produced. There is therefore a mutual responsibility that would make it reckless in the extreme to proceed without tangible assurance of fair support.

Therefore, the Manufacturing Chemists' Association of the United States urges the speedy enactment of suitable legislation of the character set forth in the Longworth bill, H. R. 8078.

Mr. WIGGLESWORTH. I wish to say in a general way that the situation that now confronts us is largely a question of capital.

The German industry is a stupendous industry. We do not know what capital it has because in Germany they tax upon their capital and not upon their profit and that has had the effect of keeping their capital at least at one-fourth of our capitalization.

In America that method has not been adopted. It is presumed, in the industries, because industrial progress is stimulated by the issue of capital in the form of common stock on which to earn profits. But in America there is undoubtedly more real capital invested in the chemical industry than in Germany.

The inorganic chemical companies, which you have not talked much about, form a much larger industry here than exists in Germany.

My own corporation makes more acid in a year, I imagine, than all the German industries put together.

During the war America attained 6,000,000 tons annually in the production of sulphuric acid.

Senator WATSON. Where are your plants located?

Mr. WIGGLESWORTH. All over the country.

Senator WATSON. All over the country?

Mr. WIGGLESWORTH. There is an essential difference between the American industry and the industry of Germany in that their works are centralized, while we have to be all over the country. When I say that, I mean over the industrial districts. Our plants extend from the seaboard to Chicago and St. Louis and then jump to San Francisco. In any of the great industrial centers you will find a chemical works, for, as you know, the chemical industry is an essential element in the industrial progress of any nation, and is a very old and a very highly and efficiently established one in this country. It started in a small way in the early part of the nineteenth century or a little before that.

The Manufacturing Chemists' Association was started in 1872, so you see it is an old industry with more capital in it than in Germany, but we have an uncompleted circle. I mean the segment that has never been completed, represented by the dye industry. In that Germany has dominated and in dominating she gradually realized that the dye industry was perhaps more essential to research and development work than was the case with inorganic chemistry itself. Consequently, they entered into progressive movements years before we were able to dream of the necessity. They needed dyes and pharmaceutical supplies which involved the very last realms of science.

Thus Germany was making faster scientific progress than we were. Germany had taken a fall out of England. She had never feared France, because France has no great organizing ability. Italian chemical competition was a mere toy. And thus she gradually acquired the entire dye industry of the world, thereby holding over America a certain threat as to its ability to keep up with the march of progress.

So far as duties are concerned, of course, Germany employed every means in its power to disguise the facts with reference to the tariff, and a subject as intricate as chemistry made it comparatively easy to deceive the dye consumer who was the most powerful factor in influencing the tariff on dyes.

Therefore, while admitting the protective principle, there was introduced so many exceptions into the tariff that no real protection existed in the chemical industry since 1883.

Now, the heavy chemical industry differs from dyes for producing as it does sulphuric acid alone up to 6,000,000 tons a year, it is supreme and is naturally protected. It needs no tariff because you can not ship acid from Europe to America.

Senator WATSON. You say that they can not ship acids to this country?

Mr. WIGGLESWORTH. Sulphuric acid. No, sir.

Senator WATSON. That could be done?

Mr. WIGGLESWORTH. No. It is impracticable, but alkali can be shipped. Alkali was shipped here until capital in the United States had been induced to embark on a scale that supplied all alkali needed. The tariff on heavy chemicals, however, has always been a nonessential factor in the development of the chemical industry.

Even in the 1916 revenue bill the dye tariff, which is essential, included, through old German intrigue, an exception which vitally reduced its effect, but the House has in the Longworth bill eliminated that exception.

That exception related to indigo, indigoids, alizarine, and anthracene colors, the very backbone of the dye industry.

When Mr. Kitchin asked me before the Ways and Means Committee of the House if we could make indigo within the next few years—because some pressure had been brought to bear upon him by the textile industries which were working to defer the specific tax until such time as we were actually producing—I said I did not see any prospect of doing it in a short time.

Senator WATSON. You mean 1914?

Mr. WIGGLESWORTH. I think it was after the war started. I said that I did not see any prospect of anyone manufacturing any indigo

within the next year or two, but at least two large corporations had been at work on it for some years.

The Ways and Means Committee therefore decided to compromise and not put on a specific tax except on dyes that we could not compromise, and I think the dye industry has kept its word, for you have already heard that indigo is also produced in quantities sufficient to meet all the needs of America.

The textile men are to some extent enlightened now after the difficulty they had at the start of the war when all dyestuffs were shut off and the dye industry in this country languishing for lack of support.

They were able to induce capital to enter into it after reaching a specific understanding with Congress that they would promote the industry.

Tariff alone, however, does not accomplish that object because the Germans in the past have always calculated the cost of absorbing the tariff. It is commercial war.

Having reached the stage that we have now reached, it is comparatively simple for them to select, notwithstanding a tariff, a line of attack, and if it is dyes they simply calculate to the dollar the cost of intimidating capital from entering into the industry.

The difficulty is not with the chemist. Do not worry about the chemist. The American chemist is the best chemist in the world, and I can say that because I am from Europe.

The American chemist is the best educated, and he is also the best trained after he gets into practice, because he has more freedom, and I think at the outset he is a better educated man—with such men as Dr. Marston T. Bogert, of Columbia University, and Dr. Julius Stieglitz, of the University of Chicago, to educate him. Such highly educated and cultured professors perform thoroughly their work of inculcating into their students the knowledge that is required to develop the industry.

But that does not satisfy capital a bit. Capital is going to ask "How can you assure us that we can compete with Germany?" That is just what you want to know.

But it has to be taken with faith. We heavy chemical men can only say that we have done better in the inorganic industries than they have. We have exchanged technical men with the German companies in former years, and have satisfied ourselves that we were manufacturing as cheap or cheaper than Germany when the conditions were uniform, and there is no doubt in my mind whatever that the dye industry in America can ultimately give the American people dyes as cheaply as Germany. But can capital be induced to support an industry here when it is known that the German works are promoted by the state. There must be an organization here with sufficient governmental support to compete with the great German corporation, which is an international monopoly.

Now, capital does not think that the dye industry in this country can be developed to successfully compete with the great German corporation except by some form of what has been unfortunately called a licensing system. It is not really licensing.

If you can provide a tariff board to determine what dyes should be admitted, not next year, but for 10 years if necessary; and what dyes shall not be admitted, then I think capital would be satisfied to take the word of the tariff commission and be governed accordingly.

Senator NUGENT. In other words, you want an embargo and not a licensing system?

Mr. WIGGLESWORTH. I do not think it is an embargo. I do not think you should go as far as that. You must recognize the fact that there will still, and will always, be new dyed materials coming out and certain exclusive colors that the textile men find necessary to meet competition in fabrics woven and dyed on the other side, and they are apprehensive about that. The textile man is not afraid of American competition as confined to American dyes, but he is afraid of European competition if the fabric is dyed with a better dye than exists in the United States. I think he will be perfectly willing to take the word of an impartial body like the Tariff Commission as to which dyes should be admitted upon a regular tariff that Congress might fix, but the regular tariff, I agree with the other witnesses, would have no bearing whatever with reference to the cost of production, because even in the inorganic industry we have found Europe producing certain articles at 30 cents a pound, which we, after more than a year, found cost us \$30 a pound, and when you present new dyes one by one with those difficulties to the executive committees of the corporations you can understand, gentlemen, that they will not sanction the outlet of capital into such enterprises.

Capital will be the brake upon any new product that we take up. That, briefly, is the way the matter runs in my mind.

Senator WATSON. Could the matter be covered by an antidumping law administered by the Tariff Commission?

Mr. WIGGLESWORTH. No; I do not think so. I can only take the word of the lawyers as to that.

Senator CURTIS. It might be construed and rather literally misconstrued in the construction. It seems that you might take your licensing system.

Mr. WIGGLESWORTH. I think it wants an impartial body to control it, and I should think, speaking for myself only, that you would have to give the consumers representation.

Senator WATSON. Then you think if the matter was left to the tariff board, no matter what it was called, antidumping or licensing would answer the purpose?

Mr. WIGGLESWORTH. I do; I think an advisory board—

Senator WATSON (interposing). What do you mean by advisory board?

Mr. WIGGLESWORTH. I mean Mr. Longworth's conception which followed the English idea of licensing, wherein the consumers and the producers were represented.

Senator CURTIS. Equally?

Mr. WIGGLESWORTH. Equally, and I believe an impartial adjudication could be then made of the case by a governmental board.

Senator CURTIS. And let the board pass on the merits of both sides?

Mr. WIGGLESWORTH. I would say that the advisory committee be only advisory—otherwise only present the case to a central control body. That seems to me to be absolutely necessary. Some definite impartial body to work through a definite channel, hear the pros and cons, and act consistently with Congress's desire to maintain this industry. But a tariff alone opens the way for selective attack.

Without some system of control there will be a repetition of what occurred in the case of the Benzol Products Co., now a constituent of the National Anilin Co. They started out in 1910 making aniline oil, which is the product most largely used as an intermediate in the manufacture of dyes, explosives, etc.

The manufacture of that article had been tried out way back, I think, in the seventies. At least three corporations had gone into its production and each time had been promptly hit on the head by the Germans.

In 1910 the Schoelkopfs and others represented that they were absolutely under the domination of the Germans. They were making dyes in a comparatively small way, but they were dependent upon Germany for intermediates.

They had repeatedly called our attention to the fact that any time anyone showed his head in coal-tar dyes he was hit. So finally the General Chemical Co., the Solvay Process Co., and the Barrett Co.—three of the very largest corporations in the United States—agreed that they would take a chance on aniline jointly. We did not expect to make any money. We expected to put it out as a feeler in the interests of the small-dye industry over here. That was in 1910.

The Germans sent an emissary over here as soon as they knew we were producing, to say that we must quit, and what would our expenses amount to, for they would reward us to keep out. We said that we would feel our way, anyway, and did not care to discuss the matter.

Subsequently Congress put a duty of 10 per cent on the article, and that showed to the Germans that we really were powerful enough to get the support of the State. Then they saw that they could not hit this little enterprise any too quick, so they immediately absorbed the duty and the price dropped 2 cents a pound as well.

That is what I mean by a selective attack, and I don't see how you can get around it. If they simply calculate from the tariff the most difficult and intricate products that the American is about to embark into they can simply say, it is \$1,000 or \$50,000 to put them out of business. I wish you gentlemen could understand how they sit around the table and talk it over, and if you gentlemen had sat with the Germans and heard them talking in their conventions, you would realize that they were just as cold-blooded in business as in warfare.

Senator CURTIS. They force that, do they not? They do not permit competition in Germany of corporations—they force monopolies—while in this country monopolies are prohibited?

Mr. WIGGLESWORTH. Yes; but I mean they sit around the table and decide how much it will cost to put somebody out of business, and they do not care whether it is in England or India.

Senator CURTIS. To get rid of him?

Mr. WIGGLESWORTH. It is easy, as it is simply a question of cost.

Senator CURTIS. They are monopolistic. It is easy, as it is a matter of cost. I think a tariff will not do it, even if the tariff is a principle; here is a case where you must promote the enterprise. Capital must be protected, if it will agree to take the step.

Senator WATSON. For the first seven years of the history of the United States, Washington, having signed the first protective action, the 4th of July, 1789, the law provided that imports coming into this

country should pay a duty on a value assessed here, and that value was determined at the time and the place of importation. In other words, to supply here synthetic indigo coming into this country from Germany irrespective of what it should cost in Germany it should be valued at the port of New York or the port of entry—I am using New York as an illustration—or Boston at the American value of indigo that day. The importers got the advantage of the home manufacture there, because we did not do much manufacturing in the early history of the country, and they shifted about to fix foreign valuations. Our system of tariff has not been what I would call scientific, because we fix the rate of duty in this country, but we permit the other fellow to fix the value of the import. Suppose we fix both the value of the import and the rate of duty; suppose we say that any dye coming into this country from any other country should pay a certain duty, and that the value of that duty should be determined by the market price of that particular article in the United States at the time of its arrival here, and go back to the old fundamental principle of the tariff.

Mr. WIGGLESWORTH. I think the textile man would be the only one to object to that; I think the chemical man would be perfectly satisfied.

Senator WATSON. Of course, you would have to have regulation. If you had three or four manufacturers making synthetic indigo in this country only they would get up a monopoly and rob the manufacturer using their product here; that is natural. But by proper regulation that could be prevented. The protectionists in the past have undertaken to get back to that old principle. Henry Clay very strongly advocated going back to it because of undervaluation, and we immediately began to send a small army of men all over the world to see that these undervaluations were not made and that vast fraud was not perpetrated on our country on account of the undervaluations abroad. You are familiar with all that, are you not?

Mr. WIGGLESWORTH. Yes, sir.

Senator WATSON. In the Dingley law of 1897—I remember the discussion about that—was contained a provision authorizing the appraisers—it approached the old principle—to take into consideration the wholesale price at which such or similar merchandise is sold or offered for sale in the United States. That was simply advisory, but was not mandatory that that had to be done.

Suppose that in respect of the dye industry alone, in preference to your so-called license system, some arrangement of that kind could be made. Do you not think that would offer complete protection at home to all dyes that you are making? It would permit to come in free, or at the German price, the dyes that you are not making in this country because there is no competition, and would have reference only to the importation of those dyes that do offer competition because of making them in this country?

Mr. WIGGLESWORTH. It would seem to me all right, Mr. Chairman, if the world had not grown so small—I mean in respect to transportation. America is now doing an enormous foreign trade, and the Europeans have simply got to do an enormous American trade in order to make the balance of trade straighten out. The textile man

does not want to see his dyes cost him a cent more than it costs the Europeans.

Senator WATSON. Nor would they cost more. If you are selling synthetic dyes and indigo at 75 cents a pound, we will say—I am just guessing at that, as I have not the slightest idea what the figure would be—and Germany is importing at 25 cents a pound, you simply put the valuation on the German import at the American valuation, 75 cents a pound. That does not make it any worse for the American purchaser, because if he is buying this at 75 cents a pound it simply protects him; and then, in addition to that, you will put on a comparatively slight duty to make up for any differential that might exist in order to stimulate the industry at home?

Mr. WIGGLESWORTH. The argument of the textile man—I do not know whether I am making myself clear about it—is that if he is in competition with Europe on textiles he must know that his dyes cost him no more than it costs the foreigner using the German dyes.

Senator WATSON. That would not make it cost him any more, because you put precisely the same valuation on the import that your product brings; that does not cost a penny more to him. Then how are you going to maintain this institution, if your cost of production in the United States is far greater than the cost of production in Germany on the competing article and yet sell your article to the American textile manufacturer below what your competitor buys in Germany?

Mr. WIGGLESWORTH. We have got, of course, ultimately to attain the German prices, and I have not the slightest doubt about our ability to do that. I would simply admit that we must within a reasonable time put the consumer of dyes on a parity with the foreign consumer of dyes somehow or other. He can not afford to be handicapped, because the value of his products runs into an enormous sum of money.

Senator NUGENT. In other words, your argument is, as I view it, that if the American textile manufacturer is going to compete with the European manufacturers in the European market, he must be in a position where he can secure his dyes for approximately the same price that the Germans and other dye manufacturers in Europe are securing them?

Mr. WIGGLESWORTH. Dye consumers, you mean, and not manufacturers?

Senator NUGENT. Consumers, certainly. If that were not true, the American textile manufacturer would be utterly unable to compete with the European manufacturers in the European market?

Mr. WIGGLESWORTH. Yes; that it is exactly, and he would be unable to compete in the United States unless there was a high duty on his fabrics. It might very well be that such a duty could be devised—I think it would be intricate—so that the fabrics coming in here would bear an equivalent duty to bring about a parity. But he must feel that he is on a parity. I think that should be provided for, although I want to make it clear, gentlemen, that I think it is an awfully insignificant percentage of the total. I think if we knew the exact facts of the amount of interference that the textile man would suffer from a central system of control on dyes that it would be so utterly insignificant and that we would be really as-

tounded to hear any opposition from the textile man. America is producing to-day more than all of the dyes the country needs.

Senator WATSON. Not of all kinds, Mr. Wigglesworth?

Mr. WIGGLESWORTH. Not in variety, but all the dyes the country needs—I mean the quality and quantity for our domestic needs. It is only to attain the European standard—

Senator WATSON (interposing). You mean by that, that we do not need to make any more dyes of any kind in the United States in order to supply the home demand?

Mr. WIGGLESWORTH. We would not need one if Germany did not exist, not one.

Senator WATSON. We do not need any more dyes?

Mr. WIGGLESWORTH. No more dyes if Germany did not exist. The only reason you need them is that Germany, having established a wider variety, and the dye consumers of this country having experienced that wider variety, they miss it.

Senator CURTIS. Are there not some of the varieties produced in Germany that can not be produced in this country?

Mr. WIGGLESWORTH. No; none that can not be produced in time, providing capital can be induced to invest in their production.

Senator CURTIS. How long a time would it take, in your judgment, to accomplish that?

Mr. WIGGLESWORTH. That is, to my mind, not a question of chemistry; it is a question of capital.

Senator CURTIS. Then it is your idea that if you could persuade capital to come into the business at once that it could be done in a very short time?

Mr. WIGGLESWORTH. No; I am entirely in accord with the previous witnesses on that subject. I do not think you can perfect any process in anything or in any industry in less than three to five years, or somewhere about that length of time. After you go into an industry where you are an amateur it takes time to perfect it. It is especially so in regard to dyes. But if Germany could be submerged you would not hear a word about needing any more dyes. Of course, the Germans are ably represented over here, and it is another matter that has given me a good deal of concern. The importers should have fair play—that is to say, the dye distributor in the United States naturally employed this only source of supply for dyes. He had to go to Germany because Germany had the monopoly; Germany had created a propaganda, not only in America but in the world, to the effect that she was the only nation that had the ability and the only one that had the raw material.

One reason we went into the manufacture of aniline was because the Germans had established that propaganda to an extent that Congress itself believed that America did not have the raw material to make these dyes. Therefore, if we could start right out on the leader and show that American coal did have within it all the constituents necessary for the manufacture of aniline, that would at least destroy the most fundamental principle of their propaganda. There is still in the minds of the textile consumer—I do not mean any longer the man who uses indigo in blue jeans and denims, etc.; I do not mean the man who wants blacks for hosiery, etc.: I do not mean the vast majority of dye consumers who

are abundantly satisfied. I mean that fine trade that, having experienced the delight of an absolutely sun-fast color on wool, cotton, or silk has to go back to a fugitive color in a fabric that costs a hundred times as much as the dyes cost.

Senator WATSON. And can not that be done in the United States?

Mr. WIGGLESWORTH. It can be done in the United States.

Senator WATSON. But is not being done?

Mr. WIGGLESWORTH. They have not got to that point, that is all.

Senator WATSON. That is to say, in the browns and the blacks and what we call the "solid colors," we are manufacturing enough now?

Mr. WIGGLESWORTH. In all the shades, Mr. Senator. In every shade under the sun out of those 300 dyes, America is now making—you can get any shade you want, practically; but you will not get it in the more recent vat dyes—the vat dye is a simpler dyeing operation, as I understand it, and furnishes the latest color that the scientific world has developed.

Senator WATSON. Then some of these textile manufacturers want the more delicate shades and tints and hues, as I take it, which we are not making in this country?

Mr. WIGGLESWORTH. There are a certain number. I do not believe for a moment that the value exceeds \$2,000,000 as against about \$60,000,000 that the country is already making. So that the total dye shortage, the total inconvenience, is represented by the value of goods that need to have applied \$2,000,000 worth of dyes. It is obvious that the \$60,000,000 worth of dyes satisfies the bulk of the trade.

These importers are the greatest experts we have. They are the only ones that were in the business, because the industry did not exist before. I mean, therefore, that we will be confronted by this quite important question, though I think it is insignificant in the establishment of the industry.

You will hear later, no doubt, of the extremely intricate dye problems involved in these vat dyes, and the vat dyes presumably should be licensed to avoid embarrassment, but in my opinion only under a central control, so that they can not play the end against the middle.

An impartial body should be able to determine the price and the kinds. You must know positively where the producers stand with reference to these vat dyes as they are produced, because they will be produced if you only put on the indorsement of Congress and give the moral support—and I believe that moral support is perhaps the chief argument in favor of licensing as against the tariff.

Senator WATSON. For the information of those who are not particularly familiar with the matter, will you kindly explain briefly what you mean by "vat dyes"?

Mr. WIGGLESWORTH. The vat dyes are something about which I should prefer that you ask Mr. Metz, but, as I understand it, it is a dye that obtains its color in the original bath and does not have to go through several steps. The moment it is brought out in the air it is oxidized by the air to the final color it takes on, after which it is simply a matter of washing, drying and finishing. It is a simpler operation, but employs a more expensive dye in every case.

Senator WATSON. Your theory is then, as I get it, finally, if Germany would never send another pound of dye into the United States we would get along anyhow?

Mr. WIGGLESWORTH. We would have to go a little further than we are, but we could nearly do it, only you would have to assure the textile man he was not in competition with fabrics produced with German dyes.

Senator WATSON. Of course, he would find that out, would he not?

Mr. WIGGLESWORTH. He would find that out very quickly. He is "scared before he is hurt," as the boy says, you know.

Senator WATSON. You think, then, as we say about a great many things in these days, it is "psychological"?

Mr. WIGGLESWORTH. Yes, absolutely.

Senator WATSON. Would you have, if you were regulating it yourself, any of the dyes coming in from Germany free without any tariff?

Mr. WIGGLESWORTH. If the General Chemical Co.—I think I can say—were running this thing all by themselves, they would see that the customers are satisfied; they would not allow the customers to be dissatisfied, and they would get out these colors one by one as fast as they could, and they would promise nothing that they could not do, and I believe on the whole you will find that true of the industries of this country. But I think that you must bear in mind that you have reached a critical stage, and that Congress is under an obligation by its adoption of the revenue measure. You see, it was very thoroughly debated in 1916; cabinet ministers and others committed their moral support—I suppose that is all a Senator or Cabinet officer can do, commit their moral support for the Nation—to support their industry.

According to the Tariff Commission, I think there is invested two hundred odd million dollars in the industry already, and the industry will die unless it is promoted, because the chemical industry is peculiar—and I want to accentuate this—with reference to capital. It takes in most branches of the industries \$2 of capital to make \$1 worth of goods. The textile men probably take \$2 worth of capital to make \$2 worth of goods; but the chemical industry not only takes \$2 worth of capital to make \$1 worth of goods, but in 25 years the original \$2 has had to be liquidated, because you may say in 25 years that there is not a single chemical produced the way it was 25 years ago. You can very easily build on this out of your imagination, if you will recall the wonderful mysteries, the wizard-like results that develop in one chemical or another, as explained by Prof. Bogert and Dr. Stieglitz. So that it all boils down, in my opinion, to this question of assuring capital of fair play. I am confident that nine-tenths of the textile men in this country feel, as I do, more than satisfied with what the dye industry has done. How the vested interests engaged in the industry, who were the original distributors of the German goods, can be taken care of, I do not know.

They would have been taken care of and made use of if it had not been for the war, but the prejudice occasioned by the war was so great that it prejudiced men's minds. But I think this will disappear, and I think that we will find use for the distributors, with their wide knowledge of dye application, which is something that is almost

as intricate as the process of manufacturing dyes. I want to extenuate that: The problem is almost as intricate as the process of manufacturing and it has been full of abuses, abuses that the Germans probably found incipient here and proceeded to aggravate. I am sure that the dye consumers will be relieved in the United States of an enormous injury if there is a central body of some sort to control the imports of dyes so that when the time comes they can be followed through. I can not suggest for your attention a more impartial and satisfactory statement on that whole subject than the last report, so far as I am aware, of the Tariff Commission, presented on the 12th of June of this year.

Senator WATSON. We are more or less familiar with that, Mr. Wigglesworth.

Mr. WIGGLESWORTH. They went into all that problem?

Senator WATSON. Yes. Are you a member of the Chemical Foundation?

Mr. WIGGLESWORTH. My company subscribes to the Chemical Foundation.

Senator WATSON. And are you familiar with the promotion of the Chemical Foundation?

Mr. WIGGLESWORTH. I was until I had to go abroad for the Department of Commerce.

Senator WATSON. When was that?

Mr. WIGGLESWORTH. Early in February.

Senator WATSON. What year?

Mr. WIGGLESWORTH. This year.

Senator WATSON. And were you present at any deliberations of the members of the board of directors of the Chemical Foundation?

Mr. WIGGLESWORTH. I was present at a number of the organizing meetings.

Senator WATSON. What is the Chemical Foundation?

Mr. WIGGLESWORTH. The Chemical Foundation is the conception of the Alien Property Custodian and his advisors as to a means of disposing of the forty-four hundred and odd German patents, in the interests of the United States.

Senator WATSON. Patents that were taken over by the Alien Property Custodian?

Mr. WIGGLESWORTH. Yes, sir.

Senator WATSON. And this association was formed for that purpose?

Mr. WIGGLESWORTH. Yes, sir.

Senator WATSON. How were those patents taken over?

Mr. WIGGLESWORTH. I suppose by edict of law. The custodian found himself in possession of German property—

Senator WATSON (interposing). And then he sold those to this corporation, the Chemical Foundation?

Mr. WIGGLESWORTH. He originally started to sell these patents separately as part of certain small nucleus of works that the Germans had in America. He probably received protest from the American chemical manufacturers that that method was simply maintaining the monopoly of the Germans, since there would be no way for broad use to be made of the patents by this country if they passed from the hands of one German monopoly into the hands of

an American company that could either turn them back to that monopoly or continue to maintain another monopoly. So I think it was an altruistic effort to eliminate any monopoly that might exist in America by transferring the patents from a German monopoly into an impartial corporation, which was named "Chemical Foundation," but it should never have been called "chemical" because there are less than one-third of the patents which are chemical.

Senator WATSON. What are the other patents?

Mr. WIGGLESWORTH. Metallurgical, medicinal, glass blowing, and all sorts of things.

Senator WATSON. On processes and products?

Mr. WIGGLESWORTH. Everything under the sun.

Senator WATSON. Who owns those patents now?

Mr. WIGGLESWORTH. The Chemical Foundation.

Senator WATSON. Do you know what they paid for all of them?

Mr. WIGGLESWORTH. I understand they paid \$250,000, and formed a company of a half-dozen persons to proceed in a businesslike manner.

Senator WATSON. And what use has been made of those patents in a practical way?

Mr. WIGGLESWORTH. They have been used, quite a number, particularly in the dye industry, under those patents.

Senator WATSON. And who is the Custodian of the Foundation?

Mr. WIGGLESWORTH. Mr. Choate is the Custodian and President.

Senator WATSON. And who is the Assistant Custodian?

Mr. WIGGLESWORTH. Mr. Choate is the Assistant Custodian.

Senator WATSON. Is Mr. Choate an Alien Property Custodian and at the same time the president of the Chemical Foundation?

Mr. CHOATE. Yes, he is not the Alien Property Custodian who sold the patents?

Senator WATSON. How long has he been the Alien Property Custodian?

Mr. CHOATE. His present term expires in 1918.

Senator WATSON. But he is the Alien Property Custodian at this time?

Mr. WIGGLESWORTH. I do not know whether he is Alien Property Custodian or Assistant Attorney General.

Senator WATSON. He is both, is he not?

Mr. WIGGLESWORTH. Maybe so.

Senator WATSON. And at the same time he is president of the Chemical Foundation?

Mr. WIGGLESWORTH. I think that is a temporary matter.

Senator WATSON. At the same time he is the president of the Chemical Foundation, I say!

Mr. WIGGLESWORTH. That may be so; I am not certain of that.

Senator WATSON. Whether that is temporary or permanent?

Mr. WIGGLESWORTH. I think so, Mr. Chairman.

Senator WATSON. Can you name the other members of the board of directors of the Chemical Foundation?

Mr. WIGGLESWORTH. I think Mr. Choate could do that better than I could.

Mr. CHOATE. I am going to make a statement in the interest of saving time.

Senator NUGENT. You can do that later.

Mr. CHOATE. I propose to make the next statement.

Senator NUGENT. Then, we can excuse Mr. Wigglesworth with the understanding—

Senator WATSON (interposing). That he will not leave.

Senator NUGENT. And that I shall have the privilege of recalling him in the event I think it is necessary to do so.

Senator WATSON. Very well; the committee will now rise until 2 o'clock.

Mr. CHOATE. Mr. Chairman, that finishes the witnesses from the Manufacturing Chemists' Association.

(Thereupon, at 12.20 o'clock p. m., the committee took a recess until 2 o'clock this afternoon.)

AFTER RECESS.

The subcommittee reconvened at 2 o'clock p. m. pursuant to the taking of recess.

Senator WATSON. Who is the next witness?

Mr. CHOATE. Have you finished with Mr. Wigglesworth, Mr. Chairman?

Senator CURTIS. I think so; unless he has something else he wants to say.

Senator NUGENT. Temporarily, at least.

Mr. CHOATE. Then, Mr. Chairman, if I may, I will make a statement which, I think, will dispense with the testimony of several other witnesses.

Senator WATSON. Very well.

ADDITIONAL STATEMENT BY MR. JOSEPH H. CHOATE, JR.

Mr. CHOATE. What I had in mind was to answer the specific questions of the chairman this morning.

Senator WATSON. You have given your full name and your profession, and whom you represent? That has already been done?

Mr. CHOATE. I do not think it has been done. My name is Joseph H. Choate, jr., lawyer. I represent the American Dyes Institute, which is the association of very nearly all the substantial makers of coal-tar dyes in the United States.

Senator WATSON. When was that institute organized, Mr. Choate?

Mr. CHOATE. That I can not tell you. I am counsel for them in this matter only. It will be easy to get the information in a moment.

The precise inquiries to which the chairman was seeking an answer from a number of witnesses were as to the reasons for the contention that a tariff alone, or coupled with an antidumping law, could not protect the American dye industry, and second, as bearing upon that question, what are the relative costs of production in this country and in Germany.

I am going to begin with the last question because, until we give as much information as we have on that subject, it is impossible to approach the other question; and because, until the facts on that subject are in the minds of the committee, the testimony of the dye makers can hardly be weighed and understood.

Of course, in a sense, all that I can give you is second-hand testimony. In another sense, however, it is not. For more than a year during the war I was charged with the duty, in the Alien Property Custodian's Office, of investigating the chemical industry, and in the course of that work, with the resources of that office, I acquired a fund of official knowledge on the subject which is, perhaps, the next best substitute which can be offered to you for first-hand testimony from those who have actually seen the things about which I am going to talk.

It is quite true that no man living can give you any exact details as to the relative costs of the dye makers on the two sides of the ocean to-day. That is true for two reasons. In the first place, because no witness is available who has full information as to what is going on in the German industry, and in the second place, because if we had full information, if we were able to go through their plants and through their books, we should probably be unable to make any just comparison, because the dye industry is of such colossal complication that the problem of determining costs is one of excessive if not insuperable difficulty.

I think I ought to say a word, at the outset, about the dye industry to show you the extent of that immense intricacy. It has been suggested or hinted at by a number of witnesses who, largely because they were experts and because they took for granted a thousand things which strike us laymen as extraordinary, were, I believe, unable to give the committee a real idea of the complication of which I speak.

In the first place, the dye industry makes a greater number of different products, I suppose, than any other industry in the world. Before the war one German factory produced 11,000 different colors. For the most part—and entirely, except as they are mixtures and adulterations and mere differences in strength—these colors are different individual chemical substances, as definite in constitution as the salt you put on your baked potato at luncheon.

Senator WATSON. You say one factory made 11,000 different colors?

Mr. CHOATE. Eleven thousand.

Senator WATSON. Fast colors?

Mr. CHOATE. I do not suppose they were all fast. I should be quite surprised if more than a few of them were.

There is no necessity anywhere, of course, for any such number of colors as that, but nine hundred and sixty odd were actually imported into this country before the war began. Of those 960 probably a large number were superfluous, but a very great number of products is necessary, because you must not only be able to make every conceivable shade—which you can always do by mixing—but you must provide for 13 or 14 different kinds of fastness; that is, fastness under 13 or 14 different sets of conditions—washing, sunlight, chlorine, acids, perspiration, salt water, and many others. You must also be able to provide all your shades for every fabric, and each variety of fiber requires a different type of dye. A dye which will dye wool may not dye cotton at all. One that is suitable for either or both may fail altogether with silk. You must also be able to provide dyes which meet the requirements of mixed fibers.

You must provide dyes for special purposes, such as printing, dyes which will take one fiber of a mixture and not the other, dyes on which a figure can be printed with a chemical which will drive out the dye—what is called “discharge printing,” so as to produce a white or different colored pattern on the otherwise even shade of the material.

And so, to meet the requirements of those various degrees of fastness and the various tints and different varieties of substance and for all the different varieties of manufacture, a vast number of different materials is required.

The process of making these dyes is exceedingly long and complicated, and it differs altogether from other manufacture in this respect—and this difference is one which I want you to store up in your minds and keep there throughout, if you will.

When you go to work to make automobiles, you buy so many tons of steel, so many tons of wood, so many tons of brass, and, with the exception of a certain fairly constant proportion of spoiled parts, you get back 100 per cent of your raw materials. That is the usual course of manufacturing, but when you start making dyes the situation is entirely different. You begin with your crudes, the 10 great products naturally present in coal tar. You mix one of those up, we will say, with an acid or two and various other reagents—I should not need to go into the technical phases of it, even if I knew them—and you start a tremendous chemical reaction. Every substance you put into that reaction is destroyed, and a new set of substances is produced. Only one of those new substances, as a rule, is what you want for the next step.

The proportions that you get of the new products can be varied by skill. The type of skill is mainly not in the books; it can be learned only by prolonged experience. It is the skill not of the head chemist, who may be highly trained at a university; it is the skill of the small chemist or foreman who looks into the receptacle and sees a particular kind of bubbling and knows from that that the reaction has gone far enough and ought to be stopped or that something else ought to be done. His skill results in your getting in the first step a yield, as it is called, of somewhere near the theoretical possibility. A man who has not had those years of experience will carry on the reaction less perfectly, and the resulting yield will be very small.

Now, then, you take the new product which you have got as the result of that first step, and you may carry it through another set of reactions, and the resulting product must be carried through a third set of reactions. Often before you get the so-called intermediate you have carried it through half a dozen such processes. The intermediates, gentlemen, are nearly as complicated in manufacture in many cases as any other manufactures that exist in the whole world of commerce, and the making of dyes does not start till the manufacture of the intermediates is complete.

I have described the business of manufacture in this detail, because it is necessary for you to understand it in order to comprehend the enormous advantage which the Germans have over us at the start. That advantage, I think I can show you, is so great that, without any knowledge as to present conditions, we can demonstrate that their costs must still be very much lower than our own. Consider the history of the German industry.

The German dye industry was started many years before ours. By 1880 the Hoechst factory, one of the largest three, employed 1,800 men. That is within 63 men of as many as were employed by the largest American factory—that of the National Aniline Co., at Buffalo—in the month of October, 1919. That was in 1880. By the beginning of the war that concern was employing 8,000 men and, as I say, making 11,000 colors.

But that was not the biggest one. Badische, sometimes referred to as Ludwigshafen, employed 11,000 men. It employs 16,000 men to-day. Bayer was as big as Badische; Berlin was nearly as big as Hoechst. Cassella and Kalle were smaller. Those were the big six.

The German industry started with an immense natural advantage of position. All the plants were developed within a district that you could almost put into a single one of our smaller States. All except Berlin are located along the Rhine and its tributaries, the Main and one other stream. There were to be found all the supplies that they needed close at hand with low transportation costs. There was to be found an extraordinary supply of cheap and docile labor, consisting largely of men who had no objection to spending their lives at one job and having their children brought up in it after them.

The German mind ran naturally to the sort of research which was required in the dye industry. The universities produced those men in great numbers. As Dr. Bogert told you, they reward research chemists not so much in salary—because their salaries were always low, so that their chemical service was cheap—but in social position, so that a man who has made dye chemistry his life work in Germany became a pretty important personage and enjoyed life correspondingly.

From a very early day the importance of research was realized there. When you make thousands of different materials and in the course of making those different materials you produce tens of thousands of by-products, as you must, you have got to find a use for those by-products or run them into the sewer, and to keep those by-products out of the sewer and put their proceeds into the treasury was the constant and insatiable ambition of the research chemists. They were employed by hundreds, and, by the same token were bred by hundreds in the universities because the dye works provided jobs for them. Constantly they were engaged in devising new means of disposing of these by-products, working out their pharmaceutical effects as well as their possible uses in the dye business and in every other business. And in the course of those investigations they incessantly ran out of the field of the dye industry and into that of pure science.

While all this was going on our industry was standing still. We had quite a flourishing little industry in 1880. Between 1879 and 1883 nine quite flourishing concerns were developed and appeared to be going strong. Up to that time, of course, the German industry was still new. Prices were still very high. It was not an unfamiliar thing in those days to pay \$30 a pound for a German dye that was not abnormally scarce. We had a tariff, if I am not mistaken, at that time that started with a 50 cents a pound specific. That seemed to be enough in those days. The industry was fairly promising.

That tariff was withdrawn in 1883. Instantly, of the nine concerns four went out of business, and from that day on the American indus-

try continued to be a mere assembling industry, putting together, often by the simplest processes, intermediates which were themselves often the product of extraordinarily complicated manufacturing processes, intermediates which had been imported from Germany.

In the meantime the German industry began a process of combination, so that by the beginning of the present century it had practically all been combined into the six great companies that I have named. There were quite a number of very small assembling plants, which made specialties of some one particular variety or line of colors, and there were one or two outlying concerns which made colors, mostly as a side line. But the bulk of the industry was in the Big Six.

About 1910 they were further combined into two separate cartels; one which I always think of as the "Three B's"—Badische, Bayer, and Berlin; the other containing the other three—Cassella, Hoechst, and Kalle. By that time the Big Six had gained a substantial world monopoly. Ninety per cent of the dye production of the world was in their hands. The only substantial industry outside that was not almost entirely an assembling industry was the Swiss, which was very limited in scope, because there were no raw materials in Switzerland.

Now, what kind of people were the Big Six? That is the real question you have got to face. What is our industry up against? You have heard from various witnesses. Mr. Wigglesworth, for instance, has told you how as soon as American chemical industry in the production of anilin showed its head the German trust struck at it. He did not tell you how successfully they struck at it in that case. The Benzol Products Co. was actually forced to close its doors for a time. That is true, is it not, Mr. Wigglesworth?

Mr. WIGGLESWORTH. Yes, sir.

Mr. CHOATE. And was only revived because of the outbreak of the war. The same thing happened in the case of salicylic acid. As soon as a promising American manufacturer started, the Germans cut the price, first to take care of the duty, and then beyond that, until the American company went out of business, when instantly the price went up again.

The same thing happened with bicarbonate of potash; the same thing happened with half a dozen different intermediates that Schoelkopf had started making.

Throughout, the method of the German chemical industry has been to destroy all competitors, by underselling and by what Mr. Wigglesworth very aptly termed "selective attack." With their colossal industry they could and can afford to take a loss on any one thing or things, and it is to their inestimable advantage if, by spending a few hundred thousand dollars here and a few hundred thousand dollars there, they can cull out and destroy the promising plants in other countries. They did it systematically. They never missed a chance.

They did not have to do it in the dye industry itself. Our dye industry was not a menace to them. It was satisfactory to them to sell their intermediates to such assembling plants as we had here, knowing that those assembling plants could not develop into real dye-making plants until they chose to let them do so.

How was the rest of their commercial morality? One of their favorite practices was "full-line forcing." They had all the most

desirable dyes. Nothing was simpler for them than to refuse to supply anyone who bought from a competitor, where there was a competitor, until he ceased to buy from the competitor. It could be done by a nod of the head without a word spoken, and it was done and done systematically. The man who would not buy all his supplies from the American representative of the Big Six, whom he patronized in chief, would find that he would not get any supply at all of the particular things he felt he must have.

Beyond that—and here I do not want you to rely upon my investigation—the industry developed the most extraordinary mass of straight-out commercial corruption that I think was ever to be found in any industry in the country. The Germans practiced commercial bribery on an unparalleled scale.

Senator WATSON. What do you mean by that, Mr. Choate?

Mr. CHOATE. I mean that in the case of almost every textile manufacturer in the country the dyers were subsidized by the German houses—actually paid to see that their dyes were used in preference to all others.

Senator NUGENT. You mean the buyers for the textile manufacturers?

Mr. CHOATE. Not usually the buyers. It was ordinarily the dyer, the man who applies the dye to the goods. The dyer is the only man in the place, as a rule, who knows that branch of the business. All he has to do is to tell his boss that the dye he has got is no good, and the boss goes off and buys something else. If, by chance, the boss has faith in the dye and questions his statement, all that is necessary is for the dyer not to raise the temperature of the bath up to quite the proper point, or to put in a little bit too much of this, or not quite enough of that, and then go to the boss with the spoiled goods and say, "I told you so."

On this point—I am not going to ask you to rely on my authority—an extensive investigation was undertaken—

Senator NUGENT. One moment. Do you mean to give us to understand that the confidential employees of the textile manufacturers were actually bribed to do those things by the Germans?

Mr. CHOATE. Actually bribed, and so much as a matter of course that it was almost without exception true. I came across only one mill where they had completely eradicated it, and in that case the owner of the mill bought all the dyes himself and removed all marks from the packages before they were turned over to the dyer.

An investigation was conducted in Philadelphia at the instance of a number of woolen manufacturers back in 1913. There was rather a curious situation. They developed this graft at considerable length. Counsel for the people doing the investigating were Mr. Deming, who sits here at the table, and Mr. C. H. Burr, who is, I think, in the room. I have not the honor of his acquaintance, but I think he is here representing, strangely enough, the opponents of this bill. I want to read to you from an article of Mr. Burr's in the July (1919) number of the Quarterly Review.

Mr. BURR. I am Mr. Burr. I wish to say, Mr. Chairman, I do not appear here in any regard except my own general interest in the subject.

Mr. CHOATE. I am very glad to hear that, Mr. Burr.

I desire to read briefly from this article [reading]:

GERMAN BUSINESS IN THE UNITED STATES.

The methods of German commerce in prewar days are familiar in their general outline; the concrete details have not often come to light. This article will endeavor to give the story of how the German dye combination operated in the United States. The account will be given as far as possible in the words of witnesses taken under oath. These accounts, commented on only for the sake of clarity, should be allowed to speak for themselves.

During the war the dye industry in Germany was united into one great chemical Verein, so that the gentle methods hitherto used might become universal and gain completeness of organization and efficiency after the war, when England and the United States should open again their hospitable doors. Before the war, however, there were six leading German dye houses, divided into two groups of three each. The first group consisted of the Badische Anilin-und-Soda Fabrik (called for short the Badische Co.), the Farbenfabriken vormals Friedrich Bayer & Co. (called the Elberfeld or Farbenfabriken Co.), and the Aktiengesellschaft für Anilin-fabrikation (known as the Berlin Co.). These three companies pooled their profits in the respective proportions of 43 per cent, 43 per cent, and 14 per cent. They were controlled by a cartel and met for fixing prices, determining policy, etc. The second group consisted of Farbwerke vormals Meister, Lucius and Brunner (known as the Hoechst Co.); Leopold Cassella & Co.; and Kalle & Co. These three concerns were knit together rather more loosely than the first combination, and their unity of action depended mostly on interchange of share capital.

About two years before the war an internal difference manifested itself when the accounts for the preceding year were presented to the pool. The Elberfeld Co. claimed an allowance of something like \$700,000 for "graft" payments made in the United States. The other partners objected to the amount, not because they were ultraconscientious, nor because the amount, if really expended, was excessive, but because vouchers were not presented with ideal German completeness; and the notion seems to have been suggested that foreign agents and managers might have made an error in the calculation, resulting in unintended personal benefit. However this may be, a little private investigation was made by one company in order to ascertain whether the dyers and ultimate recipients of the "graft" were really getting what they were entitled to. The investigation, as will happen sometimes with the best-regulated inquiries, got a little out of bounds. The result was a series of suits and a general explosion of indignation. From the evidence collected under oath in the inquiry, the following excerpts have been made. It should be noted, in order to reassure the British reader, that the convention called under the cartel entered on its minutes the following resolution:

"Resolved, That henceforth bribery shall be abolished, except in the United States and in Russia."

Senator WATSON. Who was it that passed that resolution?

Mr. CHOATE. That was a resolution, according to Mr. Burr, of one of the two great German cartels which he was investigating.

Senator WATSON. How did he happen to be investigating this?

Mr. CHOATE. He was retained by a group of woolen men in Philadelphia, who were determined to stamp out graft of this very kind in their industry. He was retained to investigate and attack the grafters, as was Mr. Deming with him. I have been informed, I believe correctly, that there was a very curious and interesting feature in connection with this retainer. I understand that 40 per cent of the expense of the investigation was met by the persons who originally started it, the textile men who wanted the graft driven out, and 60 per cent of it, I am informed, was met by Messrs. Kuttroff and Pickhardt, the American agents of the great German Badische Co.

That investigation took place immediately after the divorce which took place between the Badische Co. and the Bayer Co., which, in 1910, attempting to carry the German combination still further than it had theretofore been carried—there were still two cartels—had

formed one agency, called the Continental Color & Chemical Co. of New York, but had quarreled through one year and then dissolved the joint undertaking. It was after that dissolution, when they were again gunning for each other's business that these American agents of the Badische put up 60 per cent of the expense of this investigation, apparently in order to "get" their competitor, the Bayer Co., which was specially open to attack on this score.

Senator WATSON. You say they put up 60 per cent of the money to investigate that question?

Mr. CHOATE. I am so informed. It is of no particular consequence. It is merely an interesting sidelight on it.

Senator WATSON. When was this?

Mr. CHOATE. In 1913, I think. That is right, is it not, Mr. Deming?

Mr. DEMING. About that, I think.

Mr. CHOATE (reading):

The operations of the Dye Trust in the States can best be examined in the words of the witnesses themselves. In explanation, it may, however, be added that these companies maintained their American agencies under their own control; that the Elberfeld Co., which had expended the \$700,000, was extremely active among the mills in Philadelphia; and that Mr. Keppelman was its manager. For convenience, the evidence will be grouped, first, with reference to the bookkeeping methods of handling the matter, adopted to secure, so far as possible, proper profits and proper accounting to the principals in Germany; second, the distribution of "graft"; and thirdly, certain incidental activities, such as chemical means of dealing with rivals, and persuasive invitations on board a yacht.

With respect to bookkeeping methods, the problem was a difficult one. It was desirable to secure large prices for the dyestuffs sold, so as to afford a margin for "graft" and allow of proper accounting in addition. It was obvious that this must be done not only by adulteration but by misbranding the goods so that comparisons in prices would be rendered impossible and awkward disclosures would be avoided. A system, therefore, based on selling the same thing to A by one name and to B, C, and D by different names, on allowances for different degrees of adulteration and on keeping accurate accounts so that the dyers should receive the correct amounts of "graft," would necessarily be complicated, especially since care had to be taken that each party should see only what it was desirable he should see.

Then he goes on with the affidavits, which are so detailed that I will not read them here, though I should like to have them inserted in the record. I will read, however, just briefly from one of them. He is speaking now of these substitutions, palming off substitutes on the unfortunate textile men by bribing their dyers. [Reading:]

I remember one particular dyestuff of which the D firm bought a good deal—"Brilliant black BB." This was a fictitious name given to naphthylamine black 4BK. The market price of the latter color was 21 cents, yet under its fictitious name D was paying 85 cents a pound, and they used a good deal of it; at least three to five hundred pounds each week. On my order blank I would insert on the first column one keg or barrel, as the case might be, of brilliant black BB; in the next column the correct or trade name of the color—that is, naphthylamine black 4BK—so that the shipper would know exactly what to send D, though they would not know the exact nature of the color they were getting, thinking they were using a high-priced dye when in reality it was a cheap one.

The essence of that system was just that. Whenever it was necessary to cover the graft and get the profits back all they did was to adulterate a product and call it by a new name and then they were able to sell for 85 cents what under its proper and well-known name they had only been able to sell for 21 cents.

Gentlemen, that is the kind of people the German dye trust were and are to this day.

Mr. WOOD. Mr. Chairman, in order that it may come in at the appropriate place in the record, may I make a statement about this condition of affairs that I think will be very important to the committee as bearing directly on this subject you are considering?

Mr. CHOATE. If it will not take too long.

Mr. WOOD. It will only be momentary.

Mr. CHOATE. All right.

Senator WATSON. Please state your name.

Mr. WOOD. John P. Wood, of Philadelphia; woolen manufacturer. I represent this committee of the American Association of Woolen and Worsted Manufacturers.

For some 30 years past I have been identified with a group of consumers who have been endeavoring to combat the practices to which Mr. Choate has referred. What he says is entirely true. This corruption did exist and was very wide in its ramifications, but it had no more relevancy to the foreign producers of woolens than the fact that they sold a larger quantity in this country. The instances of graft were just as numerous, just as outrageous in proportion to the business done, upon the part of the American houses as upon the part of any foreign sellers.

If the committee desires to go into that subject, I shall be very glad to send for the data I have accumulated through these years and lay it before them to show that whatever importance it has it has no bearing on the subject now before this committee, because relatively to the volume of business done it permeated the American business just as thoroughly as it did the foreign business.

Mr. CHOATE. I am not willing to concede that for one minute.

Senator WATSON. Well, we are not going to try that case.

Mr. CHOATE. You are not going to try that case. But it is material, because you are dealing here with the question of what the American industry can do against the German industry, and what that is depends largely on what kind of people the German dye trust consists of.

Since the war began the German Big Six and the two cartels composed out of that Big Six in 1910, have been combined into one gigantic whole, known as the I. G. That is practically a single corporation. The subsidiary corporations keep their corporate entity, but they are entirely in the hands of one man, the chief of the cartel for the time being, who happens to be for the present Herr von Weinberg, of the Cassella Co. The companies exchange information. They contribute to the expense of foreign campaigns against competitors. They share profits. They have recently doubled their capital. Mr. Wigglesworth has told you that, owing to the German method of finance, their capitalization conceals rather than exaggerates the actual amount of their assets. Their nominal capitalization is to-day over one billion marks. Their stock is sold on the Berlin Stock Exchange to-day at an average of 400, so that that capitalization represents real assets of half a billion dollars at least, probably more. They have got that at stake.

Until the outbreak of the war they had a world market. They were organized, and their plants were constructed to make things

on a colossal scale. You know without my having to state it that when you are organized to make the entire consumption of the world in any given article you can not cut your production down by even as much as one-quarter without gravely interfering with the efficiency of your production. Their industry was the most remunerative in the German Empire. The dividends of these companies for years before the war averaged 22 per cent. The Badische Co. held a meeting in July, 1919, and declared a 12 per cent dividend. They were the favorite war babies of the German Empire. They made all the poison gases. They have kept their staffs and labor together, and they have spent vast sums on plants since the armistice. Dr. Herty, who has just been there, and others will tell you about what they are doing now.

Senator WATSON. Will they be here?

Mr. CHOATE. They will be here.

They have, in other words, half a billion dollars at stake. They can not make that half a billion dollars remunerative unless they can get back a world market. Where do they stand on that question?

Great Britain has shut them out by a 10-year license plan—a license plan much more drastic than that proposed in this bill, because under their license plan the commission is not limited, but may shut out anything that it seems to be desirable to shut out in the interest of British industry.

France has adopted a ten-year license plan more drastic than ours, as drastic as the British, as well as a very high tariff for what they let in. The British license plan extends to the east, where it affects every one who attempts to import into districts even outside of the British possessions when, as in many cases, the chief market is in the British possessions.

Senator WATSON. That license plan extends only to Great Britain proper, does it not?

Mr. CHOATE. Over the entire British Empire, I think. It certainly extends to India. It certainly extends to Malaysia, and it certainly extends to Great Britain proper.

A VOICE. And to Australia; not to Canada.

Senator WATSON. I supposed it extended only to the British Empire. Of course India is a part of the British Empire.

Mr. CHOATE. Now, where is Germany to sell her goods? There have been a great many rumors to the effect that they had sold large quantities to Great Britain. I have pretty straight official information to the extent that only the very smallest quantities have thus far been taken by Great Britain from Germany. France has taken more, because she had to, having no production of her own, and facing the absolute necessity of getting her industry started. It is quite certain that the German industry is not to be allowed to sell in any bulk in France or in England.

In other words, that colossal German industry, facing destruction if it can not get back immediately its world market or substantially its world market, must get back the market of the United States, the largest market outside of that of China, or go to the wall.

Now, gentlemen, put yourselves in the place of the men who are managing that cartel. Put yourself in the place of that one man to whom we have to turn if we want any German dyes at this date.

Would you let the \$500,000,000 of other people's property intrusted to your management go to wreck and ruin and destruction if by any means consistent with what you called your conscience you could save it?

If, as I firmly believe is the case with the most of the heads of the German dye companies, you were not encumbered with a conscience at all, how would you behave? What would be simpler than to conduct a campaign here of what Mr. Wigglesworth has called selective attack? How easy it would be, in spite of any tariff, to destroy the American industry piecemeal.

Remember, we can not combine. We are scattered now in about 80 concerns which make real coal-tar products and sometimes dyes, and perhaps 160 firms that make coal-tar products of one kind or another. Many of them make very valuable specialties. One concern I have in mind, a quite small concern, has distanced all the big concerns in the manufacture of one important product. What investment, in the way of goods sent over to this country, would it take for them to single out that little manufacturer and destroy him by underselling him? It would take mighty little. The figures look large because they are quoted in pounds, but 30,000 tons is pretty nearly a year's supply of the dyes in the country, and that means only three shiploads.

Remember this, that the German industry is not obliged to spend real money in any such campaign as that. It is obliged to spend only stock—I do not mean capital stock; I mean stock on hand.

Senator WATSON. What do you know about that, Mr. Choate?

Mr. CHOATE. I will tell you what we know about it.

On August 15 the German trust submitted through the German Government, as required by the treaty, a list of the stock on hand. Now, we have not got armies of occupation all through Germany. We are not in a position to check up the truth of their statements. They are telling us what they want us to believe they have. You may believe from the bottom of your hearts that they are not overstating what they have got. The odds are a hundred to one that they are understating it materially and that they have hidden away, not only in Germany, but in neutral countries, a great deal more.

They say that 80,000,000 pounds is the measure of their stock on hand of dyestuffs ready for export. This is what they are supposed to have at the moment, August 15.

Mr. WIGGLESWORTH. And in the occupied territory.

Mr. CHOATE. In the occupied territory, I think.

On September 15 there was held a meeting of the subcommittee of the reparations commission—the appropriate subcommittee, I forget the exact title of it—in London, to discuss this question. In reporting that meeting Mr. Stanley Hollis, the consul general in London, reported to the State Department that the statement made at that meeting by those persons charged with knowledge of the situation in the occupied territory was that there were then in the occupied territory 30,000 tons of dyes. He then stated that the Belgian representative said, apparently authoritatively, that there were 100,000 tons waiting on the other side of the Rhine.

Must it not be so? Can it be otherwise? These colossal plants have been making explosives and poison gases all through the war.

When you make explosives or poison gases you can not avoid the production of any number of by-products which are readily convertible into dyes.

The Germans were not expecting the war to keep on forever. They were expecting an early and successful termination. Throughout all the earlier years of the war, in every line of their activity, you come across the determination on their part to be ready for peace, to be ready for peace quickly, and to be ready for the war after the war.

Is it not inevitable that they should have done as we believe they have done, as we have been informed they have done? Namely, kept at work enough of their plants in the manufacture of dyes to keep their hands in, to keep their domestic needs supplied, and to be ready to build up this fighting stock of dyes that we are told they have? Of course, they did it. That was their invariable policy in everything they did, and they are now waiting and ready with an accumulation—a carefully selected accumulation, of course—not of the bulk dyes in which we have already cut the price down to nearly prewar levels, like sulphur black, but of the specialties, which cover great quantities of cloth and which can be sold at high prices.

So I say to you, gentlemen, if you put a duty of 500 per cent on their goods and had not the rate of exchange to contend with—even if you figured it on the American value of the product—you would still run up against the certainty that the German trust must fight to get back its market, that it has the wealth with which to fight to get back its market, that it has the goods to fight with, and from all past history that it will fight without scruple and without remorse.

Senator WATSON. What makes you say that if you put the American value on it it would still be dangerous?

Mr. CHOATE. Let us assume the most important proposition of all those that are before you. I take it we all want the industry to expand, do we not?

Senator WATSON. Of course, everybody does.

Mr. CHOATE. That is, we all want new products to be made. Now, when a man starts to make a new product he has to put a vast investment in it in many cases. The National Anilin Co. put \$850,000 into their alizarin plant before they ever got an ounce out. The Du. Ponts spent \$1,200,000 in research alone on the vat dyes before they started to build the factories.

Suppose you start one of those new dyes. Just before those dyes come into actual production, which is the situation to-day, the Germans start to import them, because the doors are open by reason of the treaty, or will be open presently by some treaty. You put the duty on the American market value. What sets the market value of a product not made in America? Who sets it? The German does.

Senator WATSON. What makes you say that?

Mr. CHOATE. Because there is nobody else who makes it, nobody else who sells it here. I am speaking of a product not made here. He sends here 100,000 pounds, we will say, of indanthrene blue—

Senator WATSON. Why, certainly; if it is not being made here they ought to send it.

Mr. CHOATE. By all means.

Senator WATSON. But the very minute it can be made here, with the understanding it is going to be sufficiently protected, the home producer must put his price on it.

Mr. CHOATE. Wait a minute. Let us see what the market value of that first 100,000 pounds is. Who sets the price? The German, because it is brought over here by his agents. Every one of the Big Six had an agent here, a strong American company. The Alien Property Custodian's activity wiped out four of them; two remain. One of those two is in absolutely close connection with its German principal to this day.

Senator WATSON. Under that theory we never would start the establishment of any industry in the United States except by the absolute prohibition of imports from abroad in competition with anything we started to make here.

Mr. CHOATE. No, Senator Watson; I think I can show you that is not the fact. To return to this specific question, in order to determine what the price of those goods was, what the value of them was, you would have to go to the price, because there would be no other possible criterion. The German may set it high, or if it is to his advantage he will set it low.

Senator WATSON. I can not agree with you about that at all.

Mr. CHOATE. But suppose that were not so. After all, the only effect of computing the duty on the domestic value instead of on the foreign value would be to increase the amount of the duty.

Senator WATSON. No; not necessarily so. You lower the duty.

Mr. CHOATE. You lower the rate but increase the amount.

Senator WATSON. Certainly.

Mr. CHOATE. In other words, you lower the apparent rate.

Senator WATSON. No; you lower the real rate of duty when you put it on the American valuation. It is an increase in the valuation. It does not make so great a difference what the duty is as to that.

Mr. CHOATE. Let us take the case of the indigo we are speaking about. It may be that the German price is 20 cents and the American price 75 cents. Suppose you buy your indigo over there; you buy a pound and you pay 20 cents. It is then imported here and rendered dutiable at 50 per cent on the American value, which we will suppose is 75 cents.

Senator WATSON. Yes.

Mr. CHOATE. There is $37\frac{1}{2}$ cents more. The total price of the product, then, is $57\frac{1}{2}$ cents plus freight, etc.

Senator WATSON. Why, no; you are wrong about that. The value of every pound of that indigo that comes here is 75 cents.

Mr. CHOATE. Precisely.

Senator WATSON. And the duty is levied on it at 75 cents a pound.

Mr. CHOATE. And 50 per cent of 75 cents is $37\frac{1}{2}$ cents.

Senator WATSON. Certainly. It would be $37\frac{1}{2}$ cents plus 75 cents, which would be \$1.12 $\frac{1}{2}$.

Mr. CHOATE. But how are you going to make the American buyer pay $75\frac{1}{2}$ cents?

Senator WATSON. Precisely; that is what I am telling you. In other words, instead of your license system—

Mr. CHOATE. Then, I am afraid I do not understand in the least what we are talking about. I am starting with a supposition which makes that impossible. I am starting with the supposition that the German price in Germany is 20 cents. How are we going to make anybody pay them 75 cents if that is the price?

Senator WATSON. That is just what I am talking about, sir. I would not put a 50 per cent tariff on there to start with unless necessary to afford protection.

Mr. CHOATE. What is your assumption to commence with?

Senator WATSON. My assumption is precisely what we have done in this country for many years, from the beginning of the protective tariff system. We do not permit the foreigners to put the value on their imports; we put the value on the imports, and we put the value on the imports at the American price.

Mr. CHOATE. Right. Now, Senator Watson, will you give me a supposititious rate to work on for a minute?

Senator WATSON. No; I can not do that.

Mr. CHOATE. Then accept my assumption of 50 per cent duty.

Senator WATSON. No; I will not do that, because that might be too high a rate.

Mr. CHOATE. Shall we say 10 per cent?

Senator WATSON. Yes; for the purpose of argument.

Mr. CHOATE. Yes; for the purpose of argument. Now, our American purchaser goes and buys his pound of indigo in Germany at 20 cents. He brings it in, and he finds it is valued at 75 cents here, and he has to pay 10 per cent of 75 cents here, does he not? His duty is $7\frac{1}{2}$ cents.

Senator WATSON. Then the American is protected, is he not?

Mr. CHOATE. Then the American purchaser of the German dye pays $27\frac{1}{2}$ cents, while the American product is costing 75 cents.

Senator WATSON. Not at all. He pays 75 cents, which is the American price, plus 10 per cent duty.

Mr. CHOATE. I am supposing that he buys it from the German in Germany.

Senator WATSON. Precisely; but if you have that kind of tariff he does not get it in here, does he?

Mr. CHOATE. Why not?

Senator WATSON. How could he get it in?

Mr. CHOATE. Because the only duty you have mentioned is 10 per cent on the American value.

Senator WATSON. Which is 75 cents a pound. Now, if the American product is selling at 75 cents and this German product is valued at 75 cents at the price of import, he has got to pay, to get it in here, 75 cents plus the duty on it.

Mr. CHOATE. You mean you would charge him as the duty the difference between the foreign price and the American price?

Senator WATSON. I do not.

Mr. CHOATE. Then, why would he have to pay any more than the price of the article in the place where he bought it plus the duty?

Senator WATSON. I think I shall have to take you to one side and talk to you about that. [Laughter.] That has been the American system in this country for 10 years.

Mr. CHOATE. I understand it thoroughly—at least I thought I did.

Senator WATSON. I have been a student of the tariff for many years.

Mr. CHOATE. Senator, just to clear my mind, will you write down what a man would have to pay for 1 pound of indigo when the German price is 20 cents and the American price is 75 cents, at the time he gets it here?

Senator WATSON (handing a paper to the witness). Here is the whole thing worked out. Just read that over, and we will take that up later.

Mr. CHOATE. Very well. Let us return to where we were. I say that no matter what rate of duty you impose here, you would have to impose a rate that would scandalize the natives and would impose a very considerable hardship on a good many—

Senator CURTIS. Mr. Choate, I think the committee is agreed upon that. Why can we not get down to the real meat in the coconut?

Mr. CHOATE. You are agreed upon what?

Senator CURTIS. That the duty you might place on many of these articles would be so outrageously high that the American people would not stand it. The only question is, What policy can we pursue, what duty can we place upon these goods, and what other policy may we follow, in the way of a licensing system, an antidumping law, or a control by the Tariff Commission, that will protect this American industry? That is now the only question I want to hear anybody else on; I do not know whether the rest of the committee feel that way or not.

Senator WATSON. That is right.

Mr. CHOATE. Well, the first question apparently is, if a tariff is not enough—and I seem to have been stopped in my argument that it was not enough—

Senator CURTIS. Of course if the other Senators want to hear that I am perfectly willing to go on, but so far as I am concerned I thought it was admitted.

Mr. CHOATE. All right. The next question is, will an antidumping law do the work?

Senator WATSON. The idea is that it is admitted—

Senator CURTIS (interposing). That on some of the dyes the duty would be so high that the American people would not stand it and Congress would not enact the law.

Senator WATSON. Yes.

Mr. CHOATE. There are two things to be said about that. In the first place, it is almost impossible, some of the manufacturers will tell you, to classify dyes for the purpose of a duty. Before making that statement I asked two of our leading opponents whether that was not true, one Col. Wood, and the other Mr. Metz.

Mr. METZ. I want to say, Mr. Choate, that I have never been an opponent except on your say-so.

Senator WATSON. Gentlemen, let us have peace. [Laughter.]

Mr. CHOATE. Wherever he stands, Mr. Metz is an expert, and he agrees with Col. Wood and the dye makers that you can not classify dyes in such a way that you would not open the door to more evasion than actual obedience to the law.

Senator CURTIS. Your commission could prevent that.

Mr. CHOATE. They think not.

Senator CURTIS. I understand the trouble with the Tariff Commission is that they do not want to take on any extra duties.

Mr. CHOATE. No; the trouble is with the extreme complexity of the constitution of these dyes and the extreme ease with which they are camouflaged and mixed in new proportions.

Senator CURTIS. Could not our experts tell? Have we not got experts that can tell about that?

Mr. CHOATE. After a long time, after the harm is done the dyes will come in masquerading as new products, and until very complicated analyses have been made no one is in a position to say whether they are new ones or the same old products.

The next proposition is this. Not only is it impossible to classify the dyes so that you can place a different duty on each, but the industry as a whole can not survive, and most of the plants can not survive, if any considerable part of their product is without adequate protection.

The production of these dyes is so interlocked, the products needed for one are so closely connected with the next process that if you make unprofitable any one considerable line of the products of any dye factory, you will undoubtedly wreck the concern. That the manufacturers can tell you about better than I can.

As to the antidumping law, I analyzed carefully the Smoot bill and the Fordney bill at the time they were introduced; I have not seen the Fordney bill since it was passed. But the difficulty there is this: As regards dyes, the applicability of the law can always be driven back upon the foreign cost of the goods, since by changing names and camouflaging qualities, or making new mixtures or strengths, the product can always be made to appear to be one which had never been sold before, and so one for which there is no foreign price anywhere. The only way you can show that dumping exists, since under either bill dumping exists only when goods are sold here below foreign value or below cost, is by showing the goods are being sold for less than cost.

Senator CURTIS. Could not that be arranged by sending a few cargoes back?

Mr. CHOATE. Yes; but look what would necessarily happen before that. Before you could start sending the first cargo back you would have to find it had been sold here below cost, because no one could ever prevent the Germans from making with some justification the claim that it had not been sold anywhere before, so that there was no possibility of its having been sold below the foreign market price.

If we had full access to their works and to their books, as I think we might have through those tariff bills—

Senator WATSON (interposing). You say they could send those goods over here and say that one single kind of dye?

Mr. CHOATE. Not one single cargo?

Senator WATSON. No.

Mr. CHOATE. Nothing would be simpler. They say they have dozens of new dyes we know nothing about.

Senator WATSON. Where do they find a market for those?

Mr. CHOATE. As long as it comes to their agent here he is satisfied, and after it gets here it reappears under the old form. The water, or salt, or other adulterant, is taken out of it and it assumes its former strength. They only have to turn a product out in a new strength or a new mixture and it becomes something that has never been sold anywhere before, and accordingly can not possibly have a foreign market price; but by simple processes it can be restored to the original form and sold here as such.

The difficulty of ascertaining the cost is this: Many of these dyes are almost completely by-products of other products. Some dyes the German manufacturer could tell you, with absolute truth, not only cost him nothing but actually benefited him by relieving his factory sewer of a troublesome waste. It would be perfectly easy for any astute bookkeeper to arrange the accounts and books of any German chemical works in such a way as to baffle any conceivable investigation on the subject of costs, and to show that the costs were either large or small just as he pleased. You could never prove, in other words, that he had sold below cost.

So, as efficient as they would be in other industries, the proposed antidumping laws would all fail in the dye industry, not only because they are so slow in action, but because they can not act at all upon an industry so complicated and lending itself so readily to camouflage as the dye industry.

And that leaves us where? We can not protect the industry by the tariff alone; we can not protect the industry by an antidumping law with a tariff. The corrupt practice acts also act slowly, after the harm is done. Three shiploads of carefully selected stuff will wreck our industry. They can be brought in the day after the markets are open. It is an emergency that may last only a very short time, or may last a long time, but it is an emergency during which our industry can be destroyed in a moment.

Senator CURTIS. How would you handle that under the license system?

Mr. CHOATE. Because nothing can come in until it gets a license, and the commission is directed not to admit anything which is made in this country.

Senator CURTIS. Not to admit anything?

Mr. CHOATE. Anything made on proper terms as to quantity, quality, and price.

Senator CURTIS. Why can not they deceive under the licensing system?

Mr. CHOATE. They can.

Senator CURTIS. Then why can you not protect the industry just as well under the antidumping provision as you can under the license system? Why can not the commission shut out under one form of law just the same as under the other? That is what I would like to hear you on.

Mr. CHOATE. Because under the antidumping laws that have thus far been suggested, the harm is done first and the decision is made afterwards.

Senator CURTIS. We are talking about some substitute.

Mr. CHOATE. I have sometimes thought—it has been suggested to me—that the real essence of the Longworth bill is a kind of antidumping law. It is an antidumping law that prevents dumping at the source before the harm is done, before the goods come in here, and that is about all it does. It does not do that half as well as it ought to; it does not attempt to take care of the substitutes, by the importation of which the American industry might easily be destroyed.

Senator WATSON. None of these dyes made in this country, the like of which are being imported from Germany, could be protected by the protective tariff?

Mr. CHOATE. Yes; there are some.

Senator WATSON. In what proportion?

Mr. CHOATE. I do not believe anybody can say in what proportion. In most cases, I think the only ones which could be protected by the tariff are those which do not need any protection. Competition in this industry is very keen. In some cases, bulk products, like sulphur blacks, of which large quantities are used and in which considerable money was apparently to be made, the competition has become so keen that the prices have been forced down below the point that allows profit.

Senator NUGENT. Between American manufacturers?

Mr. CHOATE. Between American manufacturers. No German will attempt to compete while present conditions exist as to those products. As soon as you leave those bulk products, you will leave the realm in which the protective tariff can possibly save the American dye industry.

Senator WATSON. If there were no protective tariff at all, even on those things, except competition among American manufacturers, brought down to where it reached the German level, would you then be afraid of an antidumping law?

Mr. CHOATE. Not in those goods. But if you were to leave the industry without any protection those goods would cease to be made to-morrow, because they are not now profitable to their makers.

Senator WATSON. In the United States?

Mr. CHOATE. In the United States. Competition has forced the price down below the profitable point.

Senator WATSON. Does that situation obtain in the manufacture of several dyes?

Mr. CHOATE. It obtains in the manufacture of several dyes. The dye makers are here themselves and will tell you about it.

Senator NUGENT. Do you mean to be understood as saying that certain dye manufacturers are selling their products below cost?

Mr. CHOATE. I think that has been done in a very large number of cases. In certain new products it has been done in order not to sell at what might seem an excessive price.

Senator NUGENT. Are the manufacturers who are doing that the owners and directors of these larger establishments, or the smaller ones?

Mr. CHOATE. Both. I recall one case where an establishment put out a new product far below the cost of production; I think, in fact, most of the new products have been put on the market, originally, below the cost of production.

Senator NUGENT. Are the larger manufacturers pursuing that policy for the same reason the Germans did, for the purpose of driving the smaller ones out of existence?

Mr. CHOATE. No. I know of one case where the product cost them a couple of hundred dollars a pound for the first year or so.

Senator NUGENT. That was in the experimental stage, was it not?

Mr. CHOATE. Largely so.

Senator CURTIS. That is not followed as a settled policy, is it?

Mr. CHOATE. By no means, but only so far as they are compelled to do it.

Senator WATSON. That is a remarkable statement you are making here. Do you mean that in settled production on fixed articles that

the competition in America among the dye makers has become so strong that they are selling those articles below cost?

Mr. CHOATE. I understand that has been so in several instances.

Senator NUGENT. For what length of time has that condition existed?

Mr. CHOATE. I do not know; I should think throughout the latter part of 1918.

Senator WATSON. What is the reason for it?

Mr. WIGGLESWORTH. I think all industries take time to reach equilibrium on costs. They will start out high, and generally price cutting comes from the small manufacturer, not the big manufacturer. The big manufacturer keeps much closer and more accurate statistics of costs than does the small manufacturer. That is to say, a manufacturer who has surplus products to sell and is getting a high price for his color must sell, because he had specialized on it. The small manufacturer cuts his price before the big manufacturer, because he can not finance large stock. After a while the thing gets into equilibrium.

Senator WATSON. That is, he finds a market and gets his goods on the market.

Mr. WIGGLESWORTH. Yes.

Senator CURTIS. Do they do that after they get the market settled? Naturally for the purpose of an introduction that would be true, just like they sell soap and other stuff cheap in order to introduce.

Mr. WIGGLESWORTH. They are simply commercial fluctuations which occur in all industries. After awhile prices reach an equilibrium.

Senator NUGENT. That equilibrium is generally reached when the smaller man is put out of business, is it not?

Mr. WIGGLESWORTH. I do not think so. The small manufacturer is more reckless than the big manufacturer.

Senator NUGENT. Then it would be reasonable to assume that the smaller manufacturer is a man of smaller capital than the large manufacturer, and it appears to me almost inconceivable that the small man would, as a matter of fact, enter into competition of that character with the larger manufacturer and sell his goods to the consumer below the price that they cost him to produce.

Mr. WIGGLESWORTH. Only as a feeler. It is a temporary fluctuation, and I think should not be referred to in a situation of this sort, because I do not regard it as being a normal condition.

Mr. CHOATE. Senator, another thing in that connection is that nobody makes only one product, and a man may have his factory running, making a large production of something which works in with something else on which he is making a handsome profit, and he may well have to continue making the first product although he has to sell it at a loss in order to keep himself going in the other product.

Senator NUGENT. I understand that it is the same policy that the Germans pursued against which you inveighed so strongly.

Mr. CHOATE. No; they deliberately took a loss on things where they did not have to in order to destroy competition.

Senator NUGENT. Is not that the situation you are describing now?

Mr. CHOATE. I think not. They sell these things here merely to get something back for them, because they have to make them and not with any idea of driving somebody else out.

I would like to call your attention to one thing further: I have here a telegram from Rio de Janeiro indicating the arrival there in October of a seven months' supply of German colors for that market, and another communication from Spain indicating a somewhat similar situation. So that it is quite apparent that the Germans have the sinews of war in the way of dyes to fight with.

I do not think it is worth while for me to go on any further on this line at this time, unless you want me to answer some questions.

Senator WATSON. Has peace been declared between Brazil and Germany?

Mr. CHOATE. I do not know what the regulation is there. I do not even know whether these colors came from neutral countries or direct.

Senator WATSON. I want to ask you a question or two. We will take up that matter later on. I wish you would tell me about the organization of the Chemical Foundation.

Mr. CHOATE. I would be very glad to. I went into the office of the Alien Property Custodian to investigate the chemical industry in the very early spring of 1918. We had not been at it long before we discovered the importance of the dye industry, and we had not been studying the dye industry long before we discovered the importance of the patents there as an obstacle to American progress. We found that very large numbers of patents in the dye field had been taken out by the Germans and had never, I think, in any single instance, been used.

Senator CURTIS. In this country?

Mr. CHOATE. Yes, sir. They had been taken out, in other words, simply and solely to prevent the existence of competition in the products of those patents. Many of the patents were product patents, and some process patents. They covered all the later and most desirable dyes. Most of the indigo patents had lapsed, but the production in all of the later varieties of anthracene colors, which were the most fashionable for the moment among the dye industry, were covered, as well as innumerable pharmaceuticals and other things useful in the industry. We came to the conclusion on studying the situation—

Senator NUGENT (interposing). Who do you mean by "we"?

Mr. CHOATE. I mean I and the other people connected with the office of the Alien Property Custodian, and in all this thing I was very closely associated with Mr. F. P. Garvan and Mr. Ramsay Hogue, who was also working with us handling patent matters for the Alien Property Custodian. I will state that both Mr. Ramsay Hogue and myself are lifelong Republicans. We came to the conclusion that the patents had been taken out—

Senator WATSON (interposing). You say there were a great number of patents taken out in this country, Mr. Choate, that were not used in the United States at all?

Mr. CHOATE. Had never been used at all; no use of them had been made.

Senator WATSON. Had any dye manufacturer in this country attempted to use any of those patents?

Mr. CHOATE. No; because they were owned by the Germans, and it was assumed, I suppose, that no licenses could be obtained. I can not imagine anybody being so mad as to ask any of the Big Six for a license to make one of their dyes in this country.

Senator WATSON. Were these patents owned by the Big Six altogether?

Mr. CHOATE. Almost exclusively. I do not mean to say that all of the patents taken over by the Chemical Foundation were owned by the Big Six, but the dye patents we are now interested in were owned practically exclusively by the I. G.—the German dye trust.

Senator WATSON. How long have these patents been in existence?

Mr. CHOATE. Some were nearly expiring, some had just been taken out, and there were lots of applications that had not been granted.

Senator WATSON. Had they covered every kind of dyes?

Mr. CHOATE. By no means; they covered about one-fifth of the annual import before the war in value.

Senator WATSON. What was the import before the war?

Mr. CHOATE. I think something like 45,000,000 pounds, or about \$12,000,000 worth in import value, and probably about \$20,000,000 by the time it got to the consumer.

Senator WATSON. Oh, no; you must be wrong about that.

Mr. CHOATE. 29,000 short tons, or 58,000,000 pounds as stated in the Norton census. That, however, is the total American consumption, which includes Swiss importation and the American production of 8,000,000 pounds.

Mr. WIGGLESWORTH. Indigo and alizarin were included in that?

Mr. CHOATE. Yes.

Senator WATSON. So that these patents covered, you say, about one-twelfth of that quantity—did you not make that statement?

Mr. CHOATE. No; I should think they covered—I should not like to say now—but it is not above one-fifth either in value or quantity, and I think it is not above one-fifth in value.

We came to the conclusion that the patents could not have been held idle like that for any purpose except to prevent, on the one hand, American manufacture and, on the other, imports from possible competitors abroad. But the Germans did not appear to be in the least afraid of the American manufacturer; they regarded our chemists with contempt. As late as 1917 they were still writing about the ridiculous assumptions of superiority of American chemists and the absurdity of their daring to think that they could introduce the industry and build it up in this country. So it was apparent that the patents were not aimed against the American manufacturer, but chiefly against the importer.

It then occurred to me—I say “to me” personally, because I think the original germ of this branch of the thing was in my own mind—that a product patent that was worth while for the Germans to procure as a means of keeping out Swiss dyes might be used by the United States to keep German products out. And so the question arose as to what could be done about it. As long as these products remained patented, we felt that the American dye industry could never get anywhere. These patented dyes had to be produced here sooner or later or the American dye industry would remain second rate and infant.

It therefore seemed to me absolutely necessary that somebody should do something about it. No one in the country, except ourselves in the Alien Property Custodian's office, knew anything about the situation, outside of the persons whose business was directly

affected. Accordingly, it seemed to us that it was up to us to do something about it as public-spirited citizens. We were the only impartial persons whose pockets were unaffected by anything that might be done, who were in a position to do anything. Accordingly we got busy. An amendment was secured to the trading-with-the-enemy law which permitted the taking over of the patents. Up to that time no conception of what was finally done had been arrived at; the idea had not been thought of.

The thing was to get the patents out of the German hands, and decide what should be done with them later. They had been partially available to the American industry under the trading-with-the-enemy act which permitted the Federal Trade Commission to license applicants under them, but the regulations were such that the man who took a license from the Federal Trade Commission bought a lawsuit with it, did not know how long his license would last, and had to pay an indeterminate rate of royalty, at first at 5 per cent and then at such rate as might be determined by a court. So that nothing was really done under those Federal Trade Commission licenses except the manufacture of certain pharmaceuticals which were peculiarly necessary. Then, the patents having been taken over, the question arose, what was to be done with them? And there we faced a most difficult problem. There was no department of the Government to which they could be turned over; there was no department of the Government that had power to take them in hand. We did not seem to be able to create any great amount of interest in anybody about creating any such department of the Government.

England and France had annulled the German patents—England had at any rate, and I think France had; and while thus opening the market to their own manufacturers had also opened the door to German competition after the war. It seemed to us that probably something better could be done with them than that. The alternative seemed to be to sell them to a good American purchaser. But how were we going to do that; how could it be done; could the Alien Property Custodian do it without doing more harm than good?

These patents could not be sold singly. Probably 90 per cent of them were absolutely worthless—I suppose 90 per cent of most patents are worthless. They had to be sold in groups to be worth anybody's while, and had to be sold in fairly large groups; for if they were not worth defending they would do more harm than good. If they were sold in groups of any size they would have to be bought by pretty strong purchasers, if they were to be of any use in keeping German products out in favor of American products. Accordingly, the type of purchaser who would have to buy them, if they were to do any good to the country, had to be pretty strong. If we sold these patents to an important American manufacturer in groups of any size, he would become a monopolist *ad hoc*; he would be able to dominate one considerable section of the dye industry, and his domination might readily extend far beyond the field of the particular number of colors, covered by his patents.

Before it was decided what should be done with these patents, it so happened that the Bayer Co., the American branch of the one German concern of the Big Six that had any considerable plant in this country—came up for sale and was sold, and with the property

thus sold passed, by the sale of the stock, the Bayer patents, which were not held in the name of the German Bayer Co., but were owned by one of its American subsidiary corporations, so that they as patents had never been taken over. As soon as that had happened—

Senator WATSON (interposing). How is that? I did not get that.

Mr. CHOATE. The Bayer patents, 1,200 in number, covering one very valuable group of vat dyes and many pharmaceuticals—among others, the aspirin patent, I think—were owned by an American subsidiary corporation of one of the German Big Six, of which the German company owned all of the stock. So that when the German-held stock of that American corporation was sold, the patents practically went with it to the new purchaser. The purchaser was the Graselli Chemical Co., a very large manufacturer of general and heavy chemicals. The Alien Property Custodian was immediately deluged with protests against the sale of such a mass of patents to an important manufacturer, who might become a monopolist to a mild extent by virtue of the possession of those patents. This brought it to the attention of everybody concerned that the sale of these patents was even a more difficult thing than we had thought it was. Accordingly, everybody set to thinking for all he was worth to see what could be done. The solution was finally found by Mr. Garvan.

Senator WATSON. You said a while ago that in your judgment 90 per cent of the patents were absolutely worthless.

Mr. CHOATE. I made that statement about patents in general, and that was the opinion of Mr. Hoguet as to these patents.

Senator WATSON. If those patents were 90 per cent worthless, what difference did it make what became of them?

Mr. CHOATE. Because nobody knew which were good and which were bad.

Senator WATSON. Then, how did they know they were 90 per cent worthless?

Mr. CHOATE. Because in almost every large group of patents of that sort—

Senator WATSON (interposing). You are just generalizing?

Mr. CHOATE. It is the experience that 90 per cent are worthless, and it is the judgment of the chemists and chemical engineers here that of these probably a very small proportion are of value. I do not think you will find that questioned by any one.

Senator WATSON. I imagine that is true. We have been told while investigating the dye question that a given process sometimes falls down because of leaving out an important step.

Mr. CHOATE. I did not mean that. I mean that the patents covered products or processes which were no good when you got them.

Senator WATSON. I was going to state, secondly, which were no good when you got them.

Mr. CHOATE. I am leaving out of account for the moment the question of defect in the patent as a description of the thing which is to be done.

Senator WATSON. When you took them over, did you have in mind that 90 per cent of them were worthless?

Mr. CHOATE. I think so. But even a worthless patent is a very excellent obstacle to a new industry, because a man working out a

given new process frequently finds that his process infringes on a patent that is not worth the powder to blow it up, but is a hindrance to a fellow working on the same line.

The inspiration occurred to Mr. Garvan, as the solution of this question, that the way to deal with it was to form a quasi trustee corporation which could be organized and owned by the industries affected by these patents, and let that corporation buy the whole lump *en bloc*, together with every other chemical patent we could lay our hands on. We felt if that could be done and that corporation could be so tied up by its charter provisions that the stockholders could never make any money and that its officers could never make any money, and that the patents would have to be licensed to American manufacturers on even terms, so that the whole industry could avail itself of them, whether members of the corporation or not, then we should have a purchaser that would do good and not harm.

Senator WATSON. That is to say, take over all the German patents—4,000 of them, you say?

Mr. CHOATE. There were about 4,000.

Senator WATSON. And after that to take over all American patents hereafter issued?

Mr. CHOATE. Oh, no.

Senator WATSON. I thought you said take over all other American patents?

Mr. CHOATE. All other German chemical patents, as well as dye patents.

Senator WATSON. You did not limit it to German patents. You said all other chemical patents, and I wondered whether you included all those hereafter taken out.

Mr. CHOATE. Oh, no. The idea was suggested to a gathering of as many of the representative men in the industries as we could get together, and they went out and organized their corporation, the Chemical Foundation. Then there came up the question of how we were going to sell to it. The Alien Property Custodian, Mr. Palmer, and Mr. Garvan, were insistent that the sale should be by public auction. That was the ordinary way of disposing of German property, and it was the natural way, the generally desirable way.

We found the representatives of the industries unanimously opposed to that course for reasons stated by them which finally convinced me and convinced Mr. Garvan and convinced Mr. Palmer; and those reasons were these: Having interested in the Chemical Foundation substantially all the principal manufacturers whose business was affected by these patents, it included nearly all the possible manufacturers who might have been found at a public sale at auction as proper purchasers for the patents. Outside this group a legitimate purchaser, therefore, could hardly be found. But even if that had not been the case, had the patents been put up at auction, either the same thing would have happened as happened in the case of the Bayer patents, and they would have been bought in in one block or in a half dozen blocks or 40 blocks by manufacturers, and thus closed to the rest of the American industry, or else—and this we feared still more—they would have been bought in by speculators, who would have bought them for their nuisance value, out of which

a speculator might well have made a handsome figure. It would have been impossible to detect and reject a speculator as purchaser, because he could easily have hidden under a perfectly respectable dummy or nominee.

Accordingly, it was determined that it would be impossible and unsafe to put those patents up for public sale, and it was agreed that the matter should be presented to the President of the United States, with a request for an Executive order authorizing the private sale to the Chemical Foundation; and that was the course which was followed. The price of \$250,000 that was fixed for the patents was, as you may well suppose, a guess. No human being could put a value on that block of patents; none of them had been used in this country, a very large proportion of them had not been used anywhere else. They were held for their nuisance value only, and no man could say what that nuisance value was. No one was disposed, I think, to lean backward in the way of overvaluing the nuisance value of a patent owned by an enemy, a nuisance value which reacted against an industry which we believed to be so important.

Therefore, the figure of \$250,000 was arrived at as the best obtainable guess on the part of anybody, and the transaction was put through on that basis.

Mr. Garvan became president of the Chemical Foundation on the absolute insistence of Mr. Hoguet and myself, because it was perfectly evident that the foundation would, from the first, be, as it has been, the subject of attack from every German in the country, and because it was absolutely essential that the chief officer of that company should be familiar with German personalities in this country, and German methods; and there was no man in the country that knew them as well, or whom they feared as much, as Francis P. Garvan. He took the office on condition that he serve without compensation, and he served entirely without compensation, as do the other executive officers. And the charter provides that except for a 6 per cent return on the preferred stock—which is to be retired as fast as it can be—and a dividend limited to 6 per cent on the common stock if earned, the entire funds produced by the Chemical Foundation must be used for purposes of the advancement of science and industry in the United States.

Senator WATSON. Have you that charter?

Mr. CHOATE. I have it. I believe we have tied it up so that not a cent produced by these patents can ever go into any private pockets.

Senator WATSON. May it be put into the record, Mr. Choate?

Mr. CHOATE. Surely.

(The certificate of incorporation of the Chemical Foundation (Inc.), as submitted by Mr. Choate, is here printed in full, as follows:)

CERTIFICATE OF INCORPORATION OF THE CHEMICAL FOUNDATION (INC.), DELAWARE.

1. The name of the corporation is "The Chemical Foundation (Inc.)."
2. The principal office of the corporation is to be located at the offices of the Corporation Trust Co. of America, No. 1007 Market Street, in the city of Wilmington, in the county of New Castle, in the State of Delaware. The name of its resident agent is Corporation Trust Co. of America, whose address is No. 1007 Market Street, Wilmington, Del.
3. The nature of the business of the corporation and the objects and purposes proposed to be transacted, promoted, or carried on by it are as follows, to wit:
 - (a) To acquire by purchase from the Alien Property Custodian, under the provisions of an act of Congress of the United States, known as the trading with

the enemy act (act Oct. 6, 1917, as amended by act of Mar. 28, 1918, and further amended by act of Nov. 4, 1918), patents, and applications therefor, trademarks, choses in action, and rights and claims of every character and description, owing or belonging to or held for, by, on account of, or on behalf of, or for the benefit of, an enemy or ally of enemy, as defined by said act, which the Alien Property Custodian is authorized by said act, and amendments thereto, to require and seize, and to sell and convey, and also to acquire from any person, firm, or corporation any and all letters patent, and applications therefor, trademarks, and similar rights, granted by the United States, or any other country or Government, licenses and the like, or any other interest therein, or any inventions which may seem capable of being used for or in connection with any of the objects or purposes of said corporation, and to hold any such property and rights, so acquired, in a fiduciary capacity for the Americanization of such industries as may be affected thereby, for the exclusion or elimination of alien interests hostile or detrimental to the said industries, and for the advancement of chemical and allied science and industry in the United States.

(b) In furtherance of the above objects and purposes the corporation may grant nonexclusive licenses only, to make, use, and sell the inventions covered by any patents owned or controlled by it to the United States of America, upon such terms as the board of directors may determine, and also upon reasonable and equal terms and without advantage, as between licensees, to the following: (1) Natural persons, citizens of the United States; (2) copartnerships, all the members of which are citizens of the United States; and (3) corporations organized under the laws of the United States, or of any State, Territory, or dependency of the United States, of which not less than three-fourths of the capital stock, and the beneficial interest therein, is owned by stockholders who are citizens of the United States, and who were not, prior to the "end of the war," as used in the trading with the enemy act, enemies, or allies of enemies, as defined by said act, and the amendments thereto.

The board of directors may refuse to issue any license or may revoke any license granted by the corporation and may prescribe the terms and conditions of said licenses. It shall be the duty of the corporation to defend and enforce the rights acquired by it, and to protect the rights of its licensees under any licenses granted by it.

(c) To purchase, or otherwise acquire, such personal property of every kind and description within and without the State of Delaware, and in any part of the world, suitable, necessary, useful, or advisable in connection with any or all of the objects hereinbefore set forth.

(d) To do each and every thing necessary, suitable, useful, or advisable for the accomplishment of any one or more of said objects, or which shall at any time appear to be conducive to or expedient for the benefit of such corporation in connection therewith.

(e) In general, but in connection with the foregoing, said corporation shall have and exercise all the powers conferred by the laws of the State of Delaware upon business corporations, it being hereby expressly provided that the foregoing enumeration of specific powers shall not be held to limit or restrict in any manner such general powers.

(f) To each and all things above set forth to the same extent and as fully as a natural person might do or could do in the State of Delaware, or in any other State, country or place.

4. The total authorized capital stock of the corporation is \$500,000, divided into 5,000 shares of the par value of \$100 each.

Of said authorized capital stock 4,000 shares, amounting to \$400,000, shall be nonvoting preferred stock (except for amendment of the charter, as hereinafter provided) and 1,000 shares, amounting to \$100,000, shall be common stock.

The preferred stock shall entitle the holders thereof to receive, when and as declared, out of the surplus or net earnings of the corporation, a fixed cumulative dividend at the rate of, but never exceeding, 6 per cent per annum, payable quarterly on such dates as the directors may determine, which dividend shall run from the date of the issue of said preferred stock, and shall be paid or set apart before any dividend shall be set apart or paid on the common stock.

The common stock shall entitle the holders thereof to receive, when and as declared, out of the surplus or net earnings of the corporation, a dividend at the rate of, but never exceeding, 6 per cent per annum, but no such dividends shall be payable on the common stock until all cumulative dividends on the

preferred stock at the above rate, up to the date of the declaration of such common-stock dividend, shall have been paid or set apart.

In the event of any liquidation or dissolution or winding up of the corporation, whether voluntary or involuntary, the preferred stock shall entitle the holders thereof to be paid in full the par amount of their shares, with all unpaid accumulated dividends thereon to the date of such payment, before any amount shall be paid to the holders of the common stock.

The preferred stock shall be subject to redemption as a whole at \$100 per share, and accumulated dividends thereon, on the 1st day of January, 1921, or on the 1st day of January in any year thereafter, in such manner as the board of directors shall determine: *Provided*, That whenever the accumulated surplus of the corporation amounts to 100 per cent of the total issued and outstanding preferred and common stock of the corporation, the board of directors shall redeem all the issued and outstanding preferred stock. After the full redemption of the preferred stock, the net earnings of the corporation, over and above such amounts as may be necessary for the purpose of working capital, shall be used and devoted to the development and advancement of chemistry and allied sciences, in the useful arts and manufactures in the United States, in such manner as the board of directors may determine.

The holders of the common stock shall have the sole right to vote at all meetings of the stockholders, and the holders of the preferred stock shall have no voting power, except for the purpose of the amendment of the charter. None of the owners or holders of the preferred or common stock of this corporation shall sell, assign, or transfer any such stock except with the approval of the board of directors.

From time to time the common and preferred stock may be increased according to law.

The amount of the capital stock with which the corporation will commence business is \$1,500.

5. The names and places of residence of each of the original subscribers to the capital stock, and the number of shares subscribed for by each are as follows:

M. M. Clancy, Wilmington, Del.....	13
P. B. Drew, Wilmington, Del.....	1
H. E. Knox, Wilmington, Del.....	1

6. The corporation is to have perpetual existence.

7. The private property of the stockholders shall not be subject to the payment of corporate debts to any extent whatever.

8. The number of directors of the corporation shall be fixed from time to time by the by-laws, and the number may be increased or decreased as therein provided.

In case of any increase in the number of directors, the additional directors shall be elected as provided by the by-laws, or by the stockholders, at an annual or special meeting.

In case of any vacancy in the board of directors for any cause, the stockholders may elect a successor to hold office for the unexpired term of the director whose place is vacant and until the election of his successor.

The board of directors shall, from time to time, fix and determine the uniform license fee or royalty that shall be paid by the persons, firms, or corporations mentioned in paragraph (b) of article 3 of this certificate, and the license fee or royalty so fixed shall be binding and conclusive on the corporation and on all of its licensees.

In furtherance, but not in limitation of the powers conferred by law, the board of directors are expressly authorized:

(a) To hold their meetings outside of the State of Delaware at such places as from time to time may be designated by the by-laws or by resolution of the board. The by-laws may prescribe the number of directors necessary to constitute a quorum of the board of directors, which number may be less than a majority of the whole board of directors.

(b) To appoint the regular officers of the corporation and such other officers as they may deem necessary for the proper conduct of the business of the corporation.

(c) To remove at any time any officer elected or appointed by the board of directors, but only by the affirmative vote of a majority of the whole board of directors.

(d) To remove any other officer or employee of the corporation, or to confer such power on any committee or superior officer of the corporation, unless such removal is otherwise regulated by the by-laws.

(e) To issue the stock of every class in such amounts and proportions as they may determine, up to the total amount of the authorized capital stock, or any increase thereof, subject, however, to the provisions of this certificate.

9. The charter may be amended from time to time by a vote of three-fourths in number and amount of the preferred and common stockholders at any annual or special meeting of the stockholders.

10. The board of directors shall have no power to make, alter, or amend by-laws.

We, the undersigned, being each of the original subscribers to the capital stock, hereinbefore named, for the purpose of forming a corporation to do business both within and without the State of Delaware, under and pursuant to the provisions of an act of the Legislature of the State of Delaware entitled "An act providing a general corporation law" (approved Mar. 10, 1899), and the acts amendatory thereof and supplemental thereto, do make and file this certificate and declare that the facts herein stated are true, and we have accordingly hereunder set our respective hands and seals this 19th day of February, A. D. 1919.

M. M. CLANCY.	[SEAL.]
P. B. DREW.	[SEAL.]
H. E. KNOX.	[SEAL.]

LAWRENCE J. BRODMAN.

STATE OF DELAWARE,
County of New Castle, ss:

Be it remembered that on this 19th day of February A. D. 1919, personally appeared before me, the subscriber, a notary public in and for the State and county aforesaid, M. M. Clancy, P. B. Drew, and H. E. Knox, all the parties to the foregoing certificate of incorporation, known to me personally to be such, and I having first made known to them and to each of them the contents of said certificate, they did each severally acknowledge that they signed, sealed, and delivered the same as their several voluntary act and deed, and that the facts therein stated were truly set forth.

Given under my hand and seal of office the day and year aforesaid.

LAWRENCE J. BRODMAN,
Notary Public.

Appointed July 27, 1918, term four years.

Mr. CHOATE. As a means of assuring against the acquirement of the control of the foundation by any single interest, which we were afraid of, we made the stock nontransferrable without the consent of the directors. We placed the entire voting power in the common stock. We insisted that the common stock be trusted for a period of 17 years, supposed to cover the life of the patents, appointing as trustees five gentlemen who have nothing whatever to do with either the chemical industry or the dye consuming industries, so that the selection of officers and directors might remain in the hands of men who had no fish to fry and no money to make out of these patents.

Senator WATSON. Who are the directors?

Mr. CHOATE. The trustees are Mr. Otto Bannard (chairman), Judge Ingraham, Mr. Cleveland H. Dodge, Mr. B. Howell Griswold, jr., of Baltimore, and Mr. Ralph Stone, the president of the Detroit Trust Co. Those are five men whose war work made them also very familiar with the German methods, and, so far as I am aware, none of them have any dye-industry or textile-industry interests.

Senator WATSON. Suppose that another man wanted to start in to manufacture dyes in the United States who is not engaged in that business now, is there any way he could take advantage of that organization so as to get in?

Mr. CHOATE. He does not need to be a member. He will receive a license, as a matter of course. I do not think any license has been refused. Power was reserved, as matter of caution, to refuse licenses, and the foundation is directed by its charter not to license except to persons of approved Americanism, but otherwise there is no question about it at all.

Senator WATSON. You have reserved the right, then, to issue a license on the part of this chemical foundation hereafter?

Mr. CHOATE. Under the patents, yes; and that has been done in practically, I think, every case of an application up to date.

Senator WATSON. And licenses have been issued?

Mr. CHOATE. Licenses have been issued; that is the purpose of it. We are bound to license on equal terms real American manufacturers.

Senator WATSON. Not that I am interested in anybody or any set of men, I ask this for information: Suppose that peace comes, which we hope it will, that is, legal peace. This corporation still continues to function?

Mr. CHOATE. Surely.

Senator WATSON. For 17 years?

Mr. CHOATE. It functions indefinitely.

Senator WATSON. But the life of the patent is 17 years, I suppose if patents play out the thing dies.

Mr. CHOATE. Not necessarily. I will explain what I mean.

Senator WATSON. Explain that, now.

Mr. CHOATE. Because the purpose of the foundation is to aid research in the public interest, which it is in a peculiarly fortunate position to assist by bringing about cooperation between the chemical industry and the universities.

If it should turn out that these patents, when made useful in this country by manufacturers, instead of being merely used as obstructions to manufacturers, produce large sums of money, those sums will be used in starting permanent activities in the way of connecting the research work of universities and the industries and in other ways encouraging chemical science in the United States.

Among other things which we have in mind is this: The foundation has the power to acquire new patents. In a number of cases there are public institutions whose employees are constantly producing new inventions which are patented, and the patents dedicated to the public, because the institutions, such as, for instance, the laboratory of the Department of Agriculture, are not able to patent them for their own benefit. When those patents are thrown open like that they are almost always allowed to remain in absolute neglect, because no one, unless he owns a patent, takes interest enough in it to develop a process, unless it is something of phenomenal value. It may well be that the foundation will be able by offering to purchase patents developed for such persons to accomplish two great purposes: In the first place, that of placing them at the disposal of the whole industry, and, in the second place, that of backing them up by an organization which is able to develop them.

Senator WATSON. But it makes impossible, does it not, the entrance of a new man into the dye business without getting a license from that company?

Mr. CHOATE. By no means.

Senator WATSON. On account of the fellows who are in and having the license shutting him out?

Mr. CHOATE. Certainly not. The only things patented it has which affect the dye industry are the vat-dye patents.

Senator WATSON. Are these patents all vat-dye patents?

Mr. CHOATE. Oh, no. But the only patents that have any material effect on the dye industry are the vat dye patents.

Senator WATSON. Do you say this corporation reserves to itself the right to acquire patents in the future; that is, patents taken out in this country?

Mr. CHOATE. It could do it; but it is not the intention of anybody to do it, except to stimulate chemical invention; to offer some kind of a reward to employees in the public institutions who make inventions and who can not benefit thereby, and, on the other hand, by rendering those inventions useful by backing up the inventor.

Senator WATSON. What do you mean by "backing up the inventor?"

Mr. CHOATE. By buying his invention from him, developing it, and protecting it.

Senator WATSON. By buying the patent, and then nobody would be able to manufacture under the terms of that patent except somebody that gets a license from the Chemical Foundation?

Mr. CHOATE. Yes. But anybody, practically speaking, can get a license.

Senator WATSON. That depends on the will of the trustees, does it not?

Mr. CHOATE. I think not.

Senator SUTHERLAND. Do you grant several patents to one party?

Mr. CHOATE. Yes. We have granted several licenses under one of the product patents.

Senator CURTIS. No one can get an exclusive license from you?

Mr. CHOATE. He can not.

Senator NUGENT. And no monopoly can be built up?

Mr. CHOATE. No monopoly could be built up, unless the Foundation was managed by criminals. If they ever get us out and get criminals in it might happen.

Senator NUGENT. And if a man desires to go into the dye manufacturing business all that is required of him is to procure a license?

Mr. CHOATE. Whether he is an outsider or an insider he gets a license just the same. We have practically put up now to the stockholders of the Foundation the question of whether it will ever be advisable to limit the number of licenses, in case we find the number has become so great that the market for any patented product is in danger of being completely flooded. In certain cases that question might arise, also, in cases like arsphenamine, where the product is dangerous if made under bad conditions. Their deliberate decision seems to be that no limitation is preferable and that everybody must receive a license.

Senator WATSON. Are you one of these gentlemen?

Mr. CHOATE. I am not a director, but I am of counsel, and I think nothing has yet been done, and nothing will be done that is not concurred in by me.

Senator WATSON. I am not not questioning anybody's motives, but looking at it as an outsider, if you thought somebody was

coming in to manufacture a particular kind of dye would produce an excess of that particular product in the country, you would shut him out?

Mr. CHOATE. I, personally, would not, and I think the decision of the foundation will be that under no circumstances will any license be refused except when the applicant turns out not to be really un-American, or when he is not qualified to make the product in question.

Senator WATSON. I understood you to say a while ago that if there should be an excess of any one particular product there might be power used to prevent that by your Chemical Foundation.

Mr. CHOATE. What I said was that under the charter of the foundation the directors would have the power to refuse a license to additional applicants under those conditions. We have placed that question before the assembled stockholders who represent 140 leading concerns in the dye industry and in the textile and other industries, and I understand the almost unanimous opinion of those industries to be that the issuance of licenses ought never to be limited in that manner.

Senator WATSON. No; but the power remains.

Mr. CHOATE. The power remains; we could do all sorts of things if we were rascals.

Senator WATSON. That is not the question. Has the Chemical Foundation as such assumed any authority over imports; that is to say, if imports are to come into the country, have they taken any steps to get control of those imports coming into the country in any way?

Mr. CHOATE. No; we can not. None of these patents that cover the dyes have been adjudicated, and until a patent has been adjudicated you can not get an injunction.

Senator WATSON. Has any efforts been made on the part of anybody connected with the Chemical Foundation to enter into any sort of arrangement so that they can control imports or so that imports come into the hands of men who control on this side?

Mr. CHOATE. No, sir. Royalties will be charged against the importer precisely as they will be charged against an American manufacturer in order to provide funds for the purpose for which the foundation was organized, which are public and altruistic, purely and simply.

Senator SUTHERLAND. Does the licensee have to comply with some conditions?

Mr. CHOATE. They have to comply with conditions enabling us to see they are paying us the right royalty. There is nothing abnormal about the license agreement.

Senator WATSON. After the war, suppose some man born in Germany but who is a naturalized citizen of the United States—

Mr. CHOATE. Under the charter if he is a naturalized citizen he can get it.

Senator WATSON. Get a license?

Mr. CHOATE. Yes.

Senator WATSON. What is this about paying royalty which somebody suggested?

Mr. CHOATE. I think Mr. Metz suggested we were charging royalties on importations.

Senator WATSON. What do you mean by that?

Mr. CHOATE. I mean to say that when importations come in of goods covered by patents we expect sooner or later that the Chemical Foundation will be paid royalties on the sale of those goods.

Senator WATSON. Why?

Mr. CHOATE. Because the patent conveys to the Chemical Foundation the sole right to sell those goods in the country, and it is by the charge of royalties that the Chemical Foundation has to obtain the income on which it is to live and do its work.

Senator WATSON. Do you contend it is necessary that your institution should survive in order to perpetuate the dye industry in this country?

Mr. CHOATE. I do not. But I do imagine it is a very valuable institution, for this reason, among others. If it is desirable that the vat dyes shall be manufactured in this country, for instance—I mean the whole group of patented dyes—the Chemical Foundation can render some assistance in that line, because by demanding the payment of a royalty on foreign goods, or if necessary seeking to enjoin their sale, it can to some extent afford protection. That will eventually be possible after the patents are adjudicated, if they are any good. But unless the patents are protected, are fought, litigated, and enforced, they are absolutely worthless to anybody. The owner has got to protect them, and for that purpose must have and spend money.

Senator WATSON. Admitting the high motives of all the men engaged in this enterprise—and that, of course, we do admit as a war-time proposition—suppose it should get into the hands of men who wanted to make a monopoly; would that be possible?

Mr. CHOATE. They would not get far with it. In the first place, a very large proportion of the patents taken over have expired and are expiring all the time; in the second place, it is almost inconceivable that it could ever fall into the hands of any such a group during the next 17 years.

Senator WATSON. I am glad you are such an optimistic citizen.

Mr. CHOATE. Consider one very important fact; No one is allowed to hold more than two shares of the voting stock, and that stock is not transferable except with the consent of the trustees. How in the world is anybody going to get control of this institution?

Senator WATSON. They could not, except by collusion of the fellows already in.

Mr. CHOATE. And even if anybody wanted to sell his stock and got the consent of the directors the buyer would get no power to influence the action of the foundation, because it is all in the hands of the trustees. He would not have a vote that amounted to anything until the trust runs out.

Senator WATSON. And your conclusion of the whole matter is that it is really a beneficent establishment?

Mr. CHOATE. Absolutely. It had no other purpose in its organization; it has no other purpose now. I am infinitely proud to have been connected with it at all.

Senator SUTHERLAND. Are the directors elected by the stock?

Mr. CHOATE. By the stockholders. The stock is all in the hands of the trustees.

Senator SUTHERLAND. In other words, the trustees will elect them?

Mr. CHOATE. The trustees will elect them as they do under any other voting trust.

Senator SUTHERLAND. And are they a self-perpetuating body?

Mr. CHOATE. They must be a self-perpetuating body if the thing is to be kept out of the control of stockholders, and so out of the control of the interested parties.

Senator SUTHERLAND. That could not change radically in a short time?

Mr. CHOATE. No.

Senator WATSON. I think that is all.

Senator NUGENT. I suggest, Mr. Chairman, in view of the apparent importance that is attached to the organization of the Chemical Foundation and Mr. Garvan's connection with it, that he be permitted to appear before the committee in the event he desires so to do.

Senator WATSON. There is no objection to that. I am advised by Senator Sutherland that the antidumping bill has just passed the House.

Mr. CHOATE. I ought to have added, in speaking of the Chemical Foundation, that not a dollar's worth of stock is owned except for the qualifying shares standing in their names by any officer or trustee of the Chemical Foundation. So that not one cent from its resources finds its way into either the pockets of the officers or trustees.

Senator WATSON. We have understood that.

Mr. CHOATE. I thought you had; that is why I did not discuss it.

Mr. PARDEE. May I be allowed to go into a subject upon which I was just touching at the time the recess was called this morning?

Senator WATSON. Certainly.

Mr. PARDEE. And that was the effect of a tariff on indigo; and I think I could illuminate it a little better now, in the view of the concrete example of Mr. Choate.

Just imagine you were in Germany yourself, and that you wanted to buy, say, 1 pound of indigo, and you went to the German manufacturer and said, "I want 1 pound of indigo. What is the price?" He would say "Twenty cents a pound," or possibly he might say "Eighty pfennig," which would be the same thing. You would pay the 20 cents and get your pound of indigo and put it in your grip and come back to this country. You come to the customhouse and you open your grip, and the custom officer would say, "What is the value of that indigo?" You would say, "Its value in this country is 75 cents." He would say, "Well, there is a duty of 10 per cent on it," which would be $7\frac{1}{2}$ cents.

That would make the cost to you $27\frac{1}{2}$ cents. You paid 20 cents in Germany and you paid $7\frac{1}{2}$ cents in this country, and I think that is the end of it. The cost is $27\frac{1}{2}$ cents.

Senator WATSON. I am not going to enter into any argument about this other plan. Apparently, I have not been able to make you gentlemen understand, but I think, when I get to the committee, I will be able to make them understand without any trouble.

Mr. CHOATE. I would like now to have the committee hear Dr. Herty.

STATEMENT OF DR. CHARLES H. HERTY, EDITOR OF THE JOURNAL OF INDUSTRIAL AND ENGINEERING CHEMISTRY.

Dr. HERTY. My name is Charles H. Herty. I am the editor of the Journal of Industrial and Engineering Chemistry, which is the official organ of the American Chemical Society.

Senator WATSON. And how long have you been in that position?

Dr. HERTY. Three years. I had been a teacher all my life before that.

Senator WATSON. Are you a graduate of some technical college?

Dr. HERTY. I was professor of chemistry in the University of North Carolina and the University of Georgia.

Senator WATSON. You may proceed, Doctor, with your statement.

Dr. HERTY. Mr. Chairman, it has been my privilege in the last few months to be at Paris in connection with certain matters connected with dyes under the peace treaty. In that time I have been able to get together certain facts that I think might be useful to the committee, in view of the questions asked this morning, and I would like to give you those figures, especially in regard to stocks on hand.

I might say in advance of that, however, to explain my connection, that I have no financial connection with the dyestuff industry in any way whatever. I own no stock. I have never accepted any retainer from the industry. Some time ago, when the American mission negotiating peace in Paris cabled over that the United States should be represented in connection with dyes under the peace treaty, I was approached regarding the proposition of going over, as I happened to be one of the few men in touch with the dye industry who had no financial connection with it, either from the consumer's standpoint or from the producer's standpoint. I did not want to go to Paris at the time; it was my busiest part of the year.

Senator WATSON. You say you were "approached"—by whom?

Dr. HERTY. I was approached by members of the War Trade Board and by Mr. Garvan, the president of the Chemical Foundation, and I was serving at the time on the advisory committee to the War Trade Board.

The question came up about my going over. I told them I could not afford to go over as an officially appointed representative of the State Department. The per diem is \$4 a day under the Government regulations. I knew something of the cost of living in Paris from men who had been there. I have no income from chemical sources outside of my salary as editor. I could not bear the brunt of the heavy expenses, and therefore I could not go in that capacity. There was a question at the time whether the War Trade Board had funds to send me.

Senator WATSON. I do not think you need to establish your motives of patriotism. I do not think that the witnesses who come on the witness stand need to assert their loyalty, because nobody is questioning anybody's motives here at all, because we think everybody has been actuated by motives of the highest of patriotism.

Dr. HERTY. I mention these facts because there have been several things published in the last few days.

Senator WATSON. If you will just proceed with your statement, we will take it for granted that you are an honest man unless the contrary is proven beyond a reasonable doubt.

DR. HERTY. I will take a chance on that, Mr. Chairman.

Now, what had happened, Mr. Chairman, was that last summer a number of those advising the War Trade Board had realized there was a great shortage of vat dyes in this country. A committee of the Shirt Manufacturers' Association came down to Washington and asked for a hearing regarding the obtaining of those dyes. I heard a week before from a representative who had sat with the peace commission of a way by which the French, Belgians, and Italians had gotten hold of some dyes for starting up their industries, and I immediately said if that were true why could we not do the same thing?

Mr. Garvan was present at the meeting of the War Trade Board with the rest of us. He assured them we would try to get dyes for them. He put the proposition up to me to go and see if we could do it. He said, "The Chemical Foundation will see that you go over and your expenses are paid." I could not decline that offer from the man who had done as much for the chemical industry as Mr. Garvan had done, and I told him I would go, and I went.

Senator WATSON. Was Mr. Garvan a chemist?

DR. HERTY. No, sir; he is a lawyer, and he never had any connection with the industry until he came into this work in connection with the war.

Senator NUGENT. What do you mean, Doctor, when you state that you could not decline to go—to do what Mr. Garvan asked you—in view of the fact that he had done so much for the chemical industry?

DR. HERTY. I mean a man who had done as much unselfish patriotic work to rid this country of the curse of German domination through its chemical industry and who had given as much time to try to build up, as best he could, the American chemical industry, could not put up to me a proposition to try to meet the situation, although it meant a heavy sacrifice, which I would decline.

We told the shirtmakers we thought we could get these dyes here in 60 days.

Senator WATSON. Was the War Trade Board interested in the question of dyes in any way?

DR. HERTY. Only that they were granting licenses under the trading-with-the-enemy act with the aid of a committee of consumers and producers on which I was put as a sort of neutral man, who advised them on the question of general policy.

When I left here I was told that the consumers would be organized in some kind of an association to import the dyes. The matter was very formative at that time.

When I reached the other side I found that the War Trade Board had cabled over to the peace mission that I would represent them; the peace mission asked me to represent them and tendered me an office in the peace mission headquarters.

I also learned that there was a meeting on in London the day I arrived.

Senator WATSON. You said that you were informed that some sort of an association would be formed to look after and control imports?

DR. HERTY. An association of the consumers, the men who were to be given these licenses to import—the textile men.

Senator WATSON. That an association was to be formed—had it been formed?

Dr. HERTY. No, sir.

Senator WATSON. Has it since been formed?

Dr. HERTY. No, sir; it has not.

Senator WATSON. To look after imports?

Dr. HERTY. To look after the importing of this particular line of dyes that I was asked to go over to see if we could arrange for. It was limited to vat dyes at the time and a six months' supply, which the War Trade Board had said that they would allow to be brought in under the trading-with-the-enemy act, because the American manufacturers had said they would not be ready under six months to supply the market. We were represented that occasion by Mr. Williams, one of the secretaries of the embassy in London; also by Mr. Hollis, the consul general. I hurried over to the London meeting and got there a day late. The meeting had been held the day before. I found when I reached London that the following had been done: There were large stores of dyes in Germany practically impounded; that is, they were under the military control of the British in certain sections of the occupied area and under the control of the French in the other sections of the occupied area. There was practically none in the American area, because practically no dye plants were located in the area where our troops were. There were certain obligations on the part of Germany under the peace treaty. These dyes were simply lying there.

Meantime Belgium, France, Italy, England, and the United States needed certain dyes. It was then decided there—no one wanted to anticipate the treaty—but it was decided to see if a proposition could not be worked out by which a certain amount of those dyes could be made available on terms agreeable to the Allies and to the Germans—a question of agreement, not of compulsion. They decided only a portion of those dyes should be released at that time, and so there was provided—agreed among the Allies—that France, Belgium, and Italy, as a group, should take out a portion not exceeding 2,200 tons and also limiting in the make-up of that 2,200 tons the amount of each color to be taken out to 30 per cent of the 50 per cent under option, so that no country could go there and take all of any one fine color and leave a lot of trash for the others to pick up.

The privilege was reserved for the United States to take out an amount not to exceed 1,500 tons under the same provisions.

Senator WATSON. What was the aggregate of those dyes?

Dr. HERTY. Forty thousand tons.

Senator WATSON. Where were they?

Dr. HERTY. At different places, Elberfeld, Hoechst and Ludwigshafen, etc.

Senator WATSON. All in Germany?

Dr. HERTY. All in Germany, either in occupied or unoccupied territory, according to the statements submitted in the German's inventory of August 15.

The same privilege was reserved for Great Britain as for the United States, not to exceed 1,500 tons, and under the same conditions as to each particular color.

This was simply a recommendation to the committee on organization of the reparation commission; in other words, the assembly in London had no power to act except to recommend to the reparation commission.

Leaving London, I immediately hurried back to Paris. In talking it over it seemed to us that the proposition in itself was not sufficiently attractive to persuade the Germans to come to Paris for a conference and to take up the proposition. I could not see that there was any particular reasons for the Germans to accept it, in view of the fact that their dyes were listed in marks of current exchange and exchange had been dropping very rapidly. So we modified that motion and agreed to add this to the proposition, that for every kilo of dyes the Allies took out the Germans were to be allowed to take out a kilo of that dye for free sale in any way they wanted to. So the proposition was put to them in that way, and the proposition proved attractive, and they came to Versailles on the 4th of October. They were there on the 2d of October for the preliminary conference, and for the final conference on the 4th.

Senator NUGENT. What year, Doctor?

Dr. HERTY. This year. Meantime, as soon as I left home—as soon as we had this meeting with the shirt makers here, the War Trade Board started a canvas of consumers of vat dyes, and asked them what vat dyes they would need for the next six months. That canvas was completed, the results were compiled and were cabled to me on the 27th of September. When I got those figures, knowing, in the light of the London action, what our percentage of each dye was, and having a list of all these stocks which the Germans had submitted, I saw at once very clearly one thing—in regard to certain of the dyes which our consumers were needing our percentage under this London agreement was more than enough to take care of our consumers needs, in others just about enough, in still others there was not sufficient. In fact, in a few cases our needs over here represented more in the case of one or two dyes than the whole amount listed in the German stock both under option and belonging to the Germans. That meant only one thing, that is, that through the reparation commission, where the proceeds from the sale of these dyes would go to paying the expense of the war through reparation, we could obtain only a partial supply for our consumers at home, in the light of their needs as expressed to the War Trade Board, and I understand that all the requests from the consumers were granted by the War Trade Board.

That brought up the question, "How can we make up the rest?" I was asked to go over, not to buy dyes; I was asked to go over and find out what the situation was, to get the facts, learn what the machinery by which to get the dyes—but, at any rate to go to it as fast as I could and get the dyes back here as quickly as I could. It seemed two ways were open: One was to try to get an increase of our percentage under this London resolution so that we could draw out more of the particular dyes which our people wanted here; that would have to be by agreement with the Allies. I tried that, but failed because they wanted the same dyes we did, and I made a pretty eloquent speech, which was translated into French, but it was unavailing. I could not blame them; they also needed the stuff. The conference, however, was very pleasant and harmonious.

Then the only thing I saw to do in order to get dyes quickly was to go right to the people making these dyes. They were going to get set free pound for pound. They had the factories that could

make it if they did not have the poundage on a proposition to sell by direct purchase outside of the supplies through the reparation committee our unfilled needs.

I might say in that connection that when the Germans came to Versailles on the 4th of October, we had had preliminary meetings on various propositions put forth, and so on the 4th of October we all got together. The Germans insisted we take their lists of August 15 as the basis of final settlement. We tried to get that changed a little, because it left a period in between that date and the time when peace might be declared with nothing to take care of it, because, under the peace treaty, 25 per cent of their production for the next 5 years is under option to the Allies. They had the advantage; we wanted the goods and we took their lists of August 15 as a basis for final settlement, and to that it was ultimately agreed. Since August 15 until peace is proclaimed, or until 60 days after peace is proclaimed, the Germans have the right to all they manufacture with no option on that at all.

We got together on that basis. It was agreeable to all. Details were worked out as to how it was to be handled in an orderly way. The Germans suggested certain things, and I told Dr. Von Weinburg afterwards they brought clarity into the situation likely to prevent misunderstanding. But I was up against a question and I wanted to get through a definite proposition to the home consumers of dyes. I arranged, through the liaison officer, Maj. Tyler, of the Army, to have a personal conference with Dr. Von Weinburg when the meeting was over. We had a very pleasant conference. I began telling them what I wanted to see him about and he said at once, "I know what you want to see me about. I know those lists and I know what America's needs are. You can not get enough for all your American needs out of those lists." I said, "That is the situation exactly. I want you to make me a proposition that I can cable home immediately under which you will sell us our unfilled needs from the reparation dyes and at a price which can be easily interpreted at home." Remember, these lists consisted of some 620 typewritten pages of the different dyes, in foolscap paper, running, I assume, 40 or 50 to the page. I imagine there were fifty times 600 different items on these lists. He said, "All right. I will consult my colleagues and let you know in a few minutes."

He went out into the hall, where they were all standing, discussed the matter 10 or 15 minutes, and then came in and said, "We will furnish these dyes at prices which can be interpreted in this way: On the list of dyes of August 15 our dyes are listed in marks per kilo. We will sell this extra quantity of dyes by taking the listed price of those dyes in marks, the figures that represent the marks per kilo, and in the case of vat dyes divide that figure by 4. The quotient you will get will be the price in dollars per kilo (a kilo being 2.2 pounds); in other words, if a dye is listed at 10 marks, dividing that by 4 you get \$2.50 per kilo. In the case of general colors other than vat dyes, you divide the price in marks by 5. In other words, it would be \$2 per kilo in the case of a 10-mark dye."

With a factor of that kind it was easy enough to interpret here what those dyes would cost us in dollars from the lists of the reparation supply.

I said, "I have got a rather bad memory, and in order that there may not be any misunderstanding, and since this is a rather important matter, I wish you would give me that in writing." He said, "I will be glad to do so." So it was written right there with his several colleagues standing around him, the terms I have stated to you about selling the extra quantity at the prices named.

If it is of interest, I have the original document in the room here and can give it to you.

Senator WATSON. You got the dyes?

Dr. HERTY. Wait a minute. My tale is not quite finished. I think we have; yes, sir. But here is what bothered me. It did not bother me then. I went home as happy as a lark. I had a definite proposition by which American consumers would get the supply of dyes needed from the people who got the whole business together and at prices which I knew, at the low rate of German exchange that when the two things were put together—the reparation dyes and these other dyes—would make prices not altogether unreasonable; reasonable, though they might not be very cheap.

I went home happy as a lark, and worded up my cablegram so it could be communicated to the consumers, and just as I was about to send it down to the cable room I received a message from America, saying that the allocation certificates for those dyes had been given out with permission to import through any commercial channel available or desirable.

Mr. Chairman, I knew my work was ended right there, because that meant those certificates were scattered all over the country. There was no way of telling how many people wanted so much of each dye.

Senator WATSON. To get down to the crux of the thing, you were to send these dyes to whom for distribution in this country?

Dr. HERTY. I was not to send these dyes to anybody for distribution. I had nothing to do with that, Mr. Chairman.

Senator WATSON. They were to come here?

Dr. HERTY. Yes.

Senator WATSON. Who was to get them?

Dr. HERTY. When I left here it was supposed that the consumers would organize themselves into some kind of an association. However, that was not done.

Senator WATSON. That is what I want to get at.

Dr. HERTY. Later on the War Trade Board Section of the State Department designated the Textile Alliance (Inc.), the organization which all during the war had looked after imports of a great many commodities for the Government, in values running up to billions of dollars, should handle these reparation dyes. I could not tell how many wanted to get their dyes through the Textile Alliance.

Senator WATSON. That is to say, there was a conflict between what the War Trade Board was trying to do and the State Department?

Dr. HERTY. No; I spoke of the War Trade Board Section of the State Department. When I was working on my part of the proposition—

Senator WATSON (interposing). What they promised to do, in other words?

Dr. HERTY. I stated to them in advance that I would not go to Paris if it was to be a split-up proposition.

Senator WATSON. Had the War Trade Board changed its mind in the meantime, or had some other power intervened?

Dr. HERTY. That I do not know. But representatives of the War Trade Board were present when I stated my plan. I did not care to go to Paris under conditions that would result in a split-up proposition, because I was not in position to go ahead and compete with agents of the German dye concerns. We did not know what the reparation dyes were going to cost and we did not know how many there were of them or how much of each dye.

Senator WATSON. I got the impression that there may have been some sort of a conflict as to who should receive these dyes when they arrived here.

Dr. HERTY. I was not interested in who should receive them, only that they should come in as a block proposition. The people said they wanted the dyes quickly. I expected to submit to the reparation committee the list of our needs and the positions available. The unfilled needs could be supplied from the cartel offer which had been given by Dr. Von Weinberg to finish the order out, and I even went so far as to arrange with the director of the Holland-America Line that when the dyes got to Rotterdam they would be quickly put on ship and brought over.

Senator WATSON. They have not come yet?

Dr. HERTY. They have not come yet.

Senator WATSON. Are they coming?

Dr. HERTY. I think they are coming through the channel of the Textile Alliance.

That brings up a little further story. Feeling that the whole piece of work I was trying to build up was knocked down, I made up my mind to come home at once. The War Trade Board urged me to stay and represent them at these different conferences. I stayed awhile longer, and finally left and came back home, still feeling there was nothing to be accomplished along that line. But when I reached here and found that the consumers had voluntarily assigned their certificates to the Textile Alliance, I knew that the proposition was easy again. A meeting was held in which I gave an account of what I had done. They had the reports of what was here, and that very night a cable went to Germany to have the dyes forwarded.

Senator WATSON. What is the quantity of those dyes?

Dr. HERTY. At the time they cabled me on the 29th of September, it amounted to 488 and a fraction tons. That amount has been increased later by some more applications which came in.

Senator WATSON. And the Textile Alliance here is to allocate them?

Dr. HERTY. To allocate them in this sense, to see that each consumer gets his share of the benefit of the cheap dyes coming through the reparation commission; that there is no discrimination and no favors shown in that regard.

Senator WATSON. But none of those dyes were permitted to come through any of the importing houses that had theretofore been importing dyes?

Dr. HERTY. Oh, yes. As I understand it—a great deal of this took place while I was away and I was perfectly in the dark about part

of the situation, but I have learned since I came back that a great many of those were given over directly to German importing agencies in this country and later were canceled by them and turned over to the Textile Alliance.

Mr. METZ. I had a number of those permits; I suppose the larger number.

Dr. HERTY. And you turned all of those in?

Mr. METZ. Yes.

Dr. HERTY. As I explained to the shirt makers a few days ago when I met with them, Mr. Chairman, if we could have stayed together in a block at the start those dyes should have been in this country by now.

Senator WATSON. What do you know about the stock of dyes in Germany?

Dr. HERTY. I can give you some specific figures on that. I looked them up last night. First of all, the total amount listed by the Germans as of August 15 is about 40,000 tons, of which half is under option.

Senator WATSON. And what is the consumption in the United States in a year?

Dr. HERTY. Why, according to the Norton census, I think it was about 29,000 tons.

Mr. METZ. About 3,000 tons a month, when we first started importing.

Dr. HERTY. Now, Mr. Chairman, one reason I happen to have these figures is, when I was in Paris there appeared one day an article in the newspapers, an article from Berlin, an interview with Mr. Irving A. Keene, of London, stating that there was nothing to be feared from German dumping; that there were very little available stocks over there. I have that clipping here somewhere, if I can find it, but the report was so remarkable and stirring that it quite naturally attracted my attention—

Senator CURTIS (interposing). Dr. Herty, I take it that you have only just begun your statement and that it will be quite a long one?

Dr. HERTY. Senator, I can make it as short as you may wish.

Senator CURTIS. No; we have no desire to ask you to shorten your statement.

Senator WATSON. Oh, no; it is very interesting and we would like to hear you. Can you be back to-morrow morning?

Dr. HERTY. Oh, yes; Mr. Chairman, I will be very glad to conform to the wishes of the committee.

Senator WATSON. Then the committee will stand adjourned until to-morrow morning at 10 o'clock.

(And, at 4.50 o'clock p. m., the committee adjourned until to-morrow, Wednesday morning, December 10, 1919, at 10 o'clock.)



DYESTUFFS.

WEDNESDAY, DECEMBER 10, 1919.

UNITED STATES SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON FINANCE,
Washington, D. C.

The subcommittee met at 10 o'clock a. m., pursuant to adjournment on yesterday, Senator Charles Curtis presiding. Also present, Senators Nugent and Sutherland.

Senator CURTIS. The committee will come to order.

Mr. CHOATE. Senator, would you call witnesses who have been staying here for some time and put them on first?

Senator CURTIS. Did they testify before the House?

Mr. CHOATE. No; one of them did, and one of them did not.

Senator CURTIS. Now, so far as I am concerned, I don't think we should hear witnesses who testified before the House Ways and Means Committee. I am perfectly willing to hear them if they will leave out what was said before the House committee.

Mr. CHOATE. May we hear first a witness who was not head in the House committee?

Senator CURTIS. We will be glad to.

Mr. CHOATE. Will the committee then call Mr. Henry B. Rust, please?

STATEMENT OF MR. HENRY B. RUST, PRESIDENT OF THE KOPPERS CO., UNION ARCADE, PITTSBURGH, PA.

Senator CURTIS. Give your name, address, and business.

Mr. RUST. Henry B. Rust, Union Arcade, Pittsburgh, Pa.; I am president of the Koppers Co.

Senator CURTIS. Go ahead, and in your own way, make any statement you desire about this bill.

Mr. RUST. Our interest in this bill is as builders of by-product coke ovens. I am also at the same time president of two companies who own and operate by-product coke plants.

Most of our raw materials for the manufacture of dyes come from the by-products of coke manufacture. And we are very much interested in seeing the market of this country developed as much as possible to use the by-products from coke manufacture, in order to stimulate the building of by-product coke ovens and the production of by-product coke as against beehive coke.

I have prepared some figures here which will give you briefly some of the facts about the coal situation in the United States. A number of years prior to the war Germany discontinued the manufacture of

beehive coke and has since manufactured nothing but by-product coke, saving the by-products. In this country to-day over half of our coke is still being manufactured in beehive ovens.

Senator NUGENT. Explain the difference between beehive coke and other coke.

Mr. RUST. The difference is this: In coking coals approximately 30 per cent of the coal is driven off into the air, and in the manufacture of beehive coke this is wasted. In the by-product ovens you save that 30 per cent. At the present time we are wasting annually about \$100,000,000 of our natural resources in the manufacture of beehive coke. That \$100,000,000 of products would be saved if all of our coke were made in by-product ovens.

The high explosives, such as T. N. T., are made from the products of these same by-product coke ovens—that is, from the by-products of coke-making. During the war the Government was so impressed with the shortage of these products that the Government stimulated the building of some 1,500 coke ovens.

Senator NUGENT. By-product?

Mr. RUST. By-product coke ovens, because we had not enough of those by-products to supply our needs for high explosives. The figures are appalling. Every time we burn a ton of raw bituminous coal we waste approximately 30 per cent of it. The total waste in the burning of raw bituminous coals in the United States (putting it lower than the present market prices of these by-products) is, according to these figures which I have prepared, about \$930,000,000 a year.

It has been claimed that in time we will stop burning raw bituminous coal; that we will make that coal into coke, save the by-products, and burn the coke. As the supply of anthracite coal falls off, the only fuel we have at the present time to replace it is coke. This takes the place of anthracite, and is a clean and economical fuel. That, of course, will stimulate the making of coke.

It is highly important that everything should be done that can be done to conserve our natural resources of coal; we have been wastefully extravagant in the use of coal in this country.

Senator NUGENT. As well as in the mining?

Mr. RUST. As well as in the mining. For instance, valuable coal lands sold in western Pennsylvania 20 years ago for very low prices. We thought we had all the coal the world would need for generations. To-day manufacturers and owners of steel works in western Pennsylvania are going into West Virginia to buy coal properties to take care of their future needs.

We realize there is such a thing as using up in time all of our coal. We can not afford to waste it. That is fundamentally our interest in this thing. We want to stimulate the building of by-product coke ovens and conserve it as much as possible.

We have another interest also. Our business brings us in close touch with the chemical industry generally. We were impressed at the outbreak of the war with the fact that the chemical industries in this country generally were very much behind what they should have been; that there was a shortage of chemists, and we feel that the business of dye manufacture is very vital to the necessary development of the proper chemical industry in this country.

These industries are all tied together. We feel we must build up a strong organization of chemists in this country. But our main interest—if you want to call it our selfish interests—is in the saving of coal by the building of by-product coke ovens.

I have prepared a table here, dividing this whole thing up by States, showing what each State is doing in the way of wasting its natural resources. Alabama, for instance, in burning raw coal, wastes about \$32,000,000 a year.

Senator NUGENT. I suggest that that table be put in the record.

Senator CURTIS. Yes; when you get through commenting on it, will you file it with the reporter so it may be made a part of the record?

Mr. RUST. Yes, sir. I have prepared this one table, and I have prepared another table—and these figures are very conservative, all of them—which shows what you get out of a ton of coal in a by-product coke oven; and what you save. I have another one showing the actual loss on a very conservative basis from the manufacture of beehive coke now, which shows here about \$75,000,000, but in fact it is over \$100,000,000 a year we are wasting.

Take a State that hasn't much coal; Utah hasn't much coal; it is not rich in coal.

Senator NUGENT. What?

Mr. RUST. The State of Utah is not especially rich in coal deposits.

Senator NUGENT. It has a large acreage of coal lands, still in Government ownership.

Mr. RUST. That is where I am mistaken, then. Utah is wasting \$10,000,000 annually in the burning of raw coal. The manufacture of beehive coke in that State results in the waste of about \$1,750,000.

The situation has become this way in the building of by-product coke ovens: All costs have gone up very high, and people do not want to put their money into anything so expensive, unless they feel that there is a reasonably good market for their by-products. We want to do all we can to stimulate that market, and by keeping the dye industry in this country and developing a large dye industry in this country that will help very material in this direction.

Senator NUGENT. A greater degree of development in the dye industry means, then, a greater demand for the by-products that you are talking about?

Mr. RUST. Yes, sir. This by-product coke industry has another bearing, namely, with relation to the gas situation in the large cities. We are furnishing, from a plant that we own most of the gas used in northern New Jersey. We can furnish that gas to the gas company much cheaper from by-product coke ovens than they can get it from any other source. We save about 6,000 feet of gas per ton of coal carbonized that in the beehive oven is wasted in the air. When a by-product market is developed in New York city and elsewhere we can take the coal from the Connellsville district, haul it to Jersey City and make it into coke, whereas, if that is made into coke at Connellsville all the gas and by-products are wasted in the air.

Senator CURTIS. Will you file those tables?

Mr. RUST. Yes, sir.

Senator CURTIS. Are they sufficiently indexed or are there sufficient notes so that we can tell what they mean?

Mr. RUST. Yes, sir; I think it is all perfectly plain.

Senator CURTIS. That is all.

(The tables referred to were afterwards furnished by Mr. Rust and are here printed in full as follows:)

Production of coal and coke in the United States in 1918, in net tons.

State.	Bituminous coal.			Coke.			
	Total produced.	Used for beehive coke.	Used for by-product coke.	Total used for coke.	Beehive.	By-product.	Total.
Alabama.....	21,280,000	2,950,192	3,877,634	6,827,826	1,717,721	2,634,451	4,352,172
Arkansas.....	2,228,000						
California and Idaho.....	(1)						
Colorado.....	12,485,000	1,216,154	(1)	(1)	758,784	(1)	(1)
Georgia.....	101,000	38,280		38,280	22,048		22,048
Illinois.....	91,263,000		3,199,620	3,199,620		2,285,610	2,285,610
Indiana.....	27,325,000		5,318,900	5,318,900		3,898,215	3,898,215
Iowa.....	8,240,000						
Kansas.....	7,292,000						
Kentucky.....	29,690,000	533,346	723,113	1,256,459	301,036	517,749	818,785
Maryland.....	4,759,000		696,576	696,576		474,368	474,368
Massachusetts.....			676,866	676,866		556,397	556,397
Michigan.....	1,385,000						
Minnesota.....			1,069,775	1,069,775		784,065	784,065
Missouri.....	5,605,000						
Montana.....	4,276,000						
New Jersey.....			994,300	994,300		682,148	682,148
New Mexico.....	4,241,000	1,047,675		1,047,675	597,072		597,072
New York.....			1,516,580	1,516,580		1,069,587	1,069,587
North Dakota.....	813,000						
Ohio.....	46,464,000	(1)	7,775,623	(1)	(1)	5,226,334	(1)
Oklahoma.....	4,785,000	* 81,478		* 81,478	* 44,813		* 44,813
Oregon.....	(1)						
Pennsylvania.....	183,712,000	34,059,026	6,514,868	40,573,894	22,136,664	4,586,981	26,723,645
South Dakota.....	(1)						
Tennessee.....	6,916,000	564,920	166,157	731,077	302,637	124,469	427,106
Texas.....	2,260,000						
Utah.....	5,535,000						
Virginia.....	10,100,000	2,042,429		2,042,429	1,234,256		1,234,256
Washington.....	4,036,000	154,460	47,410	201,870	93,659	30,129	123,788
West Virginia.....	91,350,000	4,516,108	853,684	5,369,792	2,716,613	603,303	3,320,000
Wyoming.....	9,600,000						
Other States.....	* 122,000	* 962,651	* 3,436,615	13,391,043	* 555,302	* 2,523,684	9,064,104
Total.....	585,883,000	48,166,719	36,867,721	85,034,440	30,480,605	25,997,580	56,478,185

¹ Included in "Other States."

² Estimated.

³ "Other States" includes Alaska, California, Idaho, Oregon and South Dakota.

⁴ "Other States" includes Ohio and Utah.

⁵ "Other States" includes Colorado, Michigan, Missouri and Wisconsin.

NOTE.—Above statistics are compiled from publications of the U. S. Geological Survey.

Table showing value of by-products wasted by burning coking coal.

[Figures based on estimates for 1918.]

State.	Tons produced.	Tons of coking coal.	Tons used for by-product coke and gas.	Tons of coking coal burned without by-product recovery.	Amount and value of by-products wasted.								Total value of by-product wasted.
					Gas.		Tar.		Ammonium sulphate.		Benzols.		
					Million cubic feet.	Value.	Million gallons.	Value.	Million pounds.	Value.	Million gallons.	Value.	
Alabama.....	21,280,000	21,280,000	4,000,000	17,280,000	95,040	\$9,504,000	138,240	\$5,529,600	414,720	\$12,441,600	51,840	\$5,184,000	\$32,659,200
Arkansas.....	2,228,000	2,228,000	.....	2,228,000	12,254	1,225,400	17,824	712,960	53,472	1,604,160	6,684	668,400	4,210,920
Colorado.....	12,485,000	7,500,000	850,000	6,650,000	33,250	3,325,000	46,550	1,862,000	146,300	4,389,000	19,950	1,995,000	11,571,000
Georgia.....	101,000	101,000	.....	101,000	505	50,500	606	24,240	1,616	48,480	253	25,300	148,520
Illinois.....	91,263,000	78,750,000	350,000	78,400,000	392,000	39,200,000	548,800	21,952,000	2,038,400	61,152,000	274,400	27,440,000	149,744,000
Indiana.....	27,325,000	23,200,000	350,000	22,850,000	114,250	11,425,000	159,950	6,398,000	594,100	17,823,000	79,975	7,997,500	43,643,500
Iowa.....	8,240,000	4,120,000	.....	4,120,000	20,600	2,060,000	28,840	1,153,600	107,120	3,213,600	14,420	1,442,000	7,869,200
Kansas.....	7,232,000	5,600,000	.....	5,600,000	28,000	2,800,000	39,200	1,568,000	145,600	4,368,000	19,600	1,960,000	10,960,000
Kentucky.....	29,690,000	28,000,000	8,000,000	16,000,000	88,000	8,800,000	160,000	6,400,000	416,000	12,480,000	64,000	6,400,000	34,080,000
Maryland.....	4,759,000	4,759,000	700,000	4,059,000	20,295	2,029,500	24,354	974,160	73,042	2,191,860	10,148	1,014,800	6,210,320
Michigan.....	1,385,000	1,385,000	.....	1,385,000	6,925	692,500	9,695	387,800	36,010	1,080,300	4,848	484,800	2,645,400
Missouri.....	5,605,000	3,360,000	.....	3,360,000	16,800	1,680,000	23,520	940,800	87,300	2,620,800	11,760	1,176,000	6,417,600
Montana.....	4,276,000	1,500,000	.....	1,500,000	7,500	750,000	10,500	420,000	39,000	1,170,000	5,250	525,000	2,865,000
New Mexico.....	4,241,000	4,241,000	.....	4,241,000	21,205	2,120,500	25,446	1,017,840	76,338	2,290,140	10,603	1,060,300	6,488,780
North Dakota.....	813,000	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Ohio.....	46,464,000	37,000,000	.....	37,000,000	185,000	18,500,000	296,000	11,840,000	814,000	24,420,000	111,000	11,100,000	65,860,000
Oklahoma.....	4,785,000	4,785,000	15,000	4,770,000	23,850	2,385,000	28,620	1,144,800	85,860	2,575,800	11,925	1,192,500	7,298,100
Pennsylvania.....	183,712,000	183,712,000	20,000,000	163,712,000	900,416	90,041,600	1,473,408	58,936,320	4,092,800	122,784,000	572,992	57,299,200	329,061,120
Tennessee.....	6,916,000	6,916,000	250,000	6,666,000	36,663	3,666,300	53,328	2,133,120	159,984	4,799,520	19,998	1,999,800	12,598,740
Texas.....	2,260,000	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Utah.....	5,535,000	5,000,000	50,000	4,950,000	27,720	2,772,000	44,550	1,782,000	123,750	3,712,500	17,325	1,732,500	9,999,000
Virginia.....	10,100,000	10,100,000	100,000	10,000,000	50,000	5,000,000	60,000	2,400,000	160,000	4,800,000	25,000	2,500,000	14,700,000
Washington.....	4,056,000	3,200,000	200,000	3,000,000	15,000	1,500,000	21,000	840,000	78,000	2,340,000	10,500	1,050,000	5,730,000
West Virginia.....	91,350,000	91,350,000	9,250,000	82,100,000	451,550	45,155,000	656,800	26,272,000	1,970,400	59,112,000	287,350	28,735,000	159,274,000
Wyoming.....	9,600,000	3,360,000	3,360,000	3,360,000	16,800	1,680,000	23,520	940,800	87,300	2,620,800	11,760	1,176,000	6,417,600
Other States.....	122,000	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Total.....	585,883,000	527,447,000	47,475,000	483,332,000	2,563,623	256,362,300	3,890,751	155,630,040	11,801,252	354,037,560	1,641,581	164,158,100	930,188,000

DESTRUCTIFS.

UTAH COKE STATISTICS.

Coal.—Total bituminous coal mined in Utah in 1918 was 5,535,000 net tons. The best coal is that mined in Carbon County. In 1916, 3,182,244 tons were mined in this county, or 89.2 per cent of the total mined in the State. On the same basis in 1918 the estimated production in Carbon County would be 4,937,220 net tons.

Coke.—We can assume that all of the Carbon County coal can be coked. In 1916, 736,853 tons were coked in beehive ovens. There are no by-product ovens in the State. Probably 800,000 tons would be a conservative estimate for coal coked in beehive ovens in 1918.

The products wasted by coking—800,000 tons of Carbon County coal in beehive ovens are as follows:

Product.	Amount wasted.	Normal price per unit.	Value wasted.
Gas.....	4,480,000,000 cubic feet.....	10 cents per 1,000 cubic feet.	\$448,000
Tar.....	7,200,000 gallons.....	4 cents per gallon.....	288,000
Light oil.....	2,800,000 gallons.....	10 cents per gallon.....	280,000
Ammonium sulphate.....	20,000,000 pounds.....	3 cents per pound.....	600,000
Coke.....	42,000 tons.....	\$4 per ton.....	168,000
Total.....			1,784,000

The products wasted by burning 4,183,270 tons of Carbon County coal, which excludes the coking of 800,000 tons, are as follows:

Product.	Amount wasted.	Normal price.	Value wasted.
Gas.....	23,168,432,000 cubic feet.....	10 cents per thousand cubic feet.	\$2,316,843
Tar.....	37,234,980 gallons.....	4 cents per gallon.....	1,489,999
Light oil.....	14,480,270 gallons.....	10 cents per gallon.....	1,448,027
Sulphate.....	103,430,500 pounds.....	3 cents per pound.....	3,102,915
Total.....			8,357,784

Yields of coke and by-products in Koppers ovens.

From a typical coal mixture of 85 per cent Pittsburgh high volatile coal and 15 per cent Pocahontas low volatile coal:

Metallurgical coke.....	60 per cent of coal.
Domestic coke.....	2 per cent of coal.
Breeze.....	4 per cent of coal.
Surplus gas.....	6,600 cubic feet per net ton.
Gas for heating ovens.....	4,400 cubic feet per net ton.
Tar.....	9 gallons per net ton.
Ammonium sulphate.....	25 pounds per net ton.
Pure benzol.....	2.08 gallons per net ton.
Pure toluol.....	0.56 gallon per net ton.
Pure xylol.....	0.32 gallon per net ton.
Crude solvent.....	0.40 gallon per net ton.

Part of all of the metallurgical coke may be screened and crushed to furnish additional domestic coke. If producer gas is used for heating the ovens, there will be a surplus of 11,000 cubic feet coke oven gas per net ton coal.

GENERAL STATISTICS.

TABLE I.—*By-product and beehive coke manufacture in the United States since 1910.*

Year.	By-product coke.		Beehive coke.		Total coke (net tons).
	Quantity (net tons).	Percentage to total.	Quantity (net tons).	Percentage to total.	
1910.....	7,133,734	17.1	31,570,076	82.9	41,708,810
1911.....	7,817,845	22.1	27,703,644	77.9	35,551,489
1912.....	11,116,164	25.3	32,868,435	71.7	43,983,599
1913.....	12,711,700	27.5	33,584,831	72.5	46,299,530
1914.....	11,219,943	32.5	27,335,971	68.2	34,555,914
1915.....	14,072,895	33.8	27,508,255	68.2	41,581,150
1916.....	19,069,079	35.0	35,404,000	65.0	54,533,000
1917.....	22,439,280	40.4	33,107,518	59.6	65,606,828
1918.....	25,997,590	46.0	30,480,605	54.0	66,478,185

TABLE II.—*Statistics for by-product and beehive coke manufacture in Pennsylvania.*

Year.	Beehive ovens.		By-product ovens.	
	Coal used.	Coke produced.	Coal used.	Coke produced.
1915.....	33,072,018	22,530,567	4,301,726	3,002,295
1916.....	41,209,734	27,159,433	5,650,352	4,120,257
1917.....	36,594,563	23,816,420	6,716,221	4,005,605
1918.....	34,059,026	22,136,664	6,514,868	4,580,081

TABLE III.—*Primary products wasted when 2½,000,000 tons of coke are made in beehive ovens.*

Product.	Amount wasted.	Normal price per unit.	Value wasted.
Gas.....	216,000,000,000 cubic feet.....	10 cents per thousand cubic feet.	\$21,600,000
Tar.....	288,000,000 gallons.....	4 cents per gallon.....	11,520,000
Light oil.....	108,000,000 gallons.....	10 cents per gallon.....	10,800,000
Ammonium sulphate.....	792,000,000 pounds.....	3 cents per pound.....	23,760,000
Coke.....	1,800,000 tons.....	\$4 per ton.....	7,200,000
Total.....			74,880,000

NOTE: If normal conditions prevail during the years 1920 and 1921, it is estimated that the figures in Table III will conservatively represent the values of by-products wasted each year.

Distribution of Pennsylvania, West Virginia, and Kentucky coals used for by-product coking in other States.

	Pennsylvania.	West Virginia.	Kentucky.
Illinois.....	1,000,000	1,000,000	1,000,000
Indiana.....	1,500,000	2,000,000	1,500,000
Maryland.....	400,000	300,000	.....
Massachusetts.....	450,000	200,000	.....
Minnesota.....	300,000	400,000	300,000
New Jersey.....	850,000	50,000	.....
New York.....	1,000,000	500,000	.....
Ohio.....	3,250,000	2,000,000	2,500,000
Other States.....	1,000,000	1,000,000	1,500,000
Total.....	9,850,000	7,450,000	6,800,000

Senator CURTIS. Call your next witness.

Mr. CHOATE. Will you call Mr. Waters, who made a short, written statement before the Ways and Means Committee but did not testify orally?

**STATEMENT OF DANIEL F. WATERS, OWNER AND PROPRIETOR
GERMANTOWN DYE WORKS, PHILADELPHIA, PA.; PRESIDENT
OF THE MASTERS' DYE ASSOCIATION, PHILADELPHIA, PA.**

Senator CURTIS. You may state your full name, business, and residence.

Mr. WATERS. My name is Daniel F. Waters; owner and proprietor of the Germantown Dye Works, Philadelphia, Pa.; president of the Masters' Dye Association, Philadelphia.

Senator CURTIS. Just state in your own way anything you desire about this measure.

Mr. WATERS. Mr. Chairman, I am a dyer of textile fabrics. My shop takes in practically all the lines of the textile industry, barring the silk. We have been in the business for 40 years. I have gone all through the old schools of vegetable dyeing before we had any coal-tar products worth speaking of; and we were obliged to use all the different woods, such as logwood, camwood, or barwood, or cutches, and so forth. And then we stepped into the process of dyeing with the coal products, such as coal-tar products, the basic products. In order to use the basic dyestuffs on our products it was necessary to treat them with tannin, such as sumac. From that stage we stepped into the direct azote or benzol colors.

These colors were very inferior when they were brought out, but by the Germans' efficiency in chemistry they were developed until they were of a substantial nature, standing the light to a certain extent, or to a degree. This lasted for a period of ten years, and we stepped then into another series of dyestuffs, such as the sulphur colors, which were an improvement over the azote and benzoate; and then we lead up to the present time, when there is so much of vat colors. Just before the war the vat colors were beginning to find a ready market in the United States. Acknowledging that we did not know much about them, I also wish to state that they were very difficult to handle; they were not dyed levelly; it was hard to make combinations. What I mean by that is that if you combined a yellow, red, and a blue to make a different shade they simply would not combine, and as a result you had all the different colors of the rainbow in one piece. In other words, I might state that they were only good for such goods as were made in narrow stripes, viz, shirts, where it would not show if it were streaked. In order to make a piece of cloth like chambray, I am safe to say it has not been done yet with vat colors.

Now, we were just about making some experiments relative to introducing those colors into the goods. I will be very honest and frank in my statements, so far as that is concerned, in saying that I had not introduced them up to that time. I had made samples and experimented with them, and was ready when the time came to be in a position with all my competitors to handle vat colors. But, as it happened, my trade does not require it. My business is dyeing for the upholstery trade, hosiery, knit goods, such as sweaters, underwear, carpets, rugs, men's wear, and ladies' dress goods. The

upholstery men were beginning to take hold of the vat colors in order that they could guarantee those colors what they termed fast sunlight colors. They could use them because they were worked on a Jacquard loom, and the colors were so mixed up it made very little difference whether they were level or not. What I mean by that is: This piece of cloth [indicating the cloth covering on the committee table] is perfectly level, no streaks in it. They could not be used, unless it was carded up so it would break up the shades in the goods. So much for that.

Now, the sulphur color is just as good for washing, without putting in the wash chloride of lime. I would just as soon have a shirt dyed with sulphur blue, or sulphur brown, or sulphur green, or sulphur black, and have it laundered at home, where it would not be treated with chloride of lime, and the color would last as long as the shirt would last, but it will not stand chloride of lime, with which it is treated in a public laundry.

Previous to the war, as you gentlemen know, we were depending entirely upon Germany for our source of supply of dyestuffs. When the war broke out there was a great hullabaloo as to what was going to be the final result of the textile industry in the United States, owing to the shortage of dyestuffs. I fussed about with some other gentlemen who are present to-day seeing what could be done in the way of getting dyestuffs from the other side. I bought all the dyestuffs I could get my hands on, and that was quite a lot, and then we set about to see if there were any way possible whereby there were any goods in Holland or any other place that we could have shipped into the United States. I remember going into one of the large importer's offices, representing a large manufacturing concern on the other side, about some dyestuffs, and I must confess that we got into a little fuss over the affair. He practically laughed at us Yankees, as they called us, and he seemed to be very cheerful over the supposed inability of the American people to ever make dyestuffs. He painted a very beautiful picture of millions of unemployed men and women walking about the streets of the United States, due to the textile industries being closed up for the want of dyestuffs. I said to him, "If the war lasts five years you will have a different story to tell. We will be making dyestuffs in the United States in five years, so that if the men in Germany along the Rhine are blown up by our bombshells, you will never know that dyestuffs were ever made other than in the United States."

Gentlemen, that is my opinion to-day. If the dyestuff industry in Germany were demolished we would not be here to-day asking you to protect the industry that has been developed in the United States up to the present time. The majority of the American people would never know that dyestuffs ever came from any other place but the United States. To-day I am not using 1 ounce of German dyestuffs that I know of in my plant, and I am turning out 30,000 pounds of stuff a day.

Vat colors I do not use, as I said before. There is a certain place for vat colors and that is the only place for them. Now, there has been a great deal of talk about the terrible cost of producing dye goods in the United States. To-day we are making in the United States sufficient dyestuffs to take care of all our needs in the textile line, barring the vat colors, and those I am informed will be on the

market in a very short time, say two or three months. The product has been made and has been sent out, and is in a state of experiment, and in this experiment it is being tested out as to its quality compared to the vat colors of German make, and I have every reason to believe that it will prove equally as good, because everything we have made in this country up to the present time is equally as good as any German dyestuff that we made of its type.

Germany did not make all good dyestuff, by any means, and they went through a lot of experimenting, and I say this without fear of contradiction that in the last five years our American enterprises have done more than Germany did in the first 40 years' time. Barring the vat colors we are in as good a position as we were 10 years ago with our whole dyestuffs.

Now there has been a great deal of advertising going on. There has been a certain propaganda pretty well distributed throughout the United States as to the superiority of the Germany dye.

Here is a suit of clothes that I have on. That cloth was dyed by American dyes and I will put that suit of clothes against any Germany navy blue that you put into cloth. That suit of clothes cost me \$60.

Senator NUGENT. Where did you buy it for \$60?

Mr. WATERS. I shall tell you. I bought the cloth and I had it made, and do you know how much dyestuff here is on that? There has been a great hullabaloo about the high cost of dyestuffs, and a great deal of talk of importations of goods being dyed on the other side, and knocking our textile industry into a "cocked hat," as the fellow says, hence it might interest you, Mr. Senator, if you were to know the exact amount of dyestuffs that there is on this suit. The development of the dyestuffs is such I will tell you what there is: There is 32 cents worth of dyestuffs on that suit of clothes. That is the actual expense of the dyestuffs on it.

Senator NUGENT. And about \$6 worth of wool in it?

Mr. WATERS. I do not know about that sir; there is 32 cents worth of dye on it. Now then: Three and one-half yards of cloth I think it takes to make a suit, and it is 32 cents for dyestuffs. Now we have heard a great deal about the terrible cost of hosiery. We are dyeing to-day sulphur black, with an American made dye. We are using an American made sulphur black, and I get it from concerns all equally good. If I could purchase German sulphur black tomorrow, at the same price that I am getting it from Americans, I would not use it, because I am getting a better black than I ever got from Germany. The American black is less trouble, it goes farther, it holds its shade, it does not turn brown, and I can produce more from it than I ever could from the German sulphur black, and, moreover, I never knew with a German dye when it would be necessary the next morning to dye over again.

It might also be interesting to you to know the amount of dyestuff that is used on a dozen pair of stockings. The amount of dyestuffs on a dozen pair of first class stockings is one and three-fourths cents.

Senator NUGENT. You are not giving away any trade secrets?

Mr. WATERS. I am only laying my cards on the table face up. I do not say, Mr. Senator, that that is the cost of producing it, but

that is the cost of the dyestuffs that is on the goods. Our great expense to-day is not in the dye, but it is in the labor, coal, and all that sort of thing. That is what raises the price, it is not the dyestuffs. We are paying to-day for labor in the dye works 70 cents an hour, where before the war we paid 25 cents an hour, and coal and everything else is in proportion. That is what has raised the price of this suit, and of everything else. It is not the dyestuffs. So you can see how insignificant is the amount of dyestuffs that is required for a piece of goods, but you can multiply that by about 10 times, for the amount of the product that they are turning out, because in addition to the 32 cents for the dyestuffs in a suit of men's clothing, we have an investment in that of, we will say, 50 or 80 cents on the pound of stuff, where we are handling goods for probably \$4 a pound. Our interest in that represents about not over 20 cents at the most including labor and on goods valued at about from \$7 to \$10 a yard, I imagine, so that the idea that people have in their heads about the expensive cost of dye material is not so, in so far as the dye itself is concerned.

- I do not wish to take up your valuable time. I feel that you understand this proposition just as well as I do. I feel that you are convinced that it is absolutely necessary for the establishment of an independent chemical coal-tar industry in the United States.

SENATOR NUGENT: Do you think if the licensing plan was followed for two years it would be sufficient to protect this industry?

MR. WATERS: I rather think it would not be long enough, but it would be a very great advantage, sir. I am not a manufacturer of dyestuffs, but I do feel that in five years' time with the licensing feature attached to this proposition that we will be then in a position where it will make very little difference as to what happens on the other side so far as dyestuffs are concerned. I do not feel that Germany can furnish dyestuffs anything like as cheap as she did. They have to pay higher wages. They also have trouble in getting coal, and that, in connection with the licensing system, I think will prolong it for years than it otherwise would be. They are not going to get back as rapidly as some of us think they will. While it is pointed out that their personnel is intact over there, their plants ready and operating, that I do not know. But if you can see your way clear to sanction a licensing of this dyestuffs proposition it will add a great deal to us in the United States in the way of getting into an independent position here to compete with Germany in the future.

Now, the licensing feature, as I understand it, is not an embargo; I would say, to use the term "embargo," that would be more drastic than the licensing feature and to be honest, gentlemen, I have no conscientious scruples as to what should happen to Germany with her dyestuffs. I do not care a hill of beans whether Germany ever sends us any more dyestuffs. I had three boys in the Army, and I do not want them in another war. I thank God they are at home and in good shape. I do not think they are very fond of digging into a keg of dyestuffs marked "Made in Germany." I have 15 other men in my employ who were in the Army, two of them returned home with only one leg. I do not think they will be very fond of digging into a keg of dyestuffs marked "Made in Germany." There might be a bomb in the bottom of the keg. They have done other kind of

things equally as bad. For God's sake, don't let us worry ourselves about what is going to happen to Germany in the dyestuff industry. Let us make it in the United States. We owe it to our constituents to make it here. And it isn't now that we should be talking about it; this thing should have been 20 years ago, and not to-day. And I feel that you gentlemen have it in your hands to say whether we shall make dyestuffs in the United States.

Senator NUGENT. Why wasn't it done 20 years ago, if you know?

Mr. WATERS. The reason it was not done was as near as I can figure it out, that if I undertook to make a color in the United States 20 years ago and took that color to John Jones and asked him to try it out, John Jones tried out that color, and he said, "Mr. Waters, that color is all right; it is equally as good as Berlin, Badische, or any of the big six. What is your price?" I will take a direct black, now. "The price of that is 21 cents." "All right; send me 100 pounds of it." They send him 100 pounds of that direct black, and he tried it out and it goes all right. I give him an order the next time for a barrel of 500 pounds. Mr. Brown comes around, representing the Berlin or the Badische, or one of the other big six, and immediately he discovers that I am not buying any direct black from him and he wants to know why. "Aren't you using any direct black any more?" The first two or three weeks I say, no; a little white lie, I guess it doesn't hurt anybody. And then he wonders how I am operating my plant without direct black and everybody else is using it. Finally I say, yes; but I am buying it from any American firm. "What are you paying for it?" "Twenty-one cents." "Will you let me have a sample of it?" "Yes, sir." I give him a sample and he goes away and makes a comparative test in his laboratory and brings it back and says, "Waters, we will sell you that black for 18 cents." All right, I buy the next lot from him at 18 cents. My American man comes in and I acquaint him with the facts, and he says, "All right, Waters; we have got to meet him, that is all there is to it; we want your business, and I will sell you the same for 18 cents; there is no money in it, but I will let you have it." The next time he comes around he is selling it for 15 cents.

Senator NUGENT. The American?

Mr. WATERS. No; the German.

Senator NUGENT. The German?

Mr. WATERS. Yes, sir. And then the American will probably make it 15 cents and then throw up his hands and say, "We can not go on with this."

Senator NUGENT. And these German dyes under the circumstances you have related were imported into this country from Germany?

Mr. WATERS. Yes, sir.

Senator NUGENT. Would not a tariff have made up the difference in price?

Mr. WATERS. I don't know, Senator; I am not familiar with those things.

Senator NUGENT. There could have been a tariff high enough to do that?

Mr. WATERS. There was not sufficient tariff, or something; I am not familiar with it.

Senator NUGENT. Do you know why there was not? Who opposed the imposition of a tariff; what class of manufacturers or consumers in this country?

Mr. WATERS. Yes, sir. I said my cards were on the table with the face up; I think I know.

Senator NUGENT. Who?

Mr. WATERS. I think it was the manufacturers themselves.

Senator NUGENT. You mean the manufacturers of the textiles?

Mr. WATERS. Yes, sir.

Senator NUGENT. The consumers of the dyes?

Mr. WATERS. Yes, sir.

Senator NUGENT. Thank you.

Mr. WATERS. I remember back years ago when the great advocates of tariff in the textile lines were after all the tariff they could possibly get on the manufactured goods and they wanted dyestuffs free. Now, that is one reason; free dyestuff, duty on manufactured articles, and let the manufacturer take care of himself and the devil take the hindmost.

Senator NUGENT. As a general proposition that was the program pursued by the manufacturers?

Mr. WATERS. In the dyestuff industry. Now, how could you build up a dyestuff industry under that condition?

Senator CURTIS. That is all.

Mr. CHOATE. Mr. Cheney was here before the Ways and Means Committee of the House, but will confine himself here to matters not covered before the Ways and Means Committee of the House.

Senator CURTIS. Be sure to do that because we do not want to duplicate.

STATEMENT OF MR. FRANK D. CHENEY, REPRESENTING CHENEY BROS., SILK MANUFACTURERS, SOUTH MANCHESTER, CONN.

Senator CURTIS. State your full name, and your business and address.

Mr. CHENEY. Frank D. Cheney, South Manchester, Conn., representing Cheney Bros., silk manufacturers.

I would like to file for the purpose of putting it into the record a written statement which I have prepared. I would like your permission to read one paragraph from that statement, as it differs very slightly from my testimony before the Ways and Means Committee, which was given from memory.

Senator CURTIS. You may proceed.

Mr. CHENEY (reading):

One argument which has been advanced against building up a dye industry in this country that because of the high cost of dyes entering into our products an unfair burden is put upon the public. Prices are undoubtedly high to-day, comparatively, but will go lower. Let us see what the dye in a yard of silk goods amounts to. We have examined the dye costs on 22 representative qualities of silk fabrics. We find the lowest dye cost per yard is on 36-inch washable satin, and amounts to only seven one-hundredths of a cent per yard for this fabric which we sell at \$2.15 per yard. The highest cost in the 22 qualities examined was upon 50-inch piece-dyed cotton-filled velour and amounted to 34.9 cents per yard for this fabric which we sell at \$9 per yard. Costs vary between these limits for the 22 qualities, an average being about 12 cents per yard upon goods averaging in price \$4.70 per yard.

The written statement filed by Mr. Cheney (with the permission of the committee) is here printed in full, as follows:

SOUTH MANCHESTER, CONN., December 19, 1910.
The Committee on Finance,

United States Senate.

GENTLEMEN: The interest of Cheney Bros., silk manufacturers, South Manchester, Conn., in legislation combining a high protective tariff on dyestuffs with provisions for temporary regulation of dye imports, is based upon our belief that it is essential for the best interest of the country as a whole that this industry should have such safeguards as are afforded by the bill before your committee.

I think all agree that we must have such an industry for the sake of maintaining our military preparedness, industrial and economic independence, and prosperity, and for the promotion of preventive and curative medicines, and will therefore omit discussion upon those points, as they are beyond the necessity for argument. We are concerned, therefore, only with the question of how that industry may best and most surely be safeguarded.

We have long believed that because of Germany's enormous capital invested in her dyestuff industry and because of her powerful combination of producers, when the life of the industry is at stake she will leave nothing undone to regain her position in our market. The methods which have been employed heretofore to accomplish this purpose are too well known and universally condemned to need comment here, except to say that it must be admitted that they have accomplished their purpose in the past and will probably be how more desperately employed with the added advantage of favorable rates of exchange.

On March 20, 1910, Cheney Bros., in conjunction with a number of other representative American industrialists, addressed the following cablegram to the President of the United States at Paris:

The undersigned, representing various branches of the textile industry, respectfully submit that in their opinion an independent and self-sustaining American dye-manufacturing industry is a national necessity, but such a dye industry can not be established unless competition from German factories, including those in occupied territory, be cut off for a period of years; that we will furnish protection against the enormous resources and unscrupulous methods of the German trust, desiring to regain its foreign markets, and that only a licensing plan like the British, excluding all foreign dyes reasonably obtainable in the United States, will save the new American industry. We respectfully urge that immediate steps be taken to procure, both in the peace treaty and in legislation, the measures necessary to establish such a plan. We advocate this not merely because a domestic dye industry is essential to the independence of the American textile industry and manufacture generally, but chiefly because we believe that only through an established dye industry can the Nation secure the progress in chemical education in the application of chemistry to the arts and the, above, and in curative medicine, which are indispensable to the national welfare.

We can see no reason to-day to alter the opinion expressed in that cablegram of nine months ago, and we still fear that without a high tariff coupled with a temporary licensing system, our market will be flooded with the foreign-made dyes at low prices to such an extent that our American industry will not be able to survive the strain.

We have a firm conviction that American chemists and manufacturers will, if given sufficient opportunity, ultimately produce at a price practically everything in the way of dyestuff which American industries may require, but it would be going far to say that they have already reached that point of development. The situation created during the war was such that the industry was forced to concentrate all of its endeavors upon the effort to produce in sufficient quantity an output of standard commercial dyes in sufficient variety to meet the demand of the industry. All of their attention was necessarily concentrated upon the endeavor to produce quickly and in great quantity the most necessary things. It is obvious that it would have been a foolish and short-sighted policy on the part of dye manufacturers to have attempted during this time their experiments of the art, or to have dissipated their strength and energy in attempting to pay for the whole field of scientific research.

They are entitled to the greatest credit for what they have done and should not be condemned for not having done everything.

The following facts from Cheney Bros.' experience will be of interest in this connection. Their total consumption of dyes for the first 11 months of the year, 1910 was 128,000 pounds. Seventy-eight per cent of this was American-made and we can substitute an additional 10 to 15 per cent of American-made dyes as fast as other dyes are consumed, making our total possible consumption of American-made dyes at present from 88 to 93 per cent. This leaves only 7 to 12 per cent of our requirements which are not made here. The average price of dyes used during the year 1910 was \$2.41 per pound and this average has dropped for the first 11 months of the year 1910 to \$2.31 per pound.

This is a truly remarkable achievement on the part of the dye manufacturers, who have had almost insurmountable obstacles to overcome, and is of such vital importance to the country that it should receive every possible assistance.

One argument which has been advanced against building up a dye industry in this country is that because of the high cost of dyes entering into our products an unfair burden is put upon the public. Prices are undoubtedly high today, comparatively, but will go lower. Let us see what the dye in a yard of silk goods amounts to. We have examined the dye costs on 22 representative qualities of silk fabrics. We find the lowest dye cost per yard is on 30-inch washable satin and amounts to only seven one hundredths of a cent per yard for this fabric when we sell at \$2.15 per yard. The highest cost in the 22 qualities examined was upon 60-inch pleated dyed cotton-filled velour and amounted to 84.0 cents per yard for this fabric, which we sell at \$9 per yard. Costs vary between these limits for the 22 quantities an average being about 12 cents per yard upon goods averaging in price \$4.70 per yard.

Another argument advanced against the licensing system is that it will not afford a handicap upon other products in the manufacture of which dyestuff is used, because American-made products dyed with inferior dyes will have to compete with foreign products dyed with superior foreign-made dyes. We see nothing in the proposed legislation to support this contention, as we understand that dyes must be admitted which are not produced in this country, satisfactorily as to quality, price, and delivery.

We must frankly admit that temporarily we accept there will be inconvenience, annoyance, and some delay connected with the initiation of a licensing system, which we cheerfully accept and dismiss from consideration as a deterring factor for the sake of the greater and lasting benefit of the country as a whole. We look upon this as a patriotic question in the broadest sense. It involves not only military security but our economic and industrial independence and the prosperity and happiness of our people. I repeat, it has been urged that we should try the high tariff without a licensing system, and if we find that it fails in its purpose then add the licensing system to it. By that time it would be too late. We know the tariff coupled with the restriction of imports will secure what we all agree is a vital necessity. Some other method might secure the same end, but we do not know positively that it will do so. It is conceivable that upon our decision now may rest our national security at some future date. Let us be sure. We can not afford to take chances with the future of our country.

Very respectfully,
FRANK P. CHENEY

Mr. CHENEY would like also to introduce into the record a resolution passed by the board of managers of the Silk Association of America upon the recommendation of the legislative committee endorsing legislation providing for the regulation of dye imports by legislation such as is proposed. I called the secretary of the silk association on the telephone before leaving New York and he advised me that up to that moment there had been received by the association only one official protest to that resolution.

(The resolution furnished by Mr. Cheney is here printed in full, as follows):

SILK ASSOCIATION OF AMERICA,
New York, November 6, 1910.

The UNITED STATES SENATE,
Washington, D. C.

Sms: The great importance of dyestuff production in this country to industry and commerce as well as to the welfare of the country itself has long been recognized by the manufacturers of silk goods.

In accordance with your by-laws, this subject was first presented to our legislative committee, and at a meeting held on September 23, 1919, it was voted to report this matter favorably to the board of managers. At the regular quarterly meeting of the board of managers of the silk association, held on September 24, 1919, at which 16 members were present, the following preamble and resolutions were adopted, and your consideration thereof is respectfully solicited. While the action of the two committees in question was unanimous, there is a small minority of the association's membership which holds a dissenting opinion:

"Whereas the American dye industry, in spite of many difficulties, has within a short period of time, accomplished a noteworthy achievement in the manufacturing of dyestuffs; and

"Whereas it was clearly demonstrated by the emergency which faced American manufacturers and other dye consumers at the outbreak of the World War that a well-developed and firmly established dye industry is of great importance to the national as well as to the industrial life of this country; be it

"Resolved, That the board of managers of the Silk Association of America approve of the enactment of legislation whereby the American dyestuff industry shall be amply protected against the importation of foreign products, which, by reason of cheaper cost of production, can be sold at lower prices, thus discouraging production in this country. And it is

"Resolved, That the board of managers, in behalf of the Silk Association of America, endorse the establishing of a protective tariff that will secure the dye industry in this country against unfair foreign competition, and the instituting of an equitable licensing system (for a limited period) accompanied by the necessary safeguards that will insure prompt and efficient work on the part of a licensing commission that may be appointed."

The undersigned, secretary of the Silk Association of America, does hereby certify that the foregoing resolutions were duly adopted on the 24th day of September, 1919, at a meeting of the board of managers of said association, regularly called and duly constituted and at which a quorum was present.

Witness my hand and the seal of said association this 6th day of November, 1919.

RAMSAY PEUGNET, *Secretary.*

Mr. CHENEY. I would like, now, briefly to address myself to the points in which I believe you gentlemen are interested. I look upon the proposed legislation as an antidumping law which bases its prohibition upon the needs of the American consumers and not upon foreign manufacturing costs, which I believe to be impossible to ascertain. I have had some experience in attempting to ascertain costs in our own business where we have every desire to be accurate and I recognize it as a very difficult problem. It seems to me an impossible problem if the manufacturer desires to conceal his costs or to make them misrepresent the facts. The question has been asked why the purpose in which we are all interested can not be accomplished by a tariff alone. I firmly believe that, no matter how high a tariff you may put upon dyes, it will not accomplish its purpose. It will procure revenue, but it will be a tariff for revenue only. The situation is an entirely different situation than that which the other industries faced in building up themselves under a protective tariff. They had no world-powerful monopoly to face. They had not the extremely intricate problems to work out before they could get production going. The Germans have on hand, it was stated yesterday, enormous stocks of dyes. They can not sell those to France, England, or her dominions. They can only sell them to us and to China. If they can not sell them to us and to China they are worthless. They can, therefore, afford to give them to us for a period of time rather than lose their industry. Let us concede, for the sake of the argument, the most favorable position of the opposition that they have

not large stocks on hand. No one will argue that they can not make them. They could supply this country with practically a year's supply of dyestuffs for approximately \$35,000,000.

Mr. CHOATE. That is, including we use, you mean?

Mr. CHENEY. Including everything we use. This amounts to 7 per cent of the reported invested capital, \$500,000,000. Who would hesitate to spend 7 per cent of his invested capital for the sake of saving the other 93 per cent?

There is one point that I would like to bring out which I do not think has been brought to your attention; that if Germany were to regain control of her dye industry she would have a strong club to hold over us in all our other industries into which dye enters. She could shut off supplies, for instance; she could limit supplies; she could hamper us in many ways while she is making her preparations to take those industries away from us as well. For those reasons I do not believe that either an antidumping law in its usually accepted sense, based upon the cost of manufacture, will accomplish the purpose, neither do I believe that a straight tariff, without regulating features, will accomplish the purpose. Therefore, I am firmly convinced that legislation similar in character to the proposed bill is the only possible way that we can be sure. Others will say the tariff will do it. We do not know that it will do it. I do not feel that we can afford to take any chances with the prosperity and the happiness and the future of our country.

I would like to touch briefly upon some of the criticisms of the licensing system. The first one is delay. There will be some delay at first. I think that can be anticipated by the consumers by anticipating their wants. They will have to work a little further ahead, although they might import in bond and not draw from bond until they actually needed the materials.

Mr. CHOATE. The importer could do that for them?

Mr. CHENEY. The importer could do that for them. It is conceivable that the consumers might form some organization among themselves for accomplishing the same purpose. It is said that it is difficult to prove that a dye is not made here. There, again, there may be some little difficulty in this matter; but after the tariff commission has had a fairly brief experience there should be no difficulty. These points should be a matter of record, and if it were found that a silk manufacturer kept saying that he could not get a dye in this country, and that all the other silk manufacturers were getting it, it would seem to be reasonable to suppose that he could use what they were using; and if he could not, I should not anticipate that he would not be able to convince them of his needs. In this connection, it seems to me that it might be quite conceivable that the producers should have some compulsion put upon them to make sure that they give their facts of production, quality, etc., from time to time, in an absolutely accurate manner. As a matter of fact, the number of cases in which licensees will be questioned will be very small, certainly for the silk industries. We can now use 88 to 90 per cent of our products of American manufacture, leaving from 10 to 12 per cent which is not yet available here. That figure is approximately correct, not only for the quantity of American dyes which we can use, but also for the number of American dyes which we can use.

That is all I have to say.

Senator CURTIS. That is all.

Do you want Mr. Herty now?

Mr. CHOATE. No.

Senator CURTIS. You should consult his interests in that regard a little bit.

Mr. CHOATE. I have already done so.

Mr. CHENEY. May I answer here one question that was asked?

Senator CURTIS. Yes.

Mr. CHENEY. You asked, sir, why there was not sufficient protective tariff put upon our industry several years ago, I believe?

Senator NUGENT. Yes, sir.

Mr. CHENEY. You might be interested to know that when that tariff legislation was proposed a representative—I say “a” because I wish to confine it to absolute facts which I know of my own knowledge—I assume that there were others attempted to induce textile manufacturers to favor a reduction of that tariff by trying to convince them that their interests lay on the side of a lower tariff. We were approached—

Senator NUGENT (interposing). A representative of whom made these representations?

Mr. CHENEY. A representative of the Badische Co. asked us to use our influence with the people who were interested in the tariff to procure a lower tariff. We did not follow up his suggestions.

Senator CURTIS. Is that all?

Mr. CHENEY. Yes, sir.

Senator CURTIS. Call your next witness.

Mr. CHOATE. Will the committee be kind enough to call Mr. Clark?

STATEMENT OF MR. JAMES G. CLARK, VICE PRESIDENT THE UNITED STATES FINISHING CO., NEW YORK CITY.

Senator CURTIS. State your name, address, and business.

Mr. CLARK. James G. Clark, vice president of the United States Finishing Co., New York City.

Senator CURTIS. You may make such statement as you desire.

Mr. CLARK. Gentlemen, we are in the business of bleaching, mercerizing, dyeing, and printing. We operate five plants, three in the State of Rhode Island and two in the State of Connecticut. We are a consumer of dyestuffs. I would like to say that dyestuffs are vitally necessary and essential in our business. Last year we put through in value of merchandise, bleaching, dyeing, and printing, I should say, about \$70,000,000 worth of materials. We employ about 3,000 hands. At the outbreak of the war two of our plants were threatened with shutdown. If it had not been for the enterprise of some of our American friends those plants would have been completely shutdown, due to the lack of anilin oil—we having a contract with a German company, and at the outbreak of the war the supply was immediately shut off.

Senator NUGENT. Was any anilin oil produced in this country at that time?

Mr. CLARK. In a very limited way.

Senator NUGENT. Not sufficient to supply the demand?

Mr. CLARK. No; not at that time; they increased their supply to take care of our output later.

The plants were on fast blacks where aniline oil is absolutely necessary—cotton piece goods. Due to the enterprise of the American dyestuff manufacturers we have been able to get along with the possible exception of vat colors, and there we had some supplies and were able to work along in a spasmodic sort of a way.

We are very much interested and feel that it is vitally necessary and important that this dyestuff industry be firmly established in this country. We do not want to be in a position of being dependent upon Germany for our supply. We believe in a tariff. We are good Republicans in our organization, but we do not think a tariff alone will take care of this problem. We believe that a licensing system will have to be attached to it for a reasonable length of time. That will be determined upon by you gentlemen if the industry in this country is to be built up and put on a basis where it will be competitive. I firmly believe, with the proper assistance, the dye stuffs industry in this country will be put on a basis whereby they can compete with Germany or any other country.

Senator CURRIE. How long a time will that take, in your judgment?

Mr. CLARK. I feel that we ought to have five years; I feel it will take five years; this country has done a great deal in a short number of years, but Germany has worked many years.

Senator NUGENT. Don't you think at the expiration of two years, as provided in this bill, it will have been demonstrated whether or not it will answer the purpose?

Mr. CLARK. Possibly it will, yes.

Senator NUGENT. And if it doesn't, at the end of that time some other plan can be determined upon.

Mr. CLARK. I think that will be better than no licensing scheme at all.

That is all.

Mr. CHOATE. I would like to read at this point a letter from a witness who should have been here, but because of his engagement elsewhere was unable to be here, Mr. Franklin W. Hobbs, president of the Arlington Mills, Boston, Mass.

The letter is as follows [reading]:

The Arlington Mills, of which I am president, is located at Lawrence, Mass., and manufactures worsted fabrics in great varieties for men's and women's wear. We employ 6,500 people.

We believe that the American dyestuff industry should be developed and continued as a national industry. We have maintained this position for a long time and I have repeatedly called attention to the necessity for the development of the dyestuff manufacturing industry in this country, not only to provide the needed dyestuffs for our industries but to make certain the absolute essential supply of explosives for our national defense.

In behalf of the Arlington Mills I therefore, now submit to your committee that this industry should be fostered and developed by whatever legislation may be necessary. It seems to us that the Longworth bill as passed by the House will make certain the preservation of this industry. Action is especially necessary now on account of the abnormal conditions that exist in the exchange market. This applies with especial emphasis to the importation of German dyestuffs, for with the mark under 3 cents (with a normal value of about 24 cents) our country without some licensing provision would be flooded with German dyestuffs. No protective tariff could offset this abnormal exchange condition.

It seems to us, therefore, that the House bill providing, in addition to the regular protective tariff duties, a provision for a licensing system for a period of two years is essential in order to take care of the situation during the period of readjustment that we are now going through. Under that plan the commission will be compelled to permit the import of dyestuffs not manufactured in this country, or not manufactured at reasonable prices, but would not let in any dyestuffs that were made here at reasonable prices. It seems to us very vital to make sure at this time that the American dyestuff industry will be maintained, and, while there may be objections to any plan of licensing, we can see no other plan that will take care of the present situation.

The country ought to have learned a lesson from the war and to realize that not only for dyes but for the high explosives, so urgently needed in time of war, that this American dyestuff industry is a national necessity. With that firm conviction in mind, it seems to us that no stone should be left unturned to make certain the preservation of that industry. We, therefore, urge you to take such action as may be necessary to secure the desired result.

Mr. CHOATE. In deference to the chairman's request we will put on no more textile witnesses. Maj. Sill will make a statement as to the conditions which he found in the German industry in 1918.

**STATEMENT OF THEODORE W. SILL, EAST ORANGE, N. J., WITH
E. C. KLIPSTEIN SONS & CO., NEW YORK.**

Senator CURTIS. Give your full name and residence and business.

Mr. SILL. Theodore W. Sill, East Orange, N. J., with E. C. Klipstein & Co., New York.

Senator CURTIS. Now you may make any statement you desire.

Mr. SILL. About the latter part of February and the early part of March it was my opportunity to be a member of the interallied commission, whose object it was to go through the German chemical plants to see what they had done during the war. On that tour we visited five plants, namely, Bayer at Leverkusen; Badische; Meister, Lucius & Brunning; Cassella; Weiler-ter-Meer.

Rather than to go into detail, I can tell you briefly that those plants to-day stand in perfect condition; air raids did no harm to them; they have not been touched by gunfire, being so far away from the line of battle. Germany has them as resources ready to resume her commercial fight without any handicap through destruction, such as other plants have suffered. Particularly, I might call attention to what we saw as a matter of contrast to a plant in the northern part of France, which manufactured dyestuffs and which the Germans had deliberately destroyed, breaking the machinery in a perfectly devilish manner so that it could not be operated for years. This is a matter of contrast to their plants in the Rhine district.

Also, the Germans with their good foresight did not send their best men to the front. This means that they still retain a large proportion of their working forces, foremen and laborers, to operate their plants. At the time we went through they were operating about 10 per cent of their capacity, the reason being that they were short of raw materials for one thing, and another thing which I believe rather caused them to hesitate in showing the factories was that the allied commissions were permeating their whole plant and they did not want to show any more than they had to. As an instance of what Mr. Choate pointed out yesterday that they had ample financial means to carry on their work I might call your attention to the fact

that at the one mill we saw a large recreation building which was erected in the latter part of 1917 and the spring of 1918. Compared with buildings which I have seen in American plants, it was really a luxurious palace for workmen. This will show you, even in the stress of war times, they were able to build and carry on such improvements in their plants. Moreover, in the plant of Bayer at Leverkusen, they were employing very many men at something over one million marks per week, which was to keep them occupied and keep them under their control. These two facts rather showed to us that they were not financially bankrupt at that time at least.

The attitude of the men with whom I came in contact, such as Dr. Duisberg, of the Bayer Co., and Dr. Schluhurst, and another plant we visited—I can not use their exact words, but the substance was: "America will soon forget and we shall soon resume our friendly relations with the old crowd once again." That was the idea in their own words.

As one goes through those plants and stands in the shadow of them you can not help but get the impression that they were the units of the potential force that Germany had to carry on the war; they were the very sinews. There was one plant, one of the Badische plants, where they made enough nitrates to more than supplant what they had ever previously imported from Chile. Without those they could not have carried on the war for three months and it was their life saver. And two of those plants, which were built for dyestuffs—but with the devilish idea back of them to make explosives and poisonous gas—were the very cause of our having perhaps 38,000 or more men left dead in France. And, moreover, those plants, despite the terms of the armistice that they should be dismantled, we found that they were absolutely intact and ready to make poisonous gas within two weeks if they should resume. One of the things we did was to stop and cause them to be dismantled so far as the poisonous gas was concerned. I can only emphasize one thing, that those plants are in perfect condition and ready to resume any operation which they have been doing in the past, and urge strongly that something be done to prevent such a repetition. It seems to me that this licensing proposition is the only thing which will do it and absolutely insure it.

I believe that is all.

Senator CURTIS. That is all.

STATEMENT OF IRENEE DU PONT, PRÉSIDENT OF THE E. I. DU PONT DE NEMOURS & CO., WILMINGTON, DEL.

Senator CURTIS. State your name, business, and residence.

Mr. DU PONT. Ireneé du Pont, president of the E. I. du Pont de Nemours & Co., Wilmington, Del.

Senator CURTIS. Go right ahead.

Mr. DU PONT. You have already divided this topic into two phases: Should the dye industry be fostered, and if so, how?

Now, I gather from what has been said, the first part has been thoroughly covered, and you do not want any more testimony concerning it. You are convinced on that. I will, therefore, restrict my remarks to the latter phase. How should the dye industry be pro-

ected? The word "protect" makes you think at once of the words "protective tariff." That is the method of protection we have used in this country; at least, the predominant method.

This industry is quite unique in one particular, which prevents a protective tariff, of any amount which it is conceivable could be passed, from protecting it.

Now, this peculiarity is the question of yield. There are four factors which temporarily enormously increase this cost, but the main one is the matter touched upon by the eminent professors when they were speaking of yields. Chemically speaking, yields are the proportion of the output which you get, compared with the greatest amount which is possible to obtain according to theory, and the theory is undoubtedly absolutely true. Yields do not seriously affect the ordinary line of industry, as was pointed out in the automobile industry, perhaps; take the example of a foundry: You melt 100 pounds of cast iron and pour it into a mold, and you get 95 to 98 pounds of castings; you can spill and lose a little bit, but substantially you get 95 or 100 per cent yield. That is true in almost every other industry protected by protective tariff. In the numerous steps in the dye industry, it is not true.

We start in to nitrate benzol. You get, perhaps, 90 per cent. Take the reduction of that to anilin, to make anilin oil, which you have heard a great deal about; a well-known process which has been going on for years. We practiced it on a small scale before the war. That process might yield 70 per cent of what we should get of the nitrobenzol. If you get 90 per cent from benzol to nitrobenzol and 70 per cent from nitrobenzol to anilin, you get 70 per cent of 90 per cent, or 63 per cent from benzol to anilin. That is equally true as regards nitric acid, the other reagent used with the benzol; that is, you are also losing a part of the nitric acid going off in fumes and disappearing in the process. These are very simple and well-known reactions. The stumbling block is that in the later processes you may get only 40 per cent, or 30 per cent, or 20 per cent yields. You have heard, say, that in the case of indigo there are some 15 steps. This reduction of your output through poor yield is cumulative, step by step. This reduction by 80 per cent, and that by 90 per cent; and so on, until finally, as Dr. Stieglitz said, after a long series of reactions you got out enough finished product to see, but not enough to use. We have had exactly that experience in every new dye we have undertaken. The yields have been abominable. Ordinarily, you would think the chemists are to blame, but as a matter of fact, they have done splendidly to get the yields they did. It is very elusive; it is not like going into an iron foundry when the iron is right there. If you spill a little of it, you will either burn your finger with it, or you can not help finding it when it is cold. Our materials disappear in the most mysterious manner. They get away and you can not see them and you do not know what has become of them. Or they are converted into other materials, the identification of which is difficult to determine, even after you have recovered them. A great many of these materials can not be determined promptly; it requires long chemical research to determine what it is you have. It may take a month. That is the main reason for the great cost of dyestuffs in the United States. We are beginners. We

have only been manufacturing two or three years. We can not attack all of these thousands of dyes at once.

Mr. CHOATE. Those losses include both labor and raw material?

Mr. DE PONT. You not only lose your material, but you lose proportionately your power and labor. If you get out one-tenth of the proper yield, then your labor cost is 10 times the normal; your fuel cost is 10 times the normal; your material cost at least 10 times the normal; perhaps more, because if you put in too much of a reagent you not only lose because of poor yields, but all the excess is thrown away. There is no way of determining what is too much, or how much to put in, except by a long series of experiments on a commercial scale; that is a very important phase. Experiments are slow enough in a laboratory, where you can heat materials to a given temperature, and with a thermometer then know exactly what temperature you have. In a "man size" apparatus in the factory it is a different proposition. The temperature is not the same at all points in the containers; and it is not heated in a uniform way, unless you agitate it will be at a higher temperature near the steam coils than at other points, and this difference in temperature may depress the yields to a perfectly extraordinary and unbelievable extent. These are the difficulties that the chemical engineer is up against; the difficulties of maintaining the conditions in the factory which in the laboratory he has found to be right. We can find out how to do a thing in the laboratory very quickly and Prof. Stieglitz made a very good showing how quickly he could prepare these compounds on a small scale in his laboratory apparatus, but he did not get them up by the ton. A ton of salvarsan will make doses enough for everybody in this country. We have a much more difficult problem. Six or eight months would not be sufficient for him to get on a tonnage basis. We have been at indigo for two years. This year we have got up at last to quantity production, and we did not put out any until we had quality production. Our costs are very, very bad, due to the smallness of the yield. We have to deliver indigo, and we therefore make a forecast of what our losses would be; we had to be fair to our customers to get them to sign contracts in advance.

We therefore made a forecast how much indigo was likely to cost in the light of our laboratory work and some commercial work. We fixed it at 75 per cent and contracted to supply our customers for 75 cents. By July of this year we have got up to a certain production, but our losses were \$300,000; our receipts were \$300,000 less than we had spent on it perfectly apart from our plant cost; perfectly apart from the rebuilding cost; because when we find we cannot do it that way, we find in the books some other way and it requires then another plant. Apart from this, we fixed a price according to our best judgment what we could do. Everybody thought we were pretty grasping to ask for 75 cents when the Germans had asked before the war 15 cents. On this particular problem we had a great deal of information from the English dyestuff makers, who had seized a German plant in England and knew how it was operated; we knew the principles on which it operated, but we could not steal the personnel; we could not get the chemists and the trained men; we could not steal the process; we could not do that with in-

digo. But we are improving it every month; we have already notified the trade we are going to make a slight reduction in cost on next year's forecast. We have that much confidence.

Now, there is another phase that holds up cost, although I do not want to detract from the importance of the yield, that is the prime thing.

Senator NUGENT. Within what length of time do you believe that you will be able to produce indigo in this country and sell it to our consumers at the price or somewhere near the price that the Germans sold it at here before the war?

Mr. DU PONT. That is dependent on what wages are going to be in this country. If wages continue like they are to-day, such a reduction will never come about. It is theoretically impossible, unless you get extraordinary labor-saving devices throughout the industries, and I do not think you can do it; also, I think the high wage will stay, and the German high wage is likely to stay, too.

Senator NUGENT. Do you desire to have the committee understand that the cost of indigo to the consumer will be in the neighborhood of 75 cents?

Mr. DU PONT. Absolutely no. We will get it down a great deal, but I doubt very much whether we will get it down to the prewar price at which it was delivered by the Germans, and I do not think the Germans will either. I have no doubt but that we will be able to manufacture it as cheaply as the Germans in a reasonable length of time.

Senator NUGENT. You do think it will decrease in cost in a certain length of time?

Mr. DU PONT. Unquestionably; there is no question about that.

Senator NUGENT. The great losses you have referred to are due primarily to the lack of experience, are they not?

Mr. DU PONT. I believe so.

Senator NUGENT. And as you proceed in the manufacture of dyestuffs and become more familiar with the processes used in the manufacture of dyestuffs, those great losses will be largely eliminated, will they not?

Mr. DU PONT. They certainly will, to an astounding and unbelievable degree.

I am an optimist concerning this business; I am anxious to get into it. We have done it in a small way.

Senator NUGENT. I apprehend you are familiar with the scope of the dyestuff manufacture in this country, are you not?

Mr. DU PONT. In a general way. I am more in touch with the theoretical part, however. In fact, I never met any of our competitors in the dye industry until I came to Washington to discuss this bill.

Senator NUGENT. You may proceed.

Mr. DU PONT. The next point I wanted to bring out in the subject of costs and why they are temporarily high is the factor of repairs. You think repairs would cost the same here as in Germany. If we make a kettle out of cast iron and at the end of three weeks we find it is so pitted that there is danger of its bursting we have to get something else to make that kettle out of or the cost of replacing it is very excessive. Let me show you by example what I mean. When the war broke out we began making smokeless powder for the Allies in large quantities. One of the necessary constituents for smokeless powder is

a stabilizer. That stabilizer was discovered in Germany and is known as diphenylamine. We used to obtain that entirely from Germany, and when the war broke out that supply was interrupted, so we felt around to see what could be done. One of the present American dye manufacturers began to make it and kindly furnished us diphenylamine at what we thought was a very high price; we had not then had experience in its manufacture. They boosted the price from 20 cents that Germany had charged to \$1 a pound, but we did not care much if we could get diphenylamine. They came across the very problem we had later; they found it was hard to get quantity production; quantity production was almost impossible. We had to have diphenylamine for the powder, and our stock, of which we had a little ahead at the start, was rapidly dwindling. Fearing shortage, we began to make diphenylamine for ourselves. We planned to make enough for our total requirements to be on the safe side. We soon got a factory going, but our cost was as much as that of our competitor, \$1 a pound.

Senator NUGENT. You passed it on, didn't you?

Mr. DU PONT. I guess we managed to, yes, sir; and I think it was very lucky for us and the United States, too, because the United States would have been in jeopardy if we could not have furnished the powder. One of the steps in that process required an enamel-lined digester. This was the only apparatus that we knew would withstand the action of the acid. We used enamel-glazed iron digesters, and they very promptly cracked; some cracked in three days, and some lasted a week, and the acids would get under the enamel and strip it off and ruin everything we put in, and we were in trouble. We bought all that a certain factory could make, practically subsidized the concern making enamel ware, and we gave them orders to make nothing but digesters and ship them as fast as they became cool enough; we had a steady stream of digesters from Chicago to keep us supplied with digesters which were necessary for this one process, and they were absolutely unnecessary if we had known what apparatus to use for this purpose; so we kept that manufacturer constructing digesters with enamel linings for a considerable time during the war. That was a repair item saddled on the cost of diphenylamine; we did not know any better.

Let us go to the third factor; that is obsolescence; by that I mean the building of a plant for a specific method of manufacture and then find out afterwards that there is a very much better way of accomplishing the same result by a different series of reactions, so you have to design and rearrange to carry on another series of reactions, which leaves a lot of special apparatus on your hands entirely useless, because it does not fit the later reactions. Your capital is wasted and spent, and that ought to be and is a part of your cost, for you can not get it back in any other way than charging it to the cost of production. In most cases that is not serious, because the apparatus is often interchangeable, but in some cases it is not. For instance, in making metallic sodium, used in the manufacture of indigo, we had cheap current for the electrolytic processes and we got the cost down, but we never did get it down to what it ought to have been. Then we found that somebody else, a competitor, was able to make metallic sodium away under our cost. The only thing to do was to scrap the

plant and buy from him. And these things go on in the dye industry every day. Something has to be abandoned, and at very great cost. The fourth factor that makes cost excessive—and I may say the Germans had this same extraordinary cost, but they were able to pass it along like we did on the diphenylamine cost, and a great deal of it to the American consumer.

This fourth item is the utilization of by-products. That at first appears a very simple proposition, but it is far from simple organic chemistry. A by-product which is apparently a waste product may have great value some place else, should we find a place where it could be used and could work up a sale for it. We can store and store it until we have got a great deal, but sooner or later you have to begin to throw it away, because you can not keep it. The charge of housing it becomes greater than the prospective value, and you have looked up there a great deal of capital in storehouses and containers.

As an illustration of that, we started in to make synthetic camphor at our dye plant. There is a by-product of that, a very pleasant smelling oil, but we have not been able to find any use for it. We sell a little of it to the people who make the O-Cedar mop; I think, but not any appreciable quantity. We have about 200,000 gallons of that stuff stored up, and we do not know whether it will ever be worth anything, or what we are going to do with it, but it keeps coming out. That is not a unique example; that is an everyday example. We have stored up at Deep Water Point millions of pounds of stuff because we do not know whether it will eventually be valuable or not.

Mr. CHOATE: That is what you have to have research chemists for; you have to have research chemists to help you?

Mr. DU PONT: We can not get enough of them; they do not exist.

Mr. CHOATE: How many have you?

Mr. DU PONT: Of college graduate chemists between 400 and 500; some 460, I think, and of those, possibly 300 are concentrated on the dye industry, and others are scattered.

Senator NUGENT: The dye industry in this country is a new industry?

Mr. DU PONT: With us it is very new. We have been in it for two years. We thought we were among the best equipped of the companies to attack the problem; we had the capital, and we thought we had the necessary personnel, a very large force of technical men; we have had a wide experience in miscellaneous manufacture; and what I think is the most important of all, we have young men on our executive committee; young men in the executive management; we have the optimism of youth in our management; we have not yet learned to be afraid of things; and we thought if anybody could make it go we could.

Senator NUGENT: If there were but six dye manufacturing concerns in this country at the outbreak of the war, and if my recollection serves me, that was the number stated, and there are now 160 in the country operating on a very considerable scale, it may very properly be said that the industry on a considerable scale is new here?

Mr. DU PONT: Well, it is more new than that would imply. The six manufacturers in the United States before the war did not

comprise a dye industry; they made a few dyes, but nothing comparable with the present industry. I believe the industry we carry on is 75 per cent greater than the entire dye industry before the war. The National Anilin Co. is bigger than we are.

Senator NUGENT. Then the industry in this country is new?

Mr. DU PONT. It is new, absolutely.

Senator NUGENT. Then you are new in the industry?

Mr. DU PONT. Yes.

Senator NUGENT. Now, Mr. du Pont, I apprehend that you have some idea with regard to the quantity of dyestuffs manufactured in this country at this time, have you not?

Mr. DU PONT. I have only a rather hazy idea. I have never gone into the statistics, but I can obtain the best information available, if you would like to have it.

Senator CURTIS. I would be glad to have you get that.

Mr. CHOATE. The Childs commission reports are in and give it as well as it can be given.

Senator NUGENT. Now, have you any idea as to the proportion of manufactured dye products in this country that are manufactured by your company?

Mr. DU PONT. I understand the sale of manufactured dyestuffs here is somewhere in the neighborhood of \$50,000,000 or \$60,000,000. I apprehend our turnover is not more than \$2,000,000; perhaps Mr. Patterson can tell you. I could not carry it in my head; our business has too many ramifications for me to do that.

Mr. PATTERSON. A million dollars a month at this time.

Mr. DU PONT. I am a bad guesser then; it is \$12,000,000.

Senator NUGENT. That would be \$12,000,000 a year?

Mr. DU PONT. Yes. That does not mean anything at all, though, Senator. We are expanding rapidly, but we have not reached full commercial production yet. I think we will be one of the large producers. If we succeed it will be through efficiency; and if we fail we will fail through lack of efficiency. Our competitors are welcome to "trim us," if they can, but they have a good, stiff job ahead of them.

I got to the by-product factor in costs. If we waste by-products we increase the cost of our dyes.

Before, I have given reasons making sure that in the first year of the production of dyes the Germans can beat us not by 50 or 100 per cent but by five times or eight times or forty times at the beginning. Now, you can not obtain a tariff that will protect a baker who must spoil 19 out of 20 of his biscuits. That is what we are doing. If you have an oven and only get 1 out of 20, or 2 out of 20, and have a competitor across the street, a German, getting 20 out of 20, you can not compete with him selling biscuits. You must have an embargo, and have a line in the middle of your street, and say, "We will feed the people on this side." We must have an embargo until we learn to do it. It is up to you people; if you say two years, as the Longworth bill has it, you will prevent the very thing that you have in mind. Mr. Wigglesworth pointed out yesterday that capital is timid, it must be reasonably sure to make good returns or it will not be invested. This undertaking; we have put in about \$20,000,000—\$11,000,000 in plants and \$9,000,000 supplies, finished products, and accounts receivable.

Senator CURTIS. How much time do you advocate?

Mr. DU PONT. I would say 10 years; five years may be enough, but the more time you give, the more capital will flow into it. The more sure the men undertaking it are that they are safe from German aggression, the more capital will flow into it. You put an embargo to prevent foreign dyes coming in and capital will go into it.

The only danger will be from some German coming over and buying a plant and surreptitiously building a German business with German specialists, under our very noses. That is the only way that at least one industry in the United States will succeed, and probably a half dozen will not. In that case you think you have a successful United States dye industry and later find that it is German owned. That is a possibility, and I mention it because I have a suspicious nature, but there is that bare possibility. I think it is unlikely to happen for a number of years. In the first place, the exchange rate is so unfavorable that they would have to send over three shiploads of marks, not "three shiploads of dyes," in order to make a purchase. The Longworth bill is an embargo; it is a misnomer to call it a license bill; the intention is not to license imports, except in rare cases. It is substantially an embargo bill.

Mr. CHOATE. On the selected things?

Mr. DU PONT. On substantially everything. There are undoubtedly a few dyes to-day that would be imported, but it is substantially an embargo bill. I think in six months it won't be necessary to license at all. We have the aggression and the confidence that the American can do this "trick." The Germans believed we did not have the brains; we have the brains. You heard yesterday about alkalis, carbonate of soda, and sodium hydrate; we beat them at their own game at that. Personally I believe we had them beaten on dynamite; I am satisfied we made it cheaper than they did. In the first place, our yield from nitric acid, from nitrate of soda, equaled or excelled that of the Germans. We have gotten 98 to 99 per cent yields. That will not be believed by the representatives of the general chemical company, but our records showed that. We analyzed the nitrates and figured out how much nitrogen there was in it; and we figured the yield came to between 98 and 99 per cent of the theoretical. The manufacture of dynamite requires the nitration of glycerine. We have worked up to nearly the theoretical point in combining nitric acid and glycerine, but it has taken years to perfect. When I visited the California powder plant in 1904—we had owned that company before that, but had not actively managed it—I saw the plant 6 miles away by the red haze hanging over it. The haze was the nitric acid fumes in the air. Since that time nitric acid manufacture has gotten up to almost 100 per cent efficiency, and you can not smell the escaping acid, let alone see it.

Mr. CHOATE. It has been said we have made rapid production in explosives at the outbreak of the war, and therefore could make rapid progress in the dye industry; what have you to say about that?

Mr. DU PONT. The Government officers who appeared here said that we got along well, that in six or eight months after the war started we made a nice showing, but they neglected one phase of it; they neglected to say that we had three years' warning of the coming of that war, and we also had three years' experience of the manufacture of explosives for the Allies. We had all information they had

about the explosives as to what they wanted, and the best knowledge as to how to do it. We also had the Du Pont Co. with their experience with the manufacture of those explosives. We made T. N. T. before the United States entered the war. We had a plant for making it and blew it up early in the war and built a new one before we entered the war. We had three years' splendid experience before our Nation came into the war. During that time we had planned what we would do if we entered the war. Immediately after the war started we had men out looking for suitable places for plants, with the advice of the War College. They gave us information on what was required; how many miles from the coast, and from the border, and when they gave the word we laid the sites selected before them, with the advantages and disadvantages, and they selected the ones we had selected.

Senator CURTIS. You had a plant site at Nitro, W. Va.?

Mr. DU PONT. Yes; we bought a site there for the Government, and we did not get our money back until last month, after having it tied up for two years, I might say.

Senator CURTIS. You didn't get it back before?

Mr. DU PONT. No, sir; we had to carry it; it was something like \$400,000.

Mr. CHOATE. Senator Curtis was interested in the rhodamine.

Mr. DU PONT. We made it; we took over a little plant, and only a short time ago somebody checked up on the rhodamine. We asked how much stock was on hand and there was next to nothing on hand, and it appeared that we sold little of it, and investigation showed it was going out in dinner pails; it was stolen, and possibly that is the source of that \$75 rhodamine.

Senator CURTIS. How much were you selling it for?

Mr. DU PONT. Possibly \$18 or \$20.

Senator CURTIS. I called attention to that because it was referred to in the reports of the Tariff Commission; I read it, and read it into the record; it is in the Tariff Commission's report.

Mr. DU PONT. It will interest you to know what we were doing in indigo. Mr. James T. Pardee, of the Dow Chemical Co., said yesterday that they were producing 150,000 pounds of indigo per month, and they could not sell at a profit at less than 65 cents a pound. We are in the same position, except that we are producing 600,000 pounds a month. We have not got into the more complicated indigos, the last word in indigos—brom-indigos. We sell our entire output for overalls and plain goods. We are keen to get into the big production. We want to grind it out by the ton and have a big enough volume so that we can afford specialists on everything. That, I think, is the keynote of success in this country.

You brought up the question yesterday, or day before, whether the big fellow will try to undersell the little fellow. That is the last thing a man wants to do. The only place I ever heard about that being done was in Ida Tarbell's book on the Standard Oil. I never heard of it any other place. That is the last thing the big fellow wants to do; it costs him terribly. He might incidentally put the little fellow out of business if his yields go up and his costs down where he can make a very handsome return at a selling price which will ruin the little fellow. That is the source of these rumors. The

little fellow finds himself unable to compete. The little fellow fails because he happens to be ground between the wheels of progress.

Senator CURTIS. Greater efficiency?

Mr. DU PONT. Yes, sir.

Senator NUGENT. It was stated by some of the witnesses who were on the witness stand before you that that was precisely the game the Germans were playing; they were endeavoring to put the American manufacturer out of business by importing their dyes and selling them at a lesser price than they could be produced in this country, and being somewhat familiar with human nature in commerce, and believing it is the same whether a man is a German or an American, I asked that question.

Mr. DU PONT. I think there is a difference in the setting. If a concern in this country had substantially all the business at enormous profits and they saw a man who was liable to cut into those profits, a little fellow sticking his head up, they might soak him. But here we have a different situation; we are growing up together. If we undersell him we are going to sacrifice our profits to use in research and maybe another fellow will then appear and put us out of business.

Senator NUGENT. But you would like to see the color of the man's hair who could put you out of business.

Mr. DU PONT. We would be the first to quit if we are not supported. We have the money of stockholders all over the country. Myself and the other men on the executive board are merely the trustees of that money. If we do not get protection against Germany it is throwing good money after bad; you would not do that, nor would I.

Mr. CHOATE. And you could transfer your activities and plants to other industries?

Mr. DU PONT. To a certain extent; but the great assets we have is personnel. It is worth more than our plants. Your organization so far as specialists is concerned; your engineers; your research men; they are all of so great value that we could turn them into other channels and make more than we make in the dye industry. Twenty million dollars is a large sum; it is perhaps one-tenth of our capital. It does not kill us to have to give it up and we candidly will not put in \$10,000,000 more, if it is like trying to swim up the Niagara. We have held up appropriations to the extent of \$5,000,000 and are awaiting decision of what Congress is going to do. Eight months ago it never entered our heads that the dye industry would not be protected; it seemed so inconceivable that anybody should suggest such a thing. We did not know what was necessary for protection, but we were perfectly sure the dye industry would be protected. The opposition that developed to the legislation in the House began to frighten us a little bit, and when the opposition came later we simply did what any sane business man would do, held our money and did not spend additional capital until this thing is cleared up. If it was all my money I would go ahead and trust to you fellows to protect me later, but you can not do that with trust funds. You would not do it with trust funds.

Senator NUGENT. I do not think you need entertain any apprehension as to whether the Congress will protect the dye industry in this country.

Mr. DU PONT. I know, from hearing you people speak, the temper is to protect it, but will it be "protected" in a way which will be a

quick way to kill it; will they say because a tariff protected some other industry it is a good thing to protect this?

Senator CURTIS. I think the general opinion is, you could not put a duty on that would be protective that the people would stand for.

Mr. DU PONT. Precisely.

Senator CURTIS. So there must be some other methods found, if there is one.

Mr. CHOATE. What about the antidumping law?

Mr. DU PONT. I have not read that or investigated it sufficiently to answer.

Mr. CHOATE. Assume that it depends on the ascertainment of the costs in Germany?

Mr. DU PONT. I would not undertake to find that out, what German costs are, even if I was sent over there with a corps of accountants, because we are in doubt whether we can determine the costs in our own plants. There are so many intermeshings. There are so many by-products. What is the fair cost to assess against each of them? Let me take simple by-products that you know about; that is, the by-products of charcoal. Originally charcoal was made, like coke, in a beehive oven; you heated it and drove off the volatile parts of the wood. That was a very simple method. Somebody discovered that in the gases there were valuable by-products. The wood for the by-product charcoal is now heated in retorts and the gases passed through condensers. In the distillate you get acetic acid, wood alcohol, and a certain amount of acetone, and also an amount of tar and other products. You neutralize the acetic acid with quicklime and get calcium acetate. Redistill the alcohol mixed with other materials, and you separate methyl alcohol and acetone and wood oils.

Now, the value of these by-products during the war, if sold on the market, would pay for the entire cost of the wood and the entire operation in the plant, so that you have your charcoal at no cost at all. Now, by that way of accounting we had costs as low as 3 cents less than nothing for a bushel of charcoal during the war. Charcoal was the thing we were making for the manufacture of black powder, but the gathering of the by-products made it appear to cost less than nothing. Now, how can you approximate the real cost of any one of them? How can you say what fraction to take as the acetone costs and how much to take as the wood oil costs? There is no way of saying. It is purely arbitrary to say 20 per cent on this and 20 per cent on that. It does not mean anything.

Now, in the dye industry, the same as in this other industry, by-products come out, and often each of these in turn produce other by-products; the costs get all mixed up and are indeterminate. If you start in with a chain of reactions you do not know what costs you have at the end, and the way we study costs is to study yields. If we get 100 per cent yield we are done with the chemical part of it; it is done. If we get 90 per cent yield, then we have to find out where the other 10 per cent is. Now, you can only determine the cost of the dye industry as a whole. Indigo is different; it is the only item we have that has no by-products that go into anything else; for all the things that go into indigo have no by-products, and we can figure the cost of indigo; it is unique.

I got out the cost sheets in the dye industry the other day, and spent an honest day going over them and could not make anything out of them, and I said I would never again look at them, and then I went to our technical men and asked them about it, and they said they had arrived at that conclusion long ago.

Mr. CHOATE. So it would be fair to say, in many cases, the German works might state, and truly state, that the particular products produced by them cost nothing, or less than nothing?

Mr. DU PONT. I think so. We reported the cost of charcoal less than nothing during the war.

Mr. CHOATE. And they might figure the cost so low that comparatively they would seem infinitesimal?

Mr. DU PONT. I think so.

Senator CURTIS. Anything further?

Mr. DU PONT. I don't know that I have touched everything I may know about. But the situation is something like this: I have touched upon the fact that this is really an embargo bill, rather than a licensing bill, because I believe that inside of a year or 18 months that there will not be any licenses granted. The insufficiency of the time in the Longworth bill I have touched upon too, but I can not hammer that too hard. We can do a lot; but there is not the man power in the country, even if we were all together; we can not attack all the problems and get it all done in two years, even if we apportion the work; it is unthinkable; it could not be done.

As to the proper length of time some people have guessed five years. I do not think those fellows have been up against "the game." I think we are going to do it quicker than even Germany, but remember in arriving at the number of years that if you err on the right side no harm is done, but if you err on the wrong side you frighten capital. If capital does not flow into this thing profusely you will delay the result. It makes no difference to the public whether it is 8 years or 10 years, if we develop the industry and are then able to beat the Germans.

Senator CURTIS. You could repeal it at any time.

Mr. DU PONT. Don't say that; you will frighten capital. Capital is more timid than a woman; it won't go out in the dark at all. [Laughter.]

In a preliminary hearing we had in Senator Penrose's office, he asked a number of us to come down here and give our ideas and asked us, "What do you want?" I say an embargo, with a permit to bring in these things we do not make for a 10-year period. I say we want, second, a tariff in addition to the embargo; the embargo may miscarry; put as high a duty as you can get behind the embargo wall. If the embargo works it don't make any difference what the duties are. But if the embargo leaks, put in the second wall, a high tariff behind; put as high a tariff as you can get.

I want further then and at the risk of seeming to get a monopoly, to urge that you should provide that the Sherman law does not apply to the dye industry, if it is thought necessary in the opinion of some Government official. I say that not because we want a monopoly; we do not want it; if we have everybody competing for the prizes, that is the ideal way. But suppose some unexpected situation happens, requiring that we get dye makers together on short

notice to exchange information, some Government officer ought to be designated to say the Sherman Act does not apply to the dye industries, because it is in the interests of the public need, if that time ever comes. The importance of the matter has not been exaggerated by what these gentlemen have told you. I am not going on to that question, though I feel strongly about it, because you are satisfied. That phase should be considered. It is a good deal to ask, but the situation is not without precedence.

Our company went through to a dissolution suit with the Government and I was one of the victims who was found to be guilty of a matter which started in 1870—six years before I was born, but I was somewhat precocious. The Army and Navy said "do not split up the military business of the Du Pont Co." So it was not split up. And it was a wonderful piece of foresight that they did not do it; we would not have been able to do anything like we did in the war if we had been split up into several independent corporations. But do not let the dye fellows decide whether it is the thing to do. Let some Government official decide.

Now, we have heard a good deal about vat dyes; one gentleman, Col. Wood, made the statement that we promised to get out vat dyes, though I do not know who made that promise; I would like to know his name. Mr. Herty testified it was recognized that we could not get them out promptly. But I can say this to-day we are producing eight vat dye colors in quantity. We are not putting them on the market and do not propose to until they are thoroughly standardized. We do not put out one until we can rely upon it; until we know it is fairly reliable, and we have to run the manufacture a certain time to be reasonably sure our standards are to be maintained. They will be on the market in material quantities; not enough to supply the whole country, but in a material amount, say 1,500 pounds a day. That is a good deal on vat dyes, though it is not much on indigo.

MR. CHOATE. I would like to ask one question before you go. The suggestion was made that a number of products was sold below cost. Isn't that inevitable in every business where you manufacture so many different products?

MR. DU PONT. I think it is inevitable at the beginning where people do not know what the dyes are. You can not help sometimes naming prices below what might reasonably be expected to be the cost.

Senator CURTIS. The committee will stand on recess until 2 o'clock.

(And thereupon, at 12.10 o'clock p. m. the committee stood on recess until 2 o'clock p. m.)

AFTER RECESS.

The committee reconvened pursuant to the taking of recess.

MR. CHOATE. Mr. Chairman, my next witness is on his way here from the hotel and will be here in a few minutes. In the meantime I want to put in now the petitions from various dye consuming firms.

Senator CURTIS. Those are already printed?

MR. CHOATE. This petition itself is printed, and the names of, I think, seven hundred and odd signers were printed in the House

record. I want now to put in the names of 300 or 400 other signers, if I may have permission to do that.

Senator CURTIS. What is the use of putting in the names? Why not state that they signed it?

Mr. CHOATE. That will suit me if it suits you. I only want to call the attention of the committee to the fact that that petition supports a license plan like the British, which is a more drastic measure than the one which we have here.

I believe it will be said by the other side that some persons who signed that petition have changed their minds. I have no doubt of it. I have no doubt that out of 900 men who sign any petition some will change their minds in six months. We shall also be able to show that a number of the signers of the opposing petition have changed their minds. I do not think the details on that subject are of much importance.

We offer that petition as a very remarkable instance, the most remarkable instance, I think, that has ever occurred of the support of a protective measure by the industry which must in the first instance bear the cost of the protection.

Then I wish to put in the record a number of resolutions which we have right here.

Senator CURTIS. That will be all right. Hand them to the reporter.

Mr. CHOATE. I should also like to have inserted in the record a remarkable article, entitled "What Germany thinks of the dye industry from an economic standpoint," from a German publication of 1913, which shows how the dye industry is looked upon by the other importing industries in Germany.

Senator CURTIS. Has that been printed?

Mr. CHOATE. That has not been printed as yet. I have it here.

Senator CURTIS. Hand it to the reporter, then.

(The article referred to is here printed in full, as follows:)

WHAT GERMANY THINKS OF HER DYE INDUSTRY FROM AN ECONOMIC STAND-POINT. ITS RELATION TO OTHER GREAT INDUSTRIES IN WHICH GERMANY HOLDS A LEADING PLACE.

[Excerpts from the German Export Guide for 1913, a yearbook of German export industries, edited and published in English by the Hauseatischer Export-Verlag, G. m. b. H., Hamburg.]

WHAT GERMANY THINKS OF HER DYE INDUSTRY.

In an article on Germany's chemical industry, Dr. Horney, general secretary of the association for safeguarding the interests of Germany's chemical industry, says regarding the importance of this industry economically:

"The ultimate aim of the development within the chemical industry is, firstly, to reduce more and more the prices of the finished products by means of a continuous improvement of the processes of manufacture, and furthermore to obtain materials which are at present extracted from vegetables by synthetic processes on a larger scale in a less expensive manner, in equal or better quality. There is no industry in which such extraordinary revolutionary changes have taken place in such a short time as in the chemical industry. A new method for the manufacture of a certain product can completely disarrange and revolutionize the entire manufacture within the shortest time. Thus the soda works working according to the older, so-called Leblanc process, after a hard fight and within a short time had to leave the field to the ammonia-soda works, employing the process of the Belgian, Ernest Solvay. Greater still were the alterations which arose, and are still continually taking place, in consequence

of the fact that chemists succeeded in extracting in a synthetic way the most beautiful dyes, drugs, and perfumes from hitherto low-priced waste products, as, for instance, coal tar. When in the seventies manufacturers succeeded in producing synthetic alizarin on a commercial scale, the cultivation of French madder, which had before shown such good returns, became ruined in a comparatively short time. The most striking instance, however, is the manufacture of synthetic indigo, in which, in 1897, a German firm was successful after 20 years of experiments. While formerly the Asiatic countries, especially British India, had supplied the world's consumption of indigo, the state of affairs changed at once after the production of artificial indigo had been taken up in Germany.

"The following table of Germany's imports and exports of indigo may illustrate this fact. Up to 1897 the quantity of indigo imported into Germany amounted to nearly 40,000 hundredweight, of which 12,000 hundredweight were reexported to other countries. After that the imports and exports developed as follows:

	Imports.	Exports.
	<i>Cwt.</i>	<i>Cwt.</i>
1898.....	20,724	18,360
1899.....	22,150	27,580
1900.....	11,288	37,450
1901.....	12,000	63,400
1910.....	1,650	350,548
1912.....	1,383	388,600

"At present (1913), Germany buys only a small quantity of indigo, and on the other hand, supplies not only the European countries but also to a considerable extent British India, China, and Japan. In 1910, the exports of indigo to British India amounted to 7,460 hundredweight; to China 123,640 hundredweight; to Japan 16,600 hundredweight; to the Dutch Indies 8,000 hundredweight.

"As a result of the synthetic production, an equally radical change has taken place with regard to the price of indigo. While in the German export trade statistics, indigo was once valued at 600 marks per hundredweight, the value of indigo has of late years been given at only 100-125 marks. The superiority of synthetic indigo is not only founded on its cheapness, but above all, on its better qualities as compared with vegetable indigo. These facts which apply also to numerous other dyes, have caused the tremendous development of the German color industry, and have secured for it a predominant position in the world's market.

"The pharmaceutical industry has developed in a similar manner and its exports have increased fourfold since 1880. At the same time the average value of pharmaceutical products has, however, considerably decreased, which fact is not only to be ascribed to keener competition, but, more especially, to the great improvement in the manufacturing processes. In the last two decades the German pharmaceutical industry has presented the medical profession with a large number of new and important remedies that have attained great importance in the fight against sickness and epidemics.

"It is just this hand-in-hand work of scientific research with industrial enterprises that have given the chemical industry such enormous development. Occasional successes, as for instance, the discovery of salvarsan, the cure for syphilis, which was not the result of accident, but of laborious research, only bring the value of such work more prominently to the notice of the world at large.

"Then again, the most strenuous attempts are being made to produce those raw materials in the country itself, which to a considerable extent are being imported from other nations. Germany's great wealth of coal is known, as is also the fact, that by the proper utilization of coal the most valuable products can, to a certain extent, be produced, which would be entirely lost were the coal consumed in the ordinary way.

"In no other country has the distillation of coal tar taken on such enormous proportions, for the very good reason that no other country possesses an industry capable of handling such quantities of by-products to be further worked up into articles of commercial value. While a part of these by-products is

employed in the color, perfume and drug industries, the greater part of the oils, distilled from the tar, is used for impregnating purposes, as fuel for motors, etc., and the ammonia obtained at the same time furnishes excellent artificial fertilizers for agricultural purposes. Chemical technology has also a great progress to record in the matter of explosives. The chief object in this special branch has been to manufacture explosives for industrial purposes which could be handled with a minimum of danger and without losing anything in efficiency. The satisfactory results obtained have contributed largely in the course of the last 20 years or so in increasing and establishing the importance of the German explosive industry, which is now (1913) in a position to supply safety explosives and blasting agents for every possible purpose, and to suit all requirements."

In speaking of the wonderful results achieved by Germany in the pharmaceutical industry, the Union of Pharmaceutical Factories states:

"The brilliant progress in scientific research, particularly in chemistry and medicine, gave the chemical pharmaceutical industry a lasting and valuable incentive to turn the results of theoretical and clinical experiments and labors to practical and profitable account. This harmonious cooperation brought about successes in Germany which place her, so far as this industry is concerned, above all other countries. The best proof of this is that foreign imports have diminished year by year, while exports show a steady increase. The imports of pharmaceutical products, which amounted in 1907 to 6,720 hundredweight, dwindled down in 1911 to 5,394 hundredweight, while the exports of 18,020 hundredweight in the year 1907 increased in 1911 to 20,420 hundredweight. Exports, therefore, were always several times larger than imports, and in the course of the last five years have increased 60 per cent, while imports in the same time have diminished 20 per cent. To-day it may be stated with satisfaction that in many countries the German origin of pharmaceutical products is considered a pledge of their good quality."

In speaking of pharmaceutical cosmetic preparations, the same writer hopes for a larger trade with the Americas in the high class cosmetics.

"It is to be hoped that the large transatlantic import houses in particular will not longer confine themselves to seeking only the cheapest preparations of this kind in Germany."

Again, with regard to extracts, pills, capsules, tablets ointments, etc., the same desire for a larger world market, as follows:

"Large German export houses should especially try to convince their customers that nowhere less than in medicaments ought the cheapness of the price to decide the acceptance of an offer. The task will become all the more lucrative as the work of enlightenment progresses, for that alone will enable firms to retain their present markets and acquire new ones.

"A particularly gratifying result has followed the manufacture of India rubber plasters which were originally brought into Germany from the United States. These India rubber plasters are made in Germany, of such excellent quality, so conveniently made up, and so well adapted to the various requirements, that they can stand every comparison with the more expensive American ones."

In an article on the German color and varnish industry by Mr. A. Gravel, page 500, the following statements occur:

"The color industry by its enormous consumption of raw materials has created new markets in Germany for many foreign branches of industry and has outdistanced foreign competition. Science and technics have joined hands in order to lend the German chemical industry a preponderance in the world's markets which can never be done away with. It supplies to-day four-fifths of the total requirements of all industrial countries.

"It is a remarkable fact that the German coal-tar industry exports 75 per cent of its output, while in former years all coloring matters had to be imported from abroad.

"The total foreign trade of the German color and varnish industry amounted in 1911 to 16,436,128 hundredweight, valued at 420,641,000 marks, the share of the color industry amounting to 11,073,700 hundredweight, valued at 298,663,000 marks. The importation of raw materials for both industries amounted in 1911 to 5,600,152 hundredweight, valued at 103,473,000 marks. The exports of manufactures in the year 1911 amounted to 5,656,402 hundredweight valued at 271,944,000 marks. The color industry participated in these figures with 4,437,014 hundredweight, valued at 254,212,000 marks.

"The color and varnish industry enters more deeply than any other into almost every branch of the finished goods trade and is therefore unmistakably

dependent upon the state of business in that trade. This is, however, not the only factor deciding the position of the color and varnish industry; commercial relations with various countries and competition have recently caused an alteration of the markets for the products of the German color and varnish industry. The importance of the large economic fields for the exportation of colors and varnishes appears to be approaching a culminating point, wherein the smaller countries participate to a continually increasing extent. The five countries with which Germany chiefly trades had in 1900 a share in the exports exceeding 60 per cent, while their share to-day (1913) does not reach 60 per cent. Thus, for instance, Great Britain, which for many years held the first place in the exportation of German colors and varnishes, in 1910 already had to relinquish this position to the United States, although the exports to the United States had not increased in the same degree as before. Also Austria-Hungary, which formerly always held the third place, has had to surrender that place to China; and British India, the Netherlands, and Spain had to give precedence to Japan.

"As to the principal export articles, the products of the manufacture of aniline colors take the first place; they form 74 per cent of the total German export of colors. The extraordinary circulation of German aniline colors is not only owing to their excellent quality and richness, but also in a large measure to the system adopted by the aniline color factories for the training of the dyers and the adaptation of the dye works to the process of aniline dyeing, whereby the brilliancy and fastness of the aniline colors were first brought to the knowledge of a larger public.

"The white colors (zinc-white, white lead, lithophon. and barium), bronze colors, lac-varnishes and varnishes, the blacks and printing inks, and also the various blue colors are ordered almost universally from Germany on account of their unsurpassed quality and cheapness.

"Another peculiarity of the German color and varnish industry is the creation of new branches of industry or the promotion of technical knowledge in existing industries. For instance, a new industry of this kind is the manufacture of artificial stone, artificial wood, and artificial marble, which only gained importance and became efficient through achievement of certain color factories. The object aimed at was to manufacture colors that would resist the influence of lime, cement, acid containing wash, wind, and weather, and success has rewarded these efforts. Through this success it is possible to-day to manufacture fireproof seamless floors of artificial wood in pleasing shades and to use colored artificial stones that are cheaper than natural stones and which often surpass them in hardness and beauty. In transatlantic countries there is always a lucrative opening for artificial wood and stone industries, wherever a good deal of building is going on, and consequently a lively interest is taken in the special colors in question.

"In the color industry alone in 1900 there were 20 joint-stock companies with a paid up capital of 144.44 million marks. On this investment there was realized (in the one year) a clear profit of 32½ million marks."

As regards printing and lithographic inks, according to the statement by the German Printing and Lithographic Ink Manufacturers' Association, about half of the total output of German printing and lithographic ink makers finds its way to foreign countries.

"The enormous development experienced by the chemical and mechanical engineering industries in Germany was bound to exercise an important influence on those branches of trade whose aim it is to describe and depict the wonders and brilliancy of nature for the benefit of the public. Hence we find that the improvements made in the construction of power-printing presses and the manufacture of color and paper have enabled the graphic trades to forge ahead in a way that far exceeded any expectation. Nowadays we come across creations of the graphic arts which can only be described as works of art. A large portion of this success is due to the quality of the colors employed.

"The coal-tar colors form the most important basis for the manufacture of colored printing inks. They give better impressions and have a greater permanence than natural color stuffs. Color printing may well be said to date from the introduction of coal-tar colors. To these and their manufacturers is due the large development of color printing. It was only with these that it became possible to bring three and four-color printing to the high state of perfection it has now reached."

THE RELATION OF THE DYE INDUSTRY TO OTHER GERMAN INDUSTRIES OF IMPORTANCE.

The excerpts already quoted above indicate the importance of the dye industry as an integral part of the great German chemical industry. By means of it Germany is able to handle the by-products which are obtained in the various processes of the chemical industries, such as, for instance, in the manufacture of by-product coke. It has also been stated that the dyestuffs trade enters more deeply than any other into almost every branch of the finished-goods trade. The statements of German experts on the development and importance of some of these trades which are directly dependent upon the German dye industry, will be given, taken again from the German Export Guide 1918.

GERMAN PAPER-MADE GOODS INDUSTRY.

"To this industry is due a large portion of the lithographic productions, writing books, writing blocks, calendars, toys made from paper and other articles that have sprung from the improvement of paper making and used the world over."

German dyes play a large part in the attractiveness of such articles as also in the manufacture of office requisites, some of the most important of which are ink, typewriter ribbons, and carbon paper.

THE GERMAN CERAMICS INDUSTRY.

"In the two most important ceramic industries, in the manufacture of china and earthenware, Germany, the mother country of china, occupies the highest rank in the world's market. The large State establishments have turned their attention to the development of new technical processes and the invention of new and more advantageous methods of working.

"A special branch of the porcelain industry, which is cultivated in a great many factories, is the manufacture of chinaware for chemical and technical purposes. The sale of these articles is not confined to the home markets, for there is hardly a spot on earth where they are not in constant use among men of science. In modern times the manufacture of insulators has acquired growing importance, owing to the flourishing state of electro-technics. For these things German factories rank high.

"The earthenware factories are mostly large concerns employing many hundreds of workpeople. Among them are some that have acquired fame throughout the world by their tasteful artistic decoration, or the careful execution of specialties in fine earthenware."

This industry could not develop if it were not for the high state of production in the chemical industry largely stimulated by the dye industry.

THE GERMAN TOY INDUSTRY.

"The German toy industry belongs to those German export industries, the productions of which have found their way into all countries of the earth and have hitherto not met with serious competition in the world's markets."

The attractiveness of these German toys, made of wood, papier-mâché, and metal, are largely dependent on the attractive colors furnished by the dye and varnish industry. In this class belongs also the Christmas tree decorations for which Germany is famous.

THE GERMAN TEXTILE INDUSTRY.

"Among Germany industries, next to the machine construction, the textile trade is the one to which most importance may be attached. If we consider that it employs over a million hands, or, in other words, about one-tenth of the workmen employed in German industry, and that its yearly output amounts to some 3½ billions of marks, it can be easily realized that we are dealing with a very important industry indeed. It is also in this country that we find the briskest export and import trade. Inasmuch as only one-fourth of the goods produced from the imported raw materials are absorbed by the home markets and a good three-fourths find their way into foreign lands.

"The German cotton industry now (1913) stands next to that of Great Britain and the United States. In 1911 she exported the following cotton-textile products (value in marks) :

Cotton fabrics.....	148, 271, 000
Cotton gloves, hair nets.....	20, 080, 000
Velvet.....	7, 305, 000
Velveteen.....	0, 510, 000
Lace and embroidery.....	41, 750, 000
Stockings and socks.....	04, 017, 000
Underwear.....	20, 004, 000
Woven goods and network.....	10, 032, 000
Cotton yarn.....	59, 200, 000

"Of these the United States imported lace valued at 17,500,000 and hosiery valued at 13,500,000.

"The German wool industry has undergone a similar development. In 1911 Germany exported (value in marks) :

Woolen fabrics, cloth.....	204, 088, 000
Woven, spun, and net fabrics.....	27, 000, 000
Plush.....	11, 307, 000
Carpets.....	8, 478, 000
Woolen felts.....	5, 070, 000
Woolen yarn.....	88, 100, 000

"The German silk industry established its world-wide reputation chiefly on its velvets. It is also on an equality with its Lyons and Milanese competitors in the manufacture of silks, satins, and other tissues. Very large quantities, especially of tissues, trimmings, and imitation silk go to the United States."

The quality of these German textiles is dependent upon the quality and fastness of German dyes. Large dyeing works have been developed, while the dyeing process has been raised to a high technical level.

"It is quite the practice for foreign manufacturers, for instance, to have their raw silk dyed in Crefeld."

THE PHOTOGRAPHIC ARTICLES INDUSTRY.

The photographic articles industry is also dependent upon the dye industry for such articles as its sensitizing dyes, etc. In Germany there are 400 factories engaged in the production of photographic accessories, among which there are 55 chemical works. In 1910, 5,098 hundredweight of chemical products, valued at 1,425,000 marks, were exported. Allied with the coal-tar color works are the gas works and the coke ovens. The basis of all such industries consists in the various products obtained by the distillation of coal, gas, tar, ammonia, etc.

MACHINERY INDUSTRY.

Upon the success of the dye industry is more or less dependent the success of the industry devoted to the manufacture of chemical machinery, such as is used in making artificial fertilizer, ammunition, machinery for preparing tablets, pilllets, pastilles, cubes, in steam exhausting and condensing plants, mixing and kneading machines, drying plants, extraction apparatus, plants for crushing, filter presses, etc.

It is also true that just as the finished products are dependent upon the dye industry, so also the machine industry, which supplies the machinery for these industries is likewise stimulated by the market which these finished goods acquire, which is determined in no small degree by dyes used in their manufacture. In the machine industry Germany has gained her highest place. Among the various kinds of machinery which are indirectly affected by the dye industry may be mentioned machinery for textile industry, for bleaching works, laundries, etc., machinery for the manufacture of paper, machinery for the bookbinding establishments. Printing machines for book, picture cloth, and wall paper, machinery for working leather, wood, and rubber. Manufacturing plants for brushes. Machinery for mining. Machinery used in the ceramic arts, for clay, cement, graphite, for brick and tile making, and glass works. The machinery exported by Germany equals from 35 to 40 per cent of her total output.

STATEMENT OF MR. E. H. KILLHEFFER, VICE PRESIDENT NEW-PORT COMPANY, MILWAUKEE, WIS.

Senator CURTIS. State your business, please.

Mr. KILLHEFFER. I am vice president Newport Company.

Senator CURTIS. Where do you live?

Mr. KILLHEFFER. In New York. It may be interesting if I state my former connection, which was chief chemist in New York for one of the German houses, Kalle & Co.

Mr. Chairman, Mr. du Pont has already told a very complete story from the standpoint of the manufacturer, and so I will be most brief. There are just a few remarks that I might add. I might say in starting just what Mr. du Pont said, that what the manufacturer really feels that he needs is just as near as he can get to an absolute embargo without actually hurting the user of the dyes. We did enjoy just that during the war period, and that is the only reason we were able to develop to the extent that we did in that comparatively short space of time. With the protection that we are now asking for it is reasonable to suppose that our development from now on will be a great deal more rapid than it was during the war, because of the fact that our plants were taken up for various kinds of war work during that period.

On the subject of the antidumping law, there are just one or two thoughts I might suggest. I believe that almost any form of antidumping law that could be devised would be inadequate. If I may, I will refer for a moment to a color that you mentioned yesterday or the day before—Rhodamine B.

Rhodamine B-extra, or B-concentrated, which was the highest concentrated form in which that product came into this country before the war, sold in this market for 95 cents a pound. That included duty, ocean freights, and other expenses connected with selling. Rhodamine B-concentrated, as sold here to-day, sells for \$25 a pound.

Assuming that the cost of German manufacture has multiplied by five or six or almost any multiple we might want to use, we would still have a price for Rhodamine B-concentrated, as it would be brought in by the Germans, that would require for adequate protection a rate of duty that would be entirely out of order before we could get a price anywhere near the price of our American cost.

But probably the biggest factor in the consideration of antidumping is the fact that all kinds of colors—and I speak now of some of the most ordinary, direct colors or acid colors—can be so altered by very simple means that they could be brought in and apparently have no relation whatever to various known colors, and there would be no basis therefore on which to establish any value for the assessment of duty or other purposes.

Mr. CHUTE. Or antidumping provisions.

Mr. KILLHEFFER. Or antidumping provisions. We could, as was often done in the old days, take several products that were well known and, by careful blending create a product which would be sold under a new and fancy name for some particular purpose. That product would have a value all its own, and could not be compared with the various known colors.

One item that enters into the cost of our products here also, which is probably of some importance, is this: When you speak of the different values of colors made here and colors of German origin it is well to bear in mind that, due to the general conditions, labor and other conditions, the labor cost per pound of dye made in this country, in a very great number of cases, if not in all, exceeds the price at which that dye was formerly sold in this country; so that the obstacles that we have to overcome are not only obstacles of progress in the art, but obstacles of experience.

On the subject of Rhodamine it might be interesting to state, just as a matter of record, that in the case of my own company we brought here from Switzerland the inventor of Rhodamine, expecting to produce a dye which was very much wanted and which had been used as a sort of argument. We had this gentleman in this country for a number of months, a year and a half, working on this problem, and even he, who was the inventor of Rhodamine, found that conditions in this country were so different as to apparatus, as to raw materials used, and every other condition, that he had the greatest difficulty in producing a product that he of all men should have been most familiar with. And even after he was successful in our laboratories, we have for the time being put Rhodamine on the shelf, because it is a product the manufacture of which is quite complicated, involving a great number of steps with a consequent loss in yields, and are waiting before we go ahead with Rhodamine, as with some of the other colors that are wanted very badly—namely, some that come in the series of triphenolmethane dyes—until we know just what we are going to get in the way of protection.

That brings us back again to the statement of Mr. du Pont, that capital will wait and be sure of its ground before very great progress is made in the still missing links in our dyestuffs production.

The matter of by-products was also touched on this morning, and the difficulty of accounting methods connected with them and properly assessing the costs over the various products. There is very little I might add, except to say that by reason of proper protection, providing we get it, we can make rapid progress, and when we get our industry well rounded out it is reasonable to suppose that our costs, which we admit are high now, will be very materially reduced by reason of the use of these various by-product intermediates.

I do not think there is anything that has been left unsaid that I can add.

Senator CURTIS. From your experience in this business, how long a time do you think, if the license system is adopted, it should be kept up in order to give you ample protection?

Mr. KILLHEFFER. I would say a minimum of five years.

Senator CURTIS. In your judgment the antidumping law would not give the industry the protection needed?

Mr. KILLHEFFER. I do not believe it would; no, sir.

Senator CURTIS. For the reason given by you a moment ago?

Mr. KILLHEFFER. Yes, sir.

Senator CURTIS. That is all.

STATEMENT OF MR. E. C. KLIPSTEIN, PRESIDENT OF E. C. KLIPSTEIN & SONS CO., AND TREASURER OF A. KLIPSTEIN & CO., IMPORTERS, 644 GREENWICH STREET, NEW YORK.

Senator CURTIS. Proceed, Mr. Klipstein, and make any statement you may desire.

Mr. KLIPSTEIN. I have been in the business of importing dyestuffs in connection with A. Klipstein & Co., of New York, ever since 1880, beginning with the importation of dyes when there were not more than a dozen of them on the market, and I have been in that business ever since. For something like that same time we have been the agent of the Society of Chemical Industry, the Swiss manufacturers of dyes, and I have had the handling of all they produced in those 40 years. Consequently, I know the importation side of the business pretty well.

I have been on both sides, and this whole thing, in my mind, comes down to two or three very simple propositions. There has been a great deal of talk and fuss made about all sorts of things—German influence, and this, that, and the other, but when we cipher it all down it comes to a very few plain propositions.

In the first place, you have got to take into consideration the fact that the buyer and the seller are natural enemies of each other. The man that wants to buy wants to get it as cheap as he can, and the man who wants to sell wants to get as much as he can. You have got it back in the Proverbs of Solomon: "It is naught, saith the buyer. Then he goeth away and boasteth thereof." It is the same principle; it does not make any difference who wants to buy dyestuffs he is going to get them as cheaply as he can.

Senator NUENT. And the man who sells them is going to get as much as he can.

Mr. KLIPSTEIN. He is going to get as much as he can, and he has to if he wants to live. He has to get enough to make a profit, or go out of existence.

What I was going to say is that when this class of business commenced prices were ten times higher than they are at present, and yet the consumer went on using them. They bought them and found a use for them at that time. Then the Germans—they are accused of committing a heinous crime by coming in here and trying to get things on the free list. But they understood human nature perfectly, and they used it. That is all you can blame them for. They knew that an American textile manufacturer wanted to buy—at that time the great thing was alizarin; he wanted to buy it as cheaply as he could get it. They had no influence with the United States Congress at all, but the Senators and the Representatives live in the different States and the Germans simply went to those States and found the consumers in those States and said, "Look here; you go down to Washington; you can fix it up with your Senators and they will work for your interests." And they did, and the result of it was they put alizarin on the free list, and that was the first big dye that came in.

Other things followed in natural order ever since, so that when this war began 45 per cent of all the dyes were on the free list, and that 45 per cent included alizarin and all its products; it included

indigo, but not the products of it, because they did not happen to be made by this German concern that had engineered this deal through its consumers. That was perfectly natural. You could not blame the Germans for doing it, and nobody else can blame them for doing it.

The final result was that we were in this position here: We had no raw materials at all. The raw materials for the dye industry are the products of coking. You make coke when you want to make steel. Now, in order to make these by-products, you have got to put up very expensive coke ovens. We could make coke over here without the coke ovens; we could just go and take an old bee-hive oven that cost hardly anything. But what was the use of making these by-products? You could not sell them if you made them. There was no industry over here to use them. England, France, and Germany were already producing all that the dyestuffs industry could consume, and nobody would think of going to work and putting in a coke oven to make these by-products because it would not pay. They were not going to put money into a coke oven for nothing, just for the glory of having that stuff made here in the United States. The consequence was that when we came into the war we did not have any coke ovens, and we did not have any of these by-products at all.

Now, to illustrate what those by-products mean. I started into the manufacture of dyes about 35 years ago. I had to buy all the intermediates, so-called, all these by-products; I had to buy them in Germany from the other dye makers. Well, I ran along for four or five years, and one lucky day for me the plant caught fire and burned down. I took the insurance money and put it in my pocket, very much to the disgust of the people we were employing; and I went over to Europe and looked around to buy the things that we had been making. I found that I could buy them—I figured it all out at the time—20 per cent cheaper than we could make them, and we could make them by the same processes as they. But, as you can very readily understand, the German dye maker was not going to sell raw materials to a competitor over here in the United States behind a tariff wall cheap enough to create competition.

Three or four other concerns kept on all those years, but I never heard of them making any money. The Schoelkops kept it up for the longest time, but I think it finally worried old man Schoelkopf to death.

The Germans were planning for this war since 1870; 50 years ago they began. They knew perfectly well what they were doing. They understood the connection between the dyestuffs industry and the explosive industry and munitions. They understood it, and the German Government backed up their exporters in getting the domination of the dyestuff industry; not because they wanted to sell their stuffs, but because they wanted to keep their trained chemists, because they wanted to have organizations that were alive and ready, so that when the time did come they could put their hands right on the people to make all the explosives they wanted, and the other nations would not have them. That was what was in the Germans' mind. They knew that we did not think about it over here, because we were not

thinking about war. That is the whole truth of it. So, when we come right down to it now, we have got to take the view—that for us, now, it is also a question of munitions. As a matter of fact, the dye industry has simply furnished the means of turning modern chemical knowledge to account.

When they discovered the atomic theory and got a little further on they commenced to be able to do something with chemistry. But it cost money to do that, and they had to find something that would pay the men for doing the work, and the first thing they struck was the dyestuff industry, and it has remained ever since. That is the reason why the dyestuff industry has contributed so much to the advance of modern chemistry.

It is on that, as we see it to-day, that all national defense or offense is going to be based from now on. It is going to be a chemical offense or defense rather than just simply a mechanical war. And the further we get on the more it is going to be that, and if we want to keep in the game of chemistry we have got to maintain some industry that will enable us to hire chemists and train chemists and put our people into the real spirit of developing chemistry.

The only thing I can see at the present time that will do that is this dyestuff industry. That is a very simple proposition that you have got up before you—supporting that industry more for that purpose than for anything else. That is the view I take of it to-day.

Now, with reference to how we are going to do that. In the first place, as Mr. du Pont has already stated, the question of capital plays a great rôle. And nobody is going to put money into something without getting something back from it. That is the reason why we had no coal tar intermediates then, and that would always have remained the reason. If it had not been for this war we never would have had the development of the coal tar intermediates that we have got to-day. In consequence of the exigencies of the war, we have done in five years what it would have taken us 25 years to do otherwise.

Now, that has come about accidentally. We can make the intermediates in the United States to supply the whole world with dyestuff if we need to do so. There is no question about it. But of course the intermediates are going to be manufactured on the other side, and there is going to be an overabundance of them in the world from now on, unless they find some other uses for them, which they will do.

So, the question is about the capital. All we have to do is to make use of what the war has thrown into our hands. Then the next step that comes up is, of course, the question of chemists, the question of people to do this. It is very easy to make all of these products. They are little, simple problems that you get in a primary way in the technical schools of the country. Anyone can go to work and make these dyestuffs with their students, but when you come to deal with a plant that costs \$125,000 and material that costs \$20,000 for a charge it is a very different question. You have to have the experience, our people have got the experience and they can not do it.

I can give you an instance that will illustrate that better than anything else. There was a certain raw product that I wanted to

make. It was absolutely necessary to several others. I had a man that made it beautifully in the laboratory, so I said, "All right; now put in the machinery." He designed the machinery and started to work. On the first operation he got about a 2 per cent yield. He made a second one. We kept on for three or four months, and he never got any higher than a 10 per cent yield, which made it absolutely impossible.

I turned it over to somebody else, and he worked on it for a month or two and could not get anything. Finally I put it back under the first man again. He had been thinking about it in the meantime and watching what had been going on. The very first day that he started the old machine up, the same machine, he came back and said he was getting a 90 per cent yield, that it was all right, and that he was going on.

Now, what do you suppose made the difference between success and failure there? It took him all that time to find it out. He found out that he was running the stirring apparatus in his test kettle five revolutions a minute too fast. He slowed it down five revolutions a minute and got what he wanted. That is very simple, but that applies to every single thing you want to make. We have got to take the time to do it or we have got to get somebody that already knows how to do it. Somebody has got to have the patience to stay behind those fellows while they work it out and be willing to put up the money while they experiment, or else he has got to send over to Germany and get the chemists out of the plants where they have been doing it for 20 years. That is where the element of time comes in, and the element of the chemists.

All we need is time, and we can make anything. It is just a question of whether it is worth while, and it is only worth while if we look at it from the standpoint from which the German Government looks at it; that is, that the dyestuff business is a school where you can train chemists to have them ready for future defense. That is about what it amounts to, and you gentlemen are to be the judges between the buyer and the seller or between the American consumer here who wants the stuff cheap and the producer. It is for you to say whether it is worth while for the people of the United States to tax themselves enough to keep at it long enough to put the industry here. That is the very simple proposition that it comes down to. It is not a question of patriotism or anything else.

That principle of buyer and seller comes right in again to-day. And you can not blame the Germans. They have got their industry there now, munitions or no munitions, and they want to make it pay again. And you can not blame them if they come over here and get the American textile manufacturers, or whoever consumes colors, to go to their Congressmen and get them to make these things cheap by the tariff.

We know it was these various German dye factories that made the munitions, as the gentleman said this morning, that sank the *Lusitania*, that killed 47,000 of our own men, maimed 180,000 of them, and cost the United States \$12,000,000,000. And you will find people wanting to get stuff from those plants to-day just as they did before. You can not blame them, because they want the dyestuffs cheap.

The dyes that everybody has been making such a fuss about are vat dyes. A vat dye is a dye that dyes like indigo. Indigo is blue when you see it. It is insoluble; it can not be dissolved in water. Now, you put indigo in the vat and you put hydrogen in, in some form, which takes the oxygen out of this indigo, and as soon as you take away the oxygen the indigo becomes white. It loses its color, but it also becomes soluble at the same time. It can be dissolved in water. In consequence of this solution in water you can apply it to fabrics. You make indigo white by taking the oxygen out of it; then you put it in a vat and you put cloth in and it absorbs the indigo. Then you bring the cloth out, expose it in the air, and it is reoxidized, becomes insoluble again, and becomes blue.

The most recent researches in chemistry, the great advances that they have made over there, have led to the making of a great many of these vat dyes. It is the simplest way of applying dyestuffs. You have no second operation; it is all one operation, and that is the reason people like it so much. They apply that not only to indigo but to every kind of color they can apply it to. They are making red, and yellow, and a superior blue—all vat dyes. They are being made and shipped over here by the Swiss also.

The Badische Anilin & Soda Fabrik discovered this principle a little bit sooner. They made these dyes out of the original raw material that they had made alizarin out of—anthracene. They found out how to make an indanthrene blue. They transform anthracene into a powder that is blue. You reduce it the same as indigo and make it white and it becomes soluble. Then you apply it to the fabric, oxidize it again and it becomes blue and insoluble. They are also getting reds and all the rest, and those are the colors that are wanted at the present time.

There is one other anthracene derivative which is important to the woolen industry, and that is the old alizarine blue. It is not a vat dye, but it is probably of more importance than all the vat dyes, because the vat dyes go more into fancy things.

The reason we have not made those things over here is because we have not any anthracene in our coal over here. The coal in Great Britain makes the best anthracene. The English used to supply Germany, but they are now using the anthracene they make themselves. Chemists have also found out how to make vat dyes, not from anthracene, which is very scarce, but from naphthalene, and that is what we will have to come to, and we will have to wait until we can do it. On account of lack of anthracene we have to work it out with phthalic anhydride, which involves making anhydric sulphuric acid; that is also being made here, or can be made here.

It is only a question of time when we can do it, and it is only a question of whether you want to give the American manufacturer time enough to do it. There is no use grumbling at the Germans for wanting to bring the things in. I have seen in the newspapers lately the cry that these dyes are wanted for making shirtings. I happen to be selling the Swiss product, and I know we can not get half enough of them. Their principal use is for men's shirtings—violet and blue. Now, it is only a question of whether the young men of the United States might not wear white shirts for another six

months or a year, rather than make such a hue and cry about getting two or three of these dyes. I think they could do it; I think we can wait that long.

There is another question connected with all those dyes in connection with the chemical foundation. When alizarin was first made—that was the first capital dyestuff—there were two patents taken out for it, and I believe both of them in the United States on the same day. One of them I think Perkins discovered in England, and the other was discovered by a chemist by the name of Graebe, who was working for Badische as far as I remember. Those patents came into litigation, and it was decided that the Badische patents had a priority of a few hours in application. Consequently they got the patent. Alizarin at the time that decision was made was selling at about 25 cents a pound. As soon as that case was decided the price commenced to go up until it finally reached \$1.25, where it stayed for several years.

Mr. METZ. It reached \$1.65.

Mr. KLIPSTEIN. As much as that? Anyway they were selling about 1,000,000 pounds a year in this country, and you could easily figure \$1,000,000 profit. That is what enabled the Badische Co. to support 200 or 300 trained chemists to pursue their investigations. That is what gave them the start in doing it; it also showed every family in Germany that it was worth while for a young man to study chemistry, and that is what really gave the impetus to the whole industry—that patent.

A few years later the Supreme Court decided that the claim in that patent was that they made actual alizarin, the same as was found in the old plant madder, and the United States Supreme Court said, you can not patent a natural article. Consequently the patent was thrown out, and the alizarin business was opened to competition, and within six months the price dropped to 25 cents and finally got down to 11 cents. Then they formed a combination over there, and finally put it up to 14 or 15 cents and have kept it there ever since.

Mr. CHOATE. Was that what was called "alizarin convention?"

Mr. KLIPSTEIN. The alizarin convention was later and it was the result of this competition. When the price got down to 11 cents I do not believe anybody made any money on it at that—

Mr. METZ. The price was quoted at 17 cents in Europe the day after that patent was invalidated.

Mr. KLIPSTEIN. Anyway it went down to 11 cents, and then they got together and raised the price. Did it go to 17 cents finally?

Mr. METZ. Fourteen cents.

Mr. CHOATE. And the alizarin convention included every manufacturer of alizarin in the world, did it not?

Mr. KLIPSTEIN. There were not but three.

Mr. METZ. No; there were the British.

Mr. KLIPSTEIN. That did not amount to very much.

Senator CURTIS. One at a time, please, gentlemen.

Mr. KLIPSTEIN. I only mentioned the incident to show the effect of patents—what they may do.

Now, the Chemical Foundation has taken over a great number of patents. They have taken them over in the only way they could get them—practically by a confiscation—and they undertake to defend

those patents against even the original German manufacturers. Otherwise we would have been still tied up in this country. We could not make a great many of those things on account of those German patents. They are an absolute necessity, and if that can be carried out, as far as I can see, that Chemical Foundation will play an important and necessary rôle in the next 5 or 10 years in business, because those patents are very important.

This all comes right down to the question as to whether we should have a commission or something of the kind to regulate imports of these dyestuffs. If you once make up your minds that you want the dyestuff industry here, either for the same reason that the Germans wanted it—that is for making munitions—or in order to give employment to chemists so that the United States can have a reason for educating a few thousand young men all the time and keeping them in the chemical field, which is the field of the future in manufacture—that is the question, whether you want to do that or not.

If you do, then I can not see that the tariff would make very much difference. You have a tariff to-day, and it runs along three or four years, and the conditions at the end of four years may be entirely changed.

With what men know about chemistry to-day you can not tell but what within two or three years somebody will find out some dyestuff with which all you will have to do will be to put it in water and it will just depend on whether you treat it this way, that way, or the other way to make any color you want and dye any fabric or fiber you want all in one operation, and the present dyestuffs may be put out of commission. That is a very extreme case, but it illustrates what may happen.

What I wanted to bring out about that was the fact that if you must have some regulation of this it has got to be flexible. A tariff is too iron-bound—50 per cent or 75 per cent or whatever you may make it. It might be that we should very much want to use a great many of these products that are made in Germany. We might have to use them. We ought to have some arrangement whereby things of that kind could be let in for the benefit of the American consumer of them.

So I can not see but what the only thing you could do would be to create a commission, with judicial powers, to determine whether it is wise or not wise to let a thing in or keep it out. If it is wise to keep it out, give them the power to put an embargo on it, if you want to go that far—that is, if you want to create the industry. If you do not feel like trusting such a commission as that, make the best possible tariff, but its effects will be comparatively temporary. You can not tell to-day whether the same tariff would be good two years from now or three years from now. It might not be of any use at all in a great many instances.

For the great general run of these dyestuffs the present tariff is all you want. Those things will come down to a comparatively cheaper price—25 or 50 cents a pound. And nobody wants any higher tariff than that to preserve the industry: it is not necessary. But if you want to give the people here a chance to work a little bit longer—I think 10 years would really be about as much time as it would require—you can be pretty sure that the industry will be de-

veloped here. And of course it is for the lawmakers to decide between the American consumer, the buyer, and the American dyestuff maker, who is the seller, and the German. Which are you going to do?

Senator CURTIS. Have you anything further, Mr. Klipstein?

Mr. KLIPSTEIN. I do not think there is anything more.

Senator CURTIS. That is all then. Call your next witness.

Mr. CHOATE. I would like to call Mr. Klotz for a moment, merely on the question of anthracene in the American coal.

STATEMENT OF MR. J. R. M. KLOTZ, MANAGER NEWPORT COMPANY, MILWAUKEE, WIS.

Mr. KLOTZ. Mr. Klipstein has referred to the lack of anthracene here. I should like to say that it is more the unkindness of nature in the distribution of anthracene than the lack of it. We have anthracene, but in no place to be compared to what the English or the Belgians have. Anthracene occurs in our tars, but to a very limited percentage as compared with the percentage in the English tars.

Mr. KLIPSTEIN. What I meant to say was just that thing, that the American coal does not contain the same proportion of anthracene that the English coal does.

Mr. KLOTZ. I just wanted to correct the impression that there might be no anthracene in our coal.

(At this point the hearing was suspended for 10 minutes to permit members of the subcommittee to answer a roll call in the Senate.)

Mr. KLOTZ. I want to add that the coal that we get here, if coked by a method to increase the yield of anthracene, is of sufficient quality to give us enough anthracene for the dyestuffs required to be made. That illustrates very well, Mr. Chairman, the value of the knowledge that the Germans have as contrasted with us. The manufacturers in this country have been coking coal for some time, but I think it is only very recently and at considerable expense that they have found out the value of operating methods to increase the yield of raw materials, such as anthracene. That is to say, a coking operation with certain heats might give a very low proportion of anthracene, but by changing the design of the oven and varying the time of heating you can increase the yield of anthracene and naphthalene and the other raw materials. Finding out such facts as those is very expensive, and you can not find any books that will tell you that.

In closing, I want to say that anthracene, though difficult to obtain here and of a considerable geographical distribution, can nevertheless be obtained.

Mr. CHOATE. Now, I would like to have Dr. Herty complete his statement.

STATEMENT OF DR. CHARLES H. HERTY--Resumed.

Dr. HERTY. Mr. Chairman, you were asking me yesterday at the close of the session about the stock in Germany, and I want to give you as full information as I can about that.

I stated to the committee that there were being held, pending the peace-treaty proclamation, 40,000 tons of dyes. That may sound a little small from one standpoint, yet when you think of that as 80,000,000 pounds it seems a good deal more. I did not realize the infinite variety of that stuff until I got to Paris and found there the lists of those stocks, and I have brought them here for your information. Here are the lists of those stocks of dyes [producing several volumes of typewritten matter.] Each of these books here represents the material from a different factory. I had these copied in Paris to send back here, so that the War Trade Board could have the information.

Senator NUGENT. You will return them to the custody of that board?

Dr. HERTY. Yes, sir; these are to be returned immediately.

Senator CURTIS. They are where we can get them if we want them?

Dr. HERTY. They are official lists here in Washington; yes, sir.

Mr. CHOATE. That 40,000 tons represents the half called for by the treaty, and indicates an equal quantity remaining in the hands of the German manufacturers?

Dr. HERTY. No; the 40,000 tons is the total amount; this is the list of their total stocks on August 15. There are some 630 pages of it that had to be copied.

Now, a word as to how those stocks happened to be there.

Senator CALDER. What is the value of those dyes listed there?

Dr. HERTY. I could not tell you, Senator. I was only interested in the vat-dye question when I was over there, and I paid no attention to the general dyes. The figure at which they would come under the reparation clause would be a very low value, because of the decreased value of the mark. The figure which the cartel gave me for the vat dyes, over and above what were needed for the reparation, I figured yesterday would run up to something like \$12,000 a ton. As to the general colors I can not tell you.

Now, Mr. Chairman, that accumulation came about in this way. As Maj. Sill told you this morning, the Germans were operating on dyes at about 10 per cent capacity throughout the war.

There were certain accumulations at the time of the armistice. Then when the military took possession of the Rhine territory there was a gradual but very slight increase in operation. There were some special regulations about not letting any of that material get out of the occupied territory. Those regulations became slightly modified in one way or another, but the military kept this part in the Rhine territory strictly under guard. A certain portion was requisitioned by the French immediately after the armistice, and used in the French industry. There were small lots, 50 or 70 tons, that went out from time to time. I do not remember what countries they went to, but the result was that up to the 1st of July they had accumulated these 40,000 tons.

Then they changed the policy, and the Interallied Rhineland Commission, after the treaty of Versailles was signed, allowed the Germans to sell their daily output. So that beginning about the 1st of July—I have forgotten the exact date—the Germans have been selling their daily output, on license given them by the interallied Rhineland commission—not these stocks, but the material they have been manufacturing from day to day.

Now, they have given me these figures. Up to the 12th of July they licensed for exportation from that country 186.2 tons of dyes.

Senator NUGENT. You say "they" licensed that quantity for export. To whom do you refer?

Mr. HERTY. The Interallied Rhineland Commission. I went to them and asked Mr. Noyes, our American representative on the commission at Coblenz, to give me the exact facts, saying that I wanted to get at the truth of the situation, because I expected when I came back home to be possibly of some assistance in this matter.

Up to the 12th of July they had licensed 186.2 tons. Then from the 12th of July to the 31st of August, there were licensed and shipped 2,119,217 kilos, at 2.2 pounds to the kilo; that is, roughly, almost 2,000 tons. Then during the month of September the total was 1,492,790 kilos. That is simply what has been coming out from their daily output.

Senator NUGENT. One moment, please. Were any of those dyes shipped into this country?

Dr. HERTY. No, sir; that is, not so far as I know. If they came in they were disguised, camouflaged. That is, the country of destination is given on these lists and America does not appear on any of them, and licenses were not granted by the War Trade Board for German dyes to come in during those months.

There is one thing about these figures which makes the showing rather incomplete. First of all, I have no October figures. They sent me these a few days ago as the latest available. It shows plainly that the factories are getting under way, but are not getting into full operation. Here is the point, and it is a point that amazed me when I got over to the other side.

While I was in Paris these lists were coming in, and then came in the lists of intermediates. You have heard it discussed by various people what intermediates are—starting with the crudes, then the intermediates, then the finished dyes. I kept watching for the list of intermediates, because that is the crux of the situation in this whole dye business, and that is why Mr. Longworth very wisely, at our urging, raised the duty in his bill on intermediates much more in proportion than he did on finished dyes. He brought them as nearly as possible together, because the intermediates are so very important.

I thought that when the lists of intermediates came in we would have big lists. The lists were, however, very brief. From one of these large factories they would not cover one page, and weights were rather small in many cases. I began inquiry at once as to what was the trouble, and I found this. It is a thing which I had never noticed before, but in the peace treaty this is stated—

Senator CURTIS. Give the page, please.

Dr. HERTY. This is Senate Document No. 49, Sixty-sixth Congress, first session; paragraph No. 5 of Annex 6, page 109 [reading]:

The above expression "dyestuffs and chemical drugs" includes all synthetic dyes and drugs and intermediates or other products used in connection with dyeing so far as they are manufactured for sale.

When we came to inquire into these lists we seemed to find a difference between the French reading and the English reading, but they told me that was put in there in that way, and what it means

is that the Germans were only required to submit a list of such intermediates as are actually used in processes of dyeing, not necessarily in the processes of the manufacture of dyes. That makes a difference between a 1 page list and probably a 300 page list. So there is no record anywhere as to the full amount of intermediates in Germany at this time.

Mr. Chairman, I consider that a very grave feature of this situation, as to what may happen to this industry. I heard rumors that there were large quantities of intermediates in unoccupied territory awaiting the peace treaty proclamation to be manufactured into dyes. That is simply hearsay; the fact is nobody knows.

Senator NUGENT. You only know of intermediates within the occupied territory?

Dr. HERRY. The only thing I know is from the lists which have been furnished me here.

There is one other thing in connection with these lists that is of interest, and that is the question whether Germany is aiming to push her trade into foreign countries. I notice in one of the lists, the September list, under "Item 1, Amounts and countries of destination," the following:

In the above figures 120 tons for China are included.

So there are German dyes being consigned to China already; 120 tons have gone there.

There is another thing. We saw in the papers a few days ago the announcement of the arrival of German dyes in South America. I also saw a few days ago—I know this for a fact—the details of the effort to get dyes, which were said to be of unknown origin, into the United States from Mexico. Mexico does not make dyes. These were coal-tar dyes.

Senator NUGENT. Did you read that statement in the newspaper, Doctor?

Dr. HERRY. No, sir; I saw the application for a license for it.

Maj. SILL. Mr. Chairman, in connection with the question Dr. Herty has just brought up, regarding intermediates, I might say that the French officers in charge of the Badische Anilin & Soda Fabrik, at Ludwigshafen, told us upon inquiry that the Germans had very close to 250,000 tons of dyes and intermediates altogether. There was not any distribution stated, and I saw no lists of what they were, but that was the quantity given us by the French officer.

Dr. HERRY. That was in occupied territory?

Maj. SILL. That was in occupied territory; yes, sir. A large proportion was intermediates, of course, and indigo and such dyes.

Dr. HERRY. I ought to state one thing again in connection with these lists. These are the statements of the Germans of their total stocks of dyes in both occupied and unoccupied territory. They are not based upon any examination of the correctness of the reports; they are simply as the Germans gave them, and accepted as such, on the 15th of August.

I would like to submit for insertion in the record two rather startling things. One you have doubtless seen before. The other I have seen no discussion of in this country. It is in regard to the capital being invested in Germany in two lines. The one article appeared in the New York Times of December 8, an article by

George Renwick, from Berlin, regarding the enormous expansion of the capital of the dye plants of Germany.

(The article referred to is here printed in full as follows:)

GERMAN DYE TRUST TO FIGHT FOR WORLD TRADE—DOUBLES ITS CAPITAL AND WILL PRODUCE NITRATE.

[By George Renwick.]

BERLIN, December 1.

The firms composing the German dye trust have decided to increase their capital to an extent without parallel, I believe, in the history of German industry. The trust, which consists of three great and four minor concerns in the industry, valued at, roughly, 15,000,000,000 marks, is extending for two reasons: It is determined to reassert German supremacy in the dye industry; in the second place, there is the question of nitrate, so important for the agricultural life of the country.

The trust is aiming at making the fatherland independent of foreign supplies and to increase production so that it will be able to export large quantities.

Before the war the seven main concerns which form the industry were constantly drawing closer together. The Badische Anilin und Soda Fabrik of Ludwigshaven linked up with Elberfelder Farbstoffwerke, while the Hoechst Farbwerke, the third of the large concerns, came to similar agreement with Messrs. Leopold Cassella & Co., of Frankfort-on-Main, a private company. With the first-mentioned combine the Anilin-Fabrikation of Treptow entered into trust relationships shortly afterwards. In 1916 these five firms were joined by the Grüssheim Elektron and Weltertermeer companies. In 1917 the three leading companies each increased its capital from 54,000,000 to 90,000,000 marks.

The six public companies are now not only going to double their capital to 716,800,000 marks, but will also issue preference shares to the value of 280,700,000 marks to the holders of the ordinary shares. As only a quarter of the amount of the preference shares is to be called up, and as the holders will have a double vote, control of the trust, with a nominal capital of 1,000,000,000 marks, will be in the hands of the old shareholders, who exercise that authority by virtue of having paid a little more than 70,000,000 marks for their preference shares. By this it is hoped to keep out all foreign influence.

With this vastly increased capital the trust will at the earliest moment begin a vigorous onslaught in the markets of the world.

The trust also intends to pay particular attention to the production of nitrate. Before the war Germany's agriculture required 222,500 tons of nitrate, half of which came from Chile, but the trust calculates that, as soon as the whole of the present and projected plant is working, there will be something like 250,000 tons for export.

Dr. HERTY. Here is also a clipping from the *Cölnische Zeitung*, of November 18, forwarded to me from Coblenz, which confirms Mr. Renwick's statement of the tremendous increase in the capital of these German dye plants.

Senator NUGENT. By whom was this forwarded to you?

Dr. HERTY. By a young man who acted as the interpreter for us on the trip into Germany.

Senator NUGENT. An American or a German?

Dr. HERTY. An American.

Senator SUTHERLAND. Has this increase been since the armistice?

Dr. HERTY. In the last few weeks. He says:

I inclose a clipping regarding the German dye plants, from the *Cölnische Zeitung* of November 18, which may be of interest to you.

It was on the 27th and 28th of October when I was there.

Senator NUGENT. Have you a translation of that?

Dr. HERTY. I was going to suggest that if you care for it I can have a translation made.

Senator CURTIS. I wish you would do that and send it to us.
 (The translation was subsequently furnished by the witness and is here printed in full, as follows:)

[From the Koelnische Zeitung (Cologne Gazette), Nov. 16, 1910.]

INCREASES OF CAPITAL IN THE CHEMICAL INDUSTRY.

The extraordinary (special) general meeting of the Dye Works, formerly Melster Lucius and Bruening, in Hoechst-on-the-Main, in which 26 stockholders represented 45.14 million marks of capital stock, sanctioned the proposed increase of the original stock from 90 to 252 million marks by the issuance of 90 million marks of original (common) stock and 72 million marks of $3\frac{1}{2}$ per cent preferred stock with double voting power. The new common shares are being taken over by a group of banks at 107 per cent and are offered at the same rate to the old shareholders. The preferred stock is being exchanged within the group of those interested (or community of interests). The board of management in rather lengthy arguments established the necessity for the financial measures of the community of (combined) interests and then remarked apropos of the present daily business routine of their own enterprise, that this, on account of the scarcity of coal was not satisfactory. The works have for weeks been shut down for the most part, yet they have succeeded in keeping the pharmaceutical plants in operation. Similar conditions are to be found in the case of the other firms in the group of combined interests. The management nevertheless believes that it is possible to hold out the prospect of the declaration of a moderate dividend under certain circumstances by making use of the reserve amassed earlier. If the coal famine is eliminated and railway traffic should improve, there is hope, in view of the whole market and world situation, that satisfactory, if not large, earnings would be realized. For technical reasons Dr. Walter von Bruening and Dr. Adolf von Bruening retired from the board of overseers; they are to be elected members again later.

At the extraordinary general meeting of the "Badische Anilin und Sodafabrik (Baden Aniline and Soda Factory) in Ludwigshafen, in which 14.97 million marks of capital stock were represented by 68,292 votes, the proposed increase of capital stock from 90 million marks to 252 million marks by the issuance of 90 million marks of common stock and 72 millions of $3\frac{1}{2}$ per cent preferred stock was sanctioned unanimously. The common stock is being taken over by the Deutsche Bank as the leader of a group of banks and is being offered to the old stockholders at 107 per cent in such a way that for every 1,200 marks of old stock the same amount of new stock can be acquired. In other respects the conditions of issuance for both kinds of stock agree with those of the other companies in the group of combined interests.

The extraordinary general meeting of the "Chemische Fabrik Grissheim-Elektron (the Chemical Factory Grissheim-Electron) in Frankfurt-on-the-Main, in which 14 shareholders represented 6,524 votes, likewise sanctioned the proposed increase of the original capital stock from 25 to 45 million marks and the issuance of 18 million marks of $3\frac{1}{2}$ per cent preferred stock. The new common stock is being taken over at 107 per cent by a group of banks under the direction of the "Bank für Handel und Industrie" (Bank for Trade and Industry), Branch Frankfurt, and is being offered to the old shareholders at the same rate. In regard to the business situation the management states that, so far as it can be surveyed at the present time, an unfavorable result is to be expected in consequence of the difficult conditions generally known. The management nevertheless hopes to be able to make declaration of a dividend, although not so high as those in previous years, under certain circumstances by making use of former reserves.

(Translated by J. P. Hoskins, E. B.)

Dr. HERTY. I have here, however, for your information, without stopping to try to read that German, some other statements on the same subject. Here is a statement, for instance, from one of our official publications in this country, from the Department of Commerce. Here is an extract from the German press, transmitted by Commercial Attaché Paul L. Edwards, The Hague, Netherlands. This is

from the Daily Consular and Trade Reports, Monday, November 10. For instance, there is this statement in connection with the Badische plant:

In February, 1910—

Only three months after the signing of the armistice—

bonds to the extent of 50,000,000 marks, about \$18,019,000 at par, were issued by the Badische Co., the principal object of which was to provide funds for factory extension and improvement.

Now, let me read some of this article:

From 90,000,000 marks to 252,000,000 marks was the increase in capitalization.

Mr. Chairman, those are all public matters, and I will have a translation of those made and the figures tabulated so that you may have the information.

That in itself is extremely remarkable, in view of the fact, as Maj. Sill reported to you, that those plants were in first class condition, from his own personal inspection, and taken in connection with this other fact, remembering that these are the plants where the poison gases used by Germany during the late war were made.

Here is an article from the Frankfurter Nachrichten, of October 28. I got this in Frankfort myself. I picked up a daily paper there and found this.

(The witness read a portion of the article referred to, of which he subsequently furnished a translation, which is here printed in full, as follows:)

[From the Frankfurt Nachrichten (Frankfurt News), Oct. 28, 1910.]

DOUBLING OF CAPITAL IN THE EXPLOSIVE GROUP.

The German explosive companies combined in the Rhine-Siegen group in common with their Hamburg Kartell (confederated) Works are proposing to double their capital stock. Concerned are the Cologne-Rottwell Stock Co. (capital stock 33 million marks), the Rhine-Westphalian Explosive Stock Co. (capital 13 million marks), the Siegen Dynamite Factory in Siegen (capital 600,000 marks), and the Dynamite Stock Co., formerly Alfred Nobel (capital 36 million marks). All these companies are doubling their capital stock and issuing the new shares at the rate of 110 per cent. The reasoning for this runs as follows: The concerns are in need of very considerable new means in order, in view of the extraordinary high prices, to carry through the important program of transformation already set on foot and further in order to be able to acquire the plants necessary for the development of the concern.

(Translated by J. P. Hoskins, E. B.)

Dr. HERTY. At the beginning of the term of peace, a nation that had been able to put out the explosives that that nation was able to put out during this last war is now increasing tremendously the capital of its dye plants and doubling the capitalization of its explosives plants, as shown by the statements in the German newspapers.

Mr. Chairman, I want to be very brief but I do want to give you the benefit—if it is a benefit—of certain conversations that I had during this trip that have left an indelible impress on my mind. While I was abroad I talked with a number of Army and Navy officers, American, French, and British, regarding the future. They expressed the hope that we were now entering upon an era of peace, but none of them expressed the conviction that we were not going to have more war. On the boat coming back home I talked with the colonel of a regiment which was at the very front in the Meuse sector on the

day when the armistice was signed. He was covered with medals—he did not show them, but he had them—every medal conceivable, a man who had made a most brilliant record in the war. He told me himself, “When we had orders to charge that morning I thought we were going to be slaughtered. Our runners were being captured as fast as we would send them out.”

I said, “Colonel, how about in the Argonne, when you were fighting down there? How about the use of poison gas if you had had it in quantities to help you?”

He said, “There is no question about it; if we had had the gas when we were trying to break up those machine-gun nests in the Argonne, there is many a boy from my regiment sleeping there now who would be on his way back home.”

I had a more impressive talk still with a very distinguished Britisher, Lord Moulton, in Paris, following one of our conferences about these peace-treaty dyes. Lord Moulton is the head of British Dyes (Ltd.)—a very distinguished man, a very thoughtful man. We were discussing the dye industry in England and in America. It was late in the afternoon. As we came down the steps after that meeting, he stopped on the steps and said, “Doctor, the future peace of this world is more closely tied up in the maintenance of the dye industries in England and in America than in any other measure that is now before the world.”

There is a peculiar thing about the peace treaty, in this section. [Laughter.] Mr. Chairman, I did not mean to provoke any laughter, because this is a very serious question. Through this peace treaty Germany's hands are tied as far as the usual methods of making war are concerned—battleships, aircraft, submarines, forts—but I want to call your attention to the fact—I have already written about it in my own editorials—that her means for making poison gases are not touched in the slightest. All her plants for that purpose are untouched.

Senator NUGENT. Merely because those plants are connected with or used in connection with their dye industry?

Dr. HERTY. In making the commercial articles; yes, sir.

Senator CALDER. They were overlooked?

Dr. HERTY. I do not know, Senator; but it is a fact.

Senator NUGENT. In other words, in order to place the Germans in such a position that they would be unable to manufacture poison gases in the future, it would be necessary to destroy and dismantle those dyestuff manufacturing establishments? Is that what you mean?

Dr. HERTY. I think that should have been done.

Senator NUGENT. That is a fact, is it not?

Dr. HERTY. It is a fact; yes. I think they should have been dismantled to the extent of allowing Germany to take care only of her own domestic needs for dyes; or, if necessary, to tie her hands even in that respect.

As I said to the Senate Committee on Military Affairs, of which Senator Sutherland is a member, I think the best thing for the future peace of this world is that this country should be not simply as strong as, but stronger than Germany in its dye industry and with its general chemical industry, which is a big thing, together

with—and let me emphasize this again—a chemical warfare service maintained as a separate unit of our Army and given every opportunity to develop to the very utmost that branch of modern warfare which every man I have talked with believes is to be the future means of making warfare.

And I differ fundamentally with Gen. March, the Chief of Staff, and with Secretary Baker, in their plans about that. Make it separate and distinct and encourage it; because, as a French general wrote in a French paper just before I left Paris, you can save your present implements of war, if you want to—your guns and forts and battleships—and if there in another war within a year or two they will be valuable; but if there is going to be a war 10 years from now all this stuff you are saving is going to be junk.

That is one thing about the Edgewood Arsenal; I think a lot of that material there is going to be junk. The thing about poison gas is not to have a supply when the need comes; it is a question of surprise.

Senator CURTIS. To have something new?

Dr. HERTY. To have something new—the very thing that slaughtered the British at Ypres when it was new to them; the very thing that slaughtered our men when mustard gas first came out. I may be laying too much stress on that subject, but I think it means more to our country than anything else.

Mr. Chairman, I want to submit one other thing. Not only has Great Britain a dye licensing law, but while I was in Paris the French Chamber of Deputies and the French Senate passed a new tariff on chemicals, and it included a license system against German dyes, and they passed it by a unanimous vote in the Chamber of Deputies and with only one dissenting vote in the Senate. It was amazing to me: to tell you the truth, it came too easy. I did not like it. I like the kind of contest we have been having here to get this dye business established. The people of this country are being educated by the kind of discussion we are now having. The knowledge is going abroad among the masses of our people. The French Ministry may be changed and that law upset, but here, when the American people understand this question, you gentlemen who represent the American people here are going to continue to carry out their wishes.

Senator SUTHERLAND. Is France taking any steps to protect the industry?

Dr. HERTY. The French law embraces three features. There is a tariff on these chemical products including dye products. There is the license plan, as far as the dye products are concerned. It does not apply to other chemicals; it is limited to dyes and pharmaceuticals.

Then they have a new feature, at least it was new to me, called the majoration coefficient. That is, the ministry can decide by itself, if a certain industry needs particular support to get it started, to multiply the normal rate of duty by a factor running up as high as three, and then after the industry is established and gets on its feet they can lower it. I never have seen that feature in legislation before.

Senator SUTHERLAND. That was adopted in France?

Dr. HERTY. In France.

Senator SUTHERLAND. Are you familiar with what England has done along that line?

Dr. HERTY. Not in regard to tariff—except that I did see this the other day. This is from the New York Tribune of August 24:

Free traders rally against Lloyd-George. Premier's plan of licenses on imports is termed protection.

I had to laugh at that because in this country we have heard just the opposite point of view expressed as to the license system.

Finally, I want to tell you what I thought was the most important thing I heard while I was in Germany. I was only there two days. These investigations, in regard to the shipments of our vat dyes, kept me tied down in Paris, and I could not get around to find out lots of things I wanted to know about. But the matter of the vat dyes seemed to be all right, and so while we were waiting on some cables Mr. Fleisch, the vice president of the Textile Alliance, and I took a hurried trip into Germany, which only lasted three days. We went first to Frankfort, after having gone to Coblenz to get our passes. At Frankfort we had a very pleasant interview with Dr. Von Weinberg, the head of the Cartel.

From there we went to Ludwigshafen to talk to the Badische directors about the details of the shipment of these dyes. They were expecting us; Dr. Von Weinberg had offered to telephone ahead that we were coming. We were greeted there by Herr Töpffer, who spoke very good English, and we conversed in a general way for a little while. Then a little later Director Krell came in and explained to me that Director Bosch was in Berlin at a conference and could not see us.

We began talking about the matter we had come to see him about, and then Director Krell said, "Oh, this matter has taken an entirely different shape from what you think it is. We have allocation certificates from your War Trade Board and direct permission from your Government to export directly to our customers in America." That rather staggered me, because I knew there had been some trouble at home, but I did not know the plan had gone to pieces so fast.

So we talked a little further, and instead of our talking about what we came to talk about he began to try to persuade Mr. Fleisch and myself to go back home and persuade our Government to let the whole thing be handled in that way. But he did not get very far with that argument.

In the course of the conversation he said, "We are going to get back our business in your country, and we are going to get it back through our agents." I broke in and said, "Who are your agents?" He replied, "Kuttroff, Pickhardt & Co." Then he said, "That is the only way it can be done. It has got to be done by men who are technically trained in our factories here."

I said, "Doctor, that is a very interesting statement you are making. Will you repeat it?" And he repeated it.

We let the conversation go on, and when we came out of that place I said to Mr. Fleisch, "There is the clearest declaration that the war is on in this matter that I have heard yet," and I said, "I am going to take that statement back home, and if I get a chance I want to put it before the Senate Committee on Finance, to let

them know, in the words of the Badische director himself, that this war is on."

These stocks are being released gradually as the Allies take out their share, and the whole amount will be released within 60 days after the peace treaty is proclaimed. I was told in this room yesterday afternoon by Mr. Sykes—and it was not confidential—that negotiations are pending in New York right now in two banks to establish proper credits to bring in from France 100 tons of indigo. You gentlemen have had evidence here that there are three companies in this country making indigo. You know something of their difficulties and their successes. France is not making indigo; her indigo plants have not yet been started.

Mr. SYKES. Mr. Chairman, may I be permitted to correct that statement? You say France is making no indigo. Where has she been getting her indigo?

Dr. HERTY. I beg your pardon, Mr. Sykes; I thought that was your statement to me.

Mr. SYKES. No, sir; I asked you if you knew of any endeavor to import indigo from France, because I had heard that there were such imports intended, and I could not understand how it were possible, because my own people have only just this last week written me that there was a strict embargo on the exportation of all colors from France, and, moreover, that they would not have any colors to offer to me for more than eight months to come.

Dr. HERTY. The point I want to make is that there is indigo seeking its way into the United States, and we are making indigo here for our own people. That emphasizes the point that these dyes which are coming through the reparation commission are coming over very cheap. The mark is listed at the present time at 1½ cents. There are 20,000 tons of dyes to be set free for sale within 60 days after the peace treaty is proclaimed.

Gentlemen, my own feeling is that the war is on. My feeling is that if this Congress will stand by this industry, as I am convinced it is going to do, this country will be independent. I am an optimist from every standpoint as to the ability of the chemists in this country, with ample capital and ample raw material, and I am convinced that in a few years we will ask no odds against anyone.

Mr. CHOATE. What did you observe as to the condition of the Badische plant itself?

Dr. HERTY. I know very little about the internal condition of the Badische plant; I was not invited to go through it. We asked them where we could get luncheon—hoping it might lead to that opportunity—and we were told we had better go across the river to Mannheim, as there was no good place in Ludwigshafen. So we went across the river to Mannheim and got our lunch; but before we went there I asked the driver of our automobile to take us around that plant, as I would like to see it at least from the outside. The only index I could get was this: I think we counted 14 tall chimneys—either 12 or 14—and from all but two of them smoke was pouring out, and that in a country where coal is very scarce. So I took that as an indication that there was considerable activity in the manufacturing line in that plant.

Senator SUTHERLAND. Is it not quite probable that France and England will also become active in the dyestuff manufacture as a result of the development industry during the war?

Dr. HERTY. Yes, sir. France has organized a very large company, and, as I say, has adopted these methods of protection for that industry in the hope of building it up as strongly as possible.

Senator SUTHERLAND. England has extended her chemical industry very largely during the war?

Dr. HERTY. Yes, sir.

Senator SUTHERLAND. And she will probably turn also to the dyestuff industry?

Dr. HERTY. She has done so already.

Senator SUTHERLAND. So you are in danger from all three places?

Dr. HERTY. Yes.

There is one other thing that was touched on yesterday at the time we adjourned, and I will just say a few words about that. When I reached home I found on my desk a number of clippings with large headlines on the report of Mr. Irving A. Keene, of the American Chamber of Commerce in London, to the effect that there was nothing to be feared from the effect of dumping German dyes after the war, and then I saw a letter stating that copies of this had been sent to every member of the Senate. I had had an interview with Mr. Keene in Paris, and thought it was not worthy of further consideration until I saw it had taken that course. I want to say to you gentlemen what I have already said in print in my own journal, that from my conversation for three hours with Mr. Keene at dinner one night in Paris, when I desired to hear from him what he could tell me of his experiences in Germany, I learned that Mr. Keene does not know anything at all about conditions in Germany. And finally, at the end of the evening, he admitted to me—because I pressed him for a specific statement as to the stocks—that he had not gone through a single warehouse, he had not seen anything of the stocks, and, as he himself stated, he would not have known a dye from a soap box.

I have had put in my hands, since yesterday afternoon, a copy of the Monthly Bulletin of the American Chamber of Commerce in London, of October 18, and it gives Mr. Keene's report, and it bears out exactly his conversation with me—there are no details whatever in it; he did not have any details.

There is another interesting thing in this same publication, entitled "British dye merchants oppose present import control and scheme for distribution of German indemnity dyes," from which I want to read these three lines:

The British Chemical Trade Association, with which the American Chamber of Commerce in London is cooperating, is being forced to take strong measures, etc.

The British Chemical Trade Association does not consist of the manufacturers of dyes in England; they are men who deal in and import dyes. So that testimony, so far as it goes, has no value whatever.

Mr. CHOATE. Dr. Herty, have you any information on the subject of the remission of taxes to German chemical firms, at the present time?

Dr. HERTY. I think I have an item here about that. Here is an extract from the letter of the managing director of dye and organic work in a factory in Germany, dated August, 1919. I might say in this connection that I have here also an affidavit as to the correctness of this. Unless the committee insists upon it I will not submit the affidavit, as the gentleman requests here that his name be not used in connection with it. I will submit it to the members of the committee, of course, but I do not care to have a record made of it as he may suffer in his business. In that letter he says:

Another detail to which I would like to turn your attention is that they—

Referring to the dye plants—

have to pay no direct Government taxes. According to an understanding with the present Government, all organic chemical productions, the companies themselves as well as all dependences, without exception, for the next 10 years, are freed from all direct State tax. In so far as community taxes come into consideration, I believe we will obtain a remission for our profession.

It seems they are exempt.

Senator CALDER. Would that mean to you all income and property taxes of every character?

Dr. HERTY. I do not know as to that.

Senator SUTHERLAND. Are the royal family interested in those dye works as stockholders?

Dr. HERTY. I do not know whether they are or not.

Mr. KLOTZ. It is understood in Germany that the Kaiser and his brother-in-law own shares in the principal dye industry.

Senator CURTIS. Is there anything else you wish to say, Doctor.

Dr. HERTY. No, sir; that is all.

Mr. DEMING. Mr. Chairman, may I ask Dr. Herty a couple of questions?

Senator CURTIS. Yes, sir.

Mr. DEMING. Dr. Herty, the sole purpose of your going abroad was to procure vat dyes for the shirt manufacturers in this country?

Dr. HERTY. No, sir; it was a twofold purpose. It was to do that primarily, and also to assist in any way I could in the representation of America at the various conferences going on in connection with the peace treaty dyes.

Mr. DEMING. The main purpose, however, was to get the dyes for these shirt manufacturers?

Dr. HERTY. The main purpose was to get the dyes.

Mr. DEMING. Did you get them?

Dr. HERTY. I think so.

Mr. DEMING. Where are they?

Dr. HERTY. I think they are on the way, or getting ready to come on the way.

Mr. DEMING. You have no positive knowledge at all as to that?

Dr. HERTY. I only know my business was not to get the dyes; my business was to find out how they could be gotten. I had no authority, no credit—nothing. I was simply to find out the way.

Senator CURTIS. My recollection of your testimony yesterday is that if the plans had not been changed, the dyes, in your judgment, would have been here by this time?

Dr. HERTY. I think so very emphatically, sir.

Mr. CHOATE. May I state also, Mr. Chairman, that I was informed this morning by the War Trade Board section of the State Department that their record discloses the fact that had it not been for Dr. Herty's negotiations none of the reparation dyes would have been available to any American consumer, because of the fact that we had not become a party to the treaty. They will give you official information as to that if you ask them.

That is all I will ask the witness, Mr. Chairman.

Senator CURTIS. I will say, Dr. Herty, that if in the course of looking over the transcript of your remarks you want to add anything, we shall be very glad to have you do it.

Does that close the presentation of your side?

Mr. CHOATE. Except for a few documents. In the first place, in answer to Senator Sutherland's question with reference to the British dyestuff industry, you will find that in full in the report of the United States Tariff Commission on Dyes and Related Coal Tar Chemicals, 1918, printed for the use of the Committee on Ways and Means, House of Representatives, at page 93 of that pamphlet. That discloses a plan of the most comprehensive aid to the British dye industry, including loans at almost nominal interest, grants in aid, actual gifts for the construction of plants, and a comprehensive license system.

Senator CURTIS. That has already been printed; there is no use reprinting that.

Mr. CHOATE. I desire to put into the record, however, the report of the British mission appointed to visit the enemy chemical factories in the occupied zone engaged in the production of munitions of war.

(The report referred to appears at page 210 of the report of the hearings before the Committee on Ways and Means, House of Representatives, on June 18-20 and July 14-18, 1919, and is therefore not reprinted here.)

Mr. CHOATE. Then I desire to put in four resolutions, of which I wish to read two. One is the resolution of the American Chemical Society, an association having a membership of 14,000. It reads as follows:

RESOLUTIONS OF DIRECTORS AND COMMITTEE ON NATIONAL POLICY, AMERICAN CHEMICAL SOCIETY, NOVEMBER 20, 1919.

- Whereas the establishment of a complete self-sustained coal-tar chemical and dye industry is a national necessity because of its well-defined character as a key industry in our economic life; and
- Whereas this industry has a much deeper significance in that it constitutes a vital reserve both as to personnel and supplies for our Army and Navy in modern warfare; and
- Whereas such a complete industry is also essential for supplies of synthetic drugs for the health of the Army, Navy, and general public in peace and in war; and
- Whereas this country possesses an abundance of raw material for such an industry, ample capital, and chemists capable of solving the many scientific and technical questions involved, as evidenced by the splendid progress of the past three years; and
- Whereas this initial period, with all of its attendant difficulties, has not yet been adequate to admit of the efficient production in domestic plants of all colors needed by American consumers; and

Whereas the greatly depreciated rate of exchange in that country which in the past has manufactured the bulk of the world's supply of dyes presents a new and threatening factor in all transactions of an international character: Therefore be it

Resolved, That we urge all Americans to stand loyally by the young industry which embodies such far-reaching potentialities of service and protection for our country; that every needful safeguard be thrown around this industry by the Congress of the United States, especially through the imposition of effective import duties and the imposition of a temporary licensing system, along the general lines embodied in H. R. 8078, known as the Longworth bill.

The next is the resolution of the National Coal Association, dated October 8, 1918:

Whereas it is universally conceded that the permanent establishment of a complete and independent American industry in the manufacture of dyes and other coal-tar products is indispensable to the advancement of medical and industrial chemical science in this country; and

Whereas the establishment of our program of national defense demands the most extensive development of this industry of peace which can be so promptly converted into one of the essential and basic industries of war; and

Whereas the existence of such an industry is directly allied with the coal and coke industry and indirectly with every industry which applies chemistry in any form; and

Whereas the efforts of constructive Americans have built up a dye industry which supplies almost all the country's needs; and

Whereas that industry is certain to meet, instantly on the ratification of the peace treaty, destructive and unscrupulous competition from the German dye trust; and

Whereas this competition will certainly be destructive, and will be carried on in disregard of any tariff duty no matter how high; and

Whereas it is apparent that unless the new American dye industry can immediately be assured for a time of protection, more efficient than any known form of tariff legislation, it can and probably will be destroyed in a brief period; and

Whereas in the Longworth bill (H. R. 8078) recently passed in Congress the House of Representatives provides such protection in a manner satisfactory to all the makers and most of the users of coal-tar products: Be it therefore

Resolved, That this association urge upon the Senate of the United States the immediate passage of the said Longworth bill, and in particular that such action be taken before the ratification of the peace treaty shall, by releasing the flood of accumulated German goods, destroy the beneficial effect of the enactment.

I also desire to put in evidence the resolution of the Paint Manufacturers' Association of the United States, directly indorsing the Longworth bill, under date of September 12, 1919; and the resolution of the National Paint, Oil, and Varnish Association (Inc.), to the same effect, dated September 22, 1919; and the resolution of the Laundry Owners' National Association, dated October 9, 1919.

(The resolutions referred to and additional data submitted by Mr. Choate are here printed in full, as follows:)

Whereas the board of directors of the Paint Manufacturers' Association of the United States realizes the necessity of the proper development in the United States of the dye industry, both on account of the dependence thereon for successful domestic and foreign trade of the country's most important industries, and the intimate relation of this industry to the national defense; and

Whereas it has not been possible hitherto to establish the dye industry in the United States under a customs tariff; and

Whereas it is believed that successful development must be attained by aid in addition to a customs tariff; and

Whereas it is apparent that every effort is being made by German interests to destroy the dye development in the United States:

Resolved, That the board of directors in behalf of the Paint Manufacturers' Association of the United States, in view of the existing emergency, expresses

itself in favor of the plan laid down in the House of Representatives bill No. 8078 (the Longworth bill) now before the House of Representatives for consideration, providing both for a tariff and a licensing plan, and requests early passage of this measure in the belief that by such legislation not only will the industry be afforded a proper chance for development, but that it will also provide a means for the supply to the various interested industries of such colors as are not yet made in sufficient quantities or quality to fill the needs of American manufacture; and, be it further

Resolved, That the secretary of the association is instructed to send certified copy of this resolution to the chairman of the Ways and Means Committee of the House of Representatives, and to the chairman of the Finance Committee of the United States Senate.

I certify that the foregoing is a correct copy of a resolution adopted by the board of directors, Paint Manufacturers' Association of the United States.

G. B. HECKEL, *Secretary*.

PHILADELPHIA, PA., *September 12, 1919.*

NATIONAL PAINT, OIL AND VARNISH ASSOCIATION (INC.),
New York City, November 10, 1919.

THE SENATE OF THE UNITED STATES,
Washington, D. C.

GENTLEMEN OF THE SENATE: At the thirty-second annual convention of this association held at White Sulphur Springs, W. Va., September 22 to 25, inclusive, our committee on tariff presented a very comprehensive report, including a complete review of the tariff measure introduced by Representative Longworth, of Ohio, known as H. R. 8078.

In accepting the report of our tariff committee, the convention unanimously recommended—

First its approval of the pending tariff bill known as H. R. 8078.

Second, endorsing the system of specific rates of duty in further tariff legislation in preference to ad valorem rates wherever specific rates can be applied to the classification.

Very truly, yours,

GEORGE V. HORGAN, *Secretary*.

[Resolution No. 13.]

Whereas, the war has shown the danger that lies in the possession of foreign countries of certain basic industries, such as the production of coal-tar dyes on which our manufacturers and the public were dependent for necessities of life and munitions of war: It is

Resolved, That the Laundry Owners' National Association, in convention assembled, place itself on record as favoring the enactment of such laws by the Congress of the United States as will enable the American dye industry to develop from coal tar the colors necessary for domestic consumption

This resolution was regularly introduced on October 9, 1919, at the thirty-sixth annual convention of the Laundry Owners' National Association, at the Hotel Pennsylvania, New York City, October 6 to 9, and was adopted by unanimous vote.

W. E. FITCH, *General Manager*.

WAR DEPARTMENT,
Washington, November 20, 1919.

THE CHAIRMAN COMMITTEE ON MILITARY AFFAIRS,
United States Senate.

SIR: My attention has been called to (H. R. 2706) a bill having an important bearing on the future of the dye industry in the United States.

It is believed that the dye industry is one that has a very important relation to the question of national preparedness for defense, affecting both the Army and the Navy.

Dyestuffs are directly related to several of our gases; the same crudes or intermediates that are used in making dyes are also utilized in making explosives and poison gases—are identical to a certain stage. Certain materials which are indispensable for dyes are also indispensable for gas and high explosives. There is no substitute and they are all indispensable for war purposes.

All of the most important explosives of the present day are either coal-tar products or the result of chemical processes requiring the use of coal-tar products. In a large dyestuff factory considerable quantities of by-products are directly available for conversion into explosives. In addition to these by-products, many of the materials directly useful for the production of dyes can by slight alterations in the processes employed, be converted into explosives. Eighty per cent of all the high explosives used in war are by-products of the dye industry. The necessary alteration in processes is simple and requires but little change of mechanism.

The dyestuff industry is the one peace time enterprise which will furnish plants and equipment which can be hurriedly converted to essential uses in time of war. Its development would give us plants which could be converted to war purposes for the manufacture of gas and high explosives, and would give us the trained personnel, especially chemists, that we would need in adopting and developing the dye industry to war purposes. Every dye factory worker is, without additional training, an explosive maker. The technical skill required for the manufacture of explosives is precisely that possessed by the chemical staff of a successful dye works and is to be found nowhere else.

Every chemical factory must be regarded as a potential arsenal. For military security it is essential that the country should have its chemical industry firmly established. A complete dye works can be almost instantly converted into an explosive factory. Materials, processes, and men are all there ready to hand. A country which has a large dye industry can provide itself overnight with the means of making colossal quantities of explosives needed in war.

The necessity for this legislation is manifest. It is important that the dye industry should be developed as a part of our program of military preparedness on account of its close relationship to the manufacture of explosives and poison gases.

Favorable consideration by the Senate of the legislation proposed is earnestly requested.

Respectfully,

BENEDICT CROWELL,
Assistant Secretary of War.

THE BRITISH DYESTUFF INDUSTRY.

[By Dr. H. Leivinsteln, M. Sc., F. I. C., at the Conference on Dyestuffs, Synthetic Drugs, and Associated Products, at Salter's Hall, London, July 17, 1919.]

I have been asked to make a few remarks as an introduction to the interesting papers in the dyestuffs, synthetic drugs, and associated products section, for which a whole day out of the short space of time available for our meeting has been set aside. This procedure, entirely novel in the history of the society, shows the importance attached by the council of the society to the organic chemical industry, of which the dyestuff industry is the predominating partner.

My one regret is that it is I who am addressing you and not my father, who, had he lived, would undoubtedly have been in my place to-day. Twice president of our society, it is entirely due to his long and courageous battle for patent law reform that the country was able to have supplies of vital commodities, such as indigo and hydrosulphite during the war. To him was due as much as to any one man that our aniline dye industry was kept alive, and I am sure that this society, of which he was an original member, and for which he worked so assiduously for many years, first as chairman of the Manchester section and then as a member of the council, will share my regret.

I shall not give you a panegyric on the war work of the British dye industry, though this was quite remarkable. Such reviews have a tendency to make one complacent and to encourage the fatal notion that we can for the moment relax our efforts.

Nor do I propose to say anything about our present position and future intentions, save this:

The industry now operates on a large scale, for the British Dyestuffs Corporation, the principal manufacturer, already employs close on 7,000 persons, and some 300 academically-trained chemists, exclusively in the manufacture of dyes and auxiliary products, and their works comprise about 1,050 acres.

Further large extensions are in preparation, both to research laboratories and plant, and I anticipate that before the end of this year the number engaged will be substantially increased, with a corresponding increase of output. The range of products manufactured is being enlarged as quickly as new construction permits. Our immediate object is to manufacture, in the shortest space of time, a range of dyes sufficient to render the country substantially independent of German dyes.

As the Government, who have a substantial holding in the British Dyestuffs Corporation, have in many ways shown their determination to secure a dye industry here, it is important that everybody should thoroughly understand the facts which make a successful dye industry of paramount importance to the State. Mr. Runciman realized this in 1915, and his two successors in office, Sir Albert Stanley, and Sir Auckland Geddes, have both been greatly interested in the industry, and have done much to encourage those engaged in it under great difficulty. I propose, therefore, to deal with those aspects of the dye industry which explain why any British Government may well feel uneasy until we possess a dyestuff industry equivalent to that of Germany.

REASONS WHY A SUCCESS OF THE DYE INDUSTRY IS VITAL TO THE STATE.

There are four reasons why the success of the dye industry is vital to the State. I do not give them in their order of importance. There is no order of importance. Each reason is in itself adequate.

1. *A key industry.*—The dye industry is a key industry—an overworked word which now conveys nothing to a good many people. Mr. Runciman gave a clear explanation in stating the reasons for the formation of British Dyes (Ltd.) during his tenure of office.

"Though it is perfectly true that the whole of the textile industry is not dependent upon dyestuffs, we do know that the combined capital of such operations of textiles and other industries which require aniline dyes comes to no less than £200,000,000 * * * about 1,000,000 of our employees are either directly or indirectly interested in the adequate supplies of dyestuffs for their main industries." (House of Commons, Nov. 27, 1914.)

"This is not a mere matter of one corner of one industry. It is a matter of vital concern not only for our textile industry, but of a whole group of industries which are dependent upon the use of colors. Wool and cotton are indeed important enough, * * * but there are other industries which, like wool and cotton, are dependent upon the use of dyes, and mainly aniline dyes. The lace industry of Nottingham, the silk industry of Macclesfield and elsewhere, the cotton industry, the making of paints, such small things as ink, wallpapers, the colorings of leather goods, the coloring of hats, and, I would add, too, the coloring of some foods, they all depend upon an adequate supply of dyestuffs. It may be that some of these industries can dispense altogether with the use of dyes, but the textile industry and some others, like the carpet and linoleum trades, are absolutely dependent upon aniline dyes if they are to succeed." (House of Commons, Feb. 22, 1915.)

"No one can tell what exactly will be the position after the war is over. Of this I am certain, if we go on being dependent in a large portion of our textile trade, whether cotton or wool, upon supplies which Germany has the power to cut off whenever she pleases, we leave these cotton and wool industries in a state of peril." (Nov. 27, 1914.)

It may be said against Mr. Runciman's view that our textile trades did exceedingly well up to the time of the war, though dependent upon Germany for supply of these products, and that now that the war is over there is not the same necessity for rendering ourselves entirely independent of Germany for the supply of dyestuffs.

That view would be, however, entirely erroneous. It is held by no one who is at all familiar with the methods and history of the big German aniline dye trust, which was created in 1915. The negotiations for the gigantic combine were well advanced in August, 1914, and their conclusion was not, as is generally supposed, due to the war, but the carrying out of a policy long decided upon. Had the war come but a little later the ring would have been closed, and our textile industry would have appreciated an acute difference in the conditions

under which they would have received their supplies. To-day this trust, familiarly known as the I. G., is the most powerful weapon possessed by the Germans, for in peace, as in war, it was and is a tool of the German Government.

It is inconceivable that we should voluntarily permit the I. G. to dictate to essential industries the terms on which they should obtain their dyes, that we should leave to the I. G. the power to withhold supplies of useful or even essential commodities or to charge British consumers a higher price than they charge their own textile trades. That, however, would have been the position of this country but for the war, and would have been the situation to-day but for the extraordinary efforts made during the war under the greatest possible difficulties to create a strong dye industry here. If these efforts are not successful, the textile industries are not safe. The real danger of being dependent upon Germany for dyestuffs did not lie in the risk that we might be cut off from supplies in the case of a war with Germany, but that the world monopoly possessed by Germany in dyestuffs was imperceptibly becoming a desperate menace to the freedom of our textile trades. It is of the first importance that this should be universally recognized. It is the main reason apart from powerful sentimental considerations, which has made the dye consumer so enthusiastic a supporter of our industry since the war. It still concealed its character, and not indifference to it, which made him appear lethargic in assisting British dye manufacturers before the war.

2. *National security as a guaranty of peace.*—The dye industry is required for national defense as a guaranty of peace. I invite you to consider the war record of the German combine.

During the war the I. G. produced not only all the synthetic ammonia and nitric acid needed for the production of explosives and also vast quantities of explosives, but also, with an unimportant exception, the whole of the chemical warfare products used by Germany in the course of the war.

It was entirely due to the I. G. that Germany was able, in spite of the blockade, to carry on the war after the end of 1915. Consider what this means. But for the possession of her dye industry on which the general staff did not even rely for munitions in 1914, the German resistance would have broken down in little more than a year for lack of nitric acid.

Can anything more clearly prove the military value of the German dye industry and the loss and destruction which it has caused us?

Apart from the production of nitric acid, oleum, and high explosives, the German dyestuff plants are of supreme importance for chemical warfare, because they are extraordinarily adaptable. Practically any organic product can be manufactured in them. This is due partly to standardization, but chiefly because the plant is often designed not for the manufacture of specific substances, but for the purpose of carrying out specific chemical operations. It was for this reason that most of the poison products used by the Germans were not made in one factory; certain operations were carried out in one factory, other operations could be carried out very conveniently in another plant. Thus in the case of mustard gas, thioxycol was prepared at Ludwigshafen, and the mustard gas itself at Leverkusen. The reason for this was that at Ludwigshafen there was already in existence plants which could be used for the manufacture of thioxycol.

Where extensions were put down for the manufacture of poison gas the reverse holds good. The extensions for the purpose of war were adaptable for the purpose of peace.

The Germans were, of course, fully conscious of this, and for the greater part of their war expenditure on chemical plant was of a permanent character, and erected with a view to the after-war commercial struggle. The plant erected in Germany for the increased production of mustard gas is now available for the increased production of dyes.

Attached to one of their plants erected during the war, ostensibly solely for the purpose of war, are laboratories which contain a large, luxuriously-equipped lecture room and cost £200,000.

One may sum up the situation in this way:

1. The production of explosives in blockaded Germany was possible only owing to the Haber process belonging to the I. G., which was greatly developed by them during the war.

2. Each factory of the I. G. is either an arsenal or a potential arsenal of great size, capable of making great quantities of intermediate products and dyes one day, and 24 hours later capable of being switched on to the manufacture of stupendous quantities of poison gas.

The military value of chemical warfare is little understood owing to the secrecy in which the work has been done, but we must not therefore underrate its importance.

Gas warfare resolved itself into a contest between the development of gas defense (e. g., the gas mask) and the discovery of new gases which would penetrate the gas defenses. Everything depended upon surprise, and a surprise, to be effective, means the provision of large quantities of material. In our own country, when a new gas had to be made ad hoc, plants had in nearly every case to be erected. This involved great delay before the product could be used in the field, and these plants are valueless for peace purposes.

In Germany the I. G. took charge of the whole manufacture, and produced the material for use in the field in a much shorter time. Their plants are of great peace value.

If Germany were to remain the only country possessing such factories she would have every inducement to use them for aggression, for she would have no cause to fear reprisals. She might conceivably be certain in her own mind of effecting a strategic surprise. Therefore the establishment of plants of equal magnitude in this country on a sound basis is one of the first guarantees of peace.

Let me read to you a passage from President Wilson's address to Congress, telegraphed from Paris on May 16, for, coming from President Wilson, the words have peculiar significance:

"The German chemical industry with which we are brought into competition was, and may still be, a thoroughly-knit monopoly capable of exercising competition of a peculiarly insidious and dangerous kind.

"The close relation to the manufacture of dyestuffs on the one hand and explosives and poison gases on the other hand, moreover, has given the aniline dye industry exceptional significance and value. Although the United States will gladly and unhesitatingly join in the program of any national disarmament, it will nevertheless be a policy of obvious prudence to make certain of the successful maintenance of many strong and well-equipped chemical plants."

The words coming from this source are indeed significant. Yet the danger to America is less than to us by the 3,000 miles which separate her from the banks of the Rhine.

I do not agree with what my friend, Sir William Pope, said in his powerful presidential speech to the Chemical Society, on March 27, 1919, with regard to the production of mustard gas. I say this not for the purpose of controversy, but because it is important that the facts should be correctly appreciated, as they have a bearing on the policy and on the question of the importance of the dye industry for national defense. Sir William Pope states that the method of manufacture of mustard gas employed by this country was 30 times as effective as that of the Germans, and the cost in Germany was 30 times as great as that of our product. I am well acquainted with the German method and also with our own, for it was worked out in our laboratories by the head of our research department, A. G. Green, F. R. S., based on scientific work communicated to us by Sir William Pope himself. I had a good deal to do with the application of this process to the large scale, and we designed the main features of the great factory at the Edgewood Arsenal at Maryland, United States of America, where the "Levinstein process" and the "Levinstein reactor" proved a great success. I may claim to know something of mustard gas, and I am sorry to disagree with the deduction that Sir William Pope draws, viz: that the German chemical service was inefficient, and the scientific chemists under its control incompetent in comparison with ours, whereas, on the other hand, Germany was extremely well served by the skill and perseverance of her chemical manufacturers.

In fact, we now know that the German method of making mustard gas had nothing whatever to do with the scientific chemists under the control of the German chemical service. It was decided by the I. G., and the process they selected was the best they knew of. If there were any inefficiency, as Sir William Pope says, that inefficiency was on the part of their manufacturers and not on the part of the scientific advisers of the general staff. I do not think there was any inefficiency. There is nothing technically cumbersome in the German process, nor is there any difficulty about it. Let us be quite frank. Our scientific advisers found this process difficult. If they had come straight to our dye industry we could have shown them how to carry out the reaction on the large scale without any difficulty whatever, exactly in the way the German dye industry carried it out. The fact is, that the production of mustard gas in

England on the other hand remained for too long a prerogative of our scientific advisers. What happened? There was certainly no mustard gas produced. The successful manufacture of mustard gas in this country and in America commenced when the British dye industry took it up. We took it up on our own initiative, and mustard gas was produced by us on the large scale six weeks afterwards. In this short space of time a new process—not the German process—was evolved and plant adapted, but the British dye industry was not requested to make mustard gas as it should have been from the beginning.

I do not in any way depreciate the value of the work of our scientific advisers, and I yield to no one in my respect for the achievements of Sir William Pope and his most able and distinguished academic associates. I do regret that he did not recognize that the success of our mustard gas work was due to the cooperation of the dye industry, with their great experience in the manufacture of organic products, with purely academic advisers of the ministry. The correct inference was drawn by the authorities from these facts, for they became convinced of the unique value of the plants and technical experience of a dyestuff factory for the manufacture of toxic gases. From this point onwards our industry became very intimately associated with the development of chemical warfare.

Do not misunderstand my argument. I do not advocate building dye plants for the purpose of making toxic gases. I do say that if the Germans retain their monopoly in dyestuffs they possess a monopoly in the rapid production of toxic gases, and that, in this event, the world is not safe for peaceful people.

(3) *New industries can only be created by organized research.*—Very few people realize to what a small extent new industries arising out of new inventions have been created in England in recent years, in comparison with those created abroad, particularly in Germany. We are apt to regard our commercial supremacy as dependent upon a few well-established staple industries, such as, for instance, the cotton industry, whereas, in fact, the world moves on and new products and new methods are continually coming in, and that nation which produces the most inventions and the best inventions will, other things being equal, predominate.

Before the development of the scientific industries I think we may fairly claim to have produced more important inventions than our competitors. We are an ingenious and inventive people. To-day only a small proportion emanates from the inhabitants of these islands. Industrial inventions are now, as a rule, not the result of a flash of intuition, but of patient, methodical, and skilled research carried out with big resources on a well-considered plan.

On the whole, that country will produce the most chemical inventions which has the greatest number of trained research chemists. In the fields of discovery, as on the battlefield, numbers will tell. As Pasteur well said, "In the fields of discovery chance always favors the researcher."

There is no industry except the dye industry which can support a large number of organized research chemists. This can not be more clearly expressed than in the report by Mr. A. Mitchell Palmer, the Allen Property Custodian of the United States (chemical section): "The vital character of that industry (the dyestuff industry) was not due to its financial importance, since the consumption of dyes in the United States at the time of the outbreak of the war did not exceed \$25,000,000 a year in cost to the consuming industries, nor to the fact that these dyes were absolute essentials to industries producing perhaps \$2,500,000,000 of goods annually, but most of all to the fact that the technical skill and equipment provided by a successful dye industry furnished the means, and almost the sole means, to which every nation must look for advances in the application of chemical science to practical undertakings. No other industry offers a livelihood to any such large numbers of highly trained scientific chemists, nor any such incentive to continuous and extended research."

The dye industry is thus a key industry in a new sense. It is the key to invention. It is necessary if we are to keep abreast of the world in the development of new industries arising out of chemical discoveries.

The reaction of this on the chemical schools of our universities is of extraordinary importance, because the dye industry can provide a large outlet for highly-trained research chemists. As the dye industry lives by research, new buildings and plants are continually being erected for the manufacture of new products. This entails the employment of more chemists, who, as a rule, are drawn from the research departments, and their replacement by new research students from the universities. For the first time, young chemists can be assured of a career in industrial research, the most fascinating but elusive and

difficult work open to our profession. The bond between organic chemical schools and the dyestuffs industry is therefore bound to be a close one. The development of the industry which we plan will give an enormous impetus to the study and research in organic chemistry at academic institutions.

(4) *Political importance of the dyestuffs industry.*—The German dye industry was the most potent weapon possessed by Germany for peaceful penetration. In America Mr. Mitchell Palmer shows that the dyestuff sales organization of the I. G. firms was used by the German Government for espionage both before and during the war. The peaceful penetration of Russia and other foreign countries by Germany was one of the causes which led to the war.

It is not safe for us to permit the Germans to monopolize the up-country business with tins of dyestuffs among the natives of India, and of the East in general, for political reasons. It is our duty to afford an alternative supply of dyestuffs, besides German dyestuffs, to those of our allies who do not possess an adequate home industry. To secure commercial freedom for our textile trade and that of our allies is as important as to secure political freedom.

SUMMARY.

These are the four reasons which render the development of our industry so vital in the coming struggle. They may be summed up in the following propositions:

(1) It would be madness after the closing of this terrible war, fought to secure our ideals of political freedom, not to make ourselves economically free from Germany.

(2) It would be folly to leave Germany the sole possessor of factories, potential arsenals, which, because they were unique in the Great War, enabled her to carry on this war for three additional dreadful years.

(3) It is impossible for us to maintain our commercial supremacy if we throw away the one chance of organizing the inventive talent of our chemists.

I commend these propositions to all persons if there be any such who question the paramount importance of securing a firm, large, and flourishing dye industry in our country for the protection and development of the vast interests of the Empire. It is, I believe, demonstrable that if Germany retains her predominance in Europe in the dye industry she will ultimately win the war, for though the campaign is gloriously ended, the war is not over nor the victory certain. Though the German military defeat is complete they may yet regain through their dye industry their former ascendancy over Europe.

Germany recognizes this fact, and is straining every nerve, using every device, to reestablish her commercial dominance in the dye industry. Her propaganda is to be seen in the press, and not only in the German and neutral press. It is of the utmost consequence that these simple, incontrovertible facts with regard to the importance of this industry, should be brought thoroughly home to the people of this country.

CONCLUSION.

It follows from what I have said that enormous responsibility rests upon the chemists of this country, and I think that it is fully appreciated. During the war our chemists rendered good service and made sacrifices and ran risks, as has been handsomely recognized in particular by Mr. Kellaway.

But let us be quite clear on this. The real burden of the war was not borne by chemists, and the victory was not won by chemists or by engineers, but by the indomitable courage and tenacity of our soldiers. The real war work of our chemists lies yet before them, for it rests with chemists to secure in the next few years the opportunities the soldiers won for us, the fruition of which German chemists may yet deny us.

In the final stage of the struggle, in which the clash of arms was but the first round, the chemists' work will be a decisive factor. If the chemist is to take his rightful place as a leader in our industrial order, he must be the first to emerge from the wave of war-weariness and work-weariness which threatens to engulf us.

There is a great opportunity in this for chemists. Let us take it greatly.

Senator CURTIS. We will now hear Mr. Charles S. Hollander, of Pennsylvania.

**STATEMENT OF MR. CHARLES S. HOLLANDER, VICE PRESIDENT
OF THE ROHM & HAAS CO., PHILADELPHIA, PA.**

Senator CURTIS. What is your business and your residence?

Mr. HOLLANDER. I am vice president of the Rohm & Haas Co., Philadelphia, Pa. I am the manager of the development department just now, including all new work and laboratory control.

Senator CURTIS. Just make any statement you desire.

Mr. HOLLANDER. I am very glad indeed that I am called upon now, after Mr. Klipstine has so very ably explained to you the great advantages of the vat dyes and the employment and application of them. He has shown that these vat dyes must be reduced by some agent that gives off hydrogen. Of course, hydrogen as a gas can not be practically employed and would not serve the purpose in a chemical way at all, but, actually hydrosulphites are employed for that purpose.

We are manufacturers of hydrosulphites and sulphonylates, and the reason we have requested a hearing at this occasion is that we feel that the hydrosulphites and sulphonylates are connected by the closest practical relationship with the best and fastest dyes so far known—the vat dyes. Without these chemicals it would be impossible to use indigo thioindigo, indanthrene, and a host of other dyes of the highest qualities which the chemists are putting on our market in ever increasing quantities; without them it would be impossible to print cotton goods with the effective patterns by the discharge process and impossible to bleach shoddy to make it work again to alleviate the shortage of original wool. The welfare and independence of our American dyeing industries in our opinion is dependent on the American manufacturer of these articles and we believe that the importation of these articles should be subject to the same tariff and license provision as the dyes themselves.

I shall best illustrate this interdependence of vat dyes and the chemicals in question by pointing out that no one but the big dye manufacturers in Germany ever entered this field of manufacturers, that is, hydrosulphites and sulphonylates—Badische, Hoechst, Cassella and Bayer—those were the four who manufactured these hydrosulphites. Over one half million pounds of hydrosulphites and about the same quantity of sulphonylates were imported into the United States during the fiscal year 1913-14, that is, according to the information received from our tariff commission. They represented three different types, each one for a different purpose; (1) the hydrosulphites or blankit—that was the trade name of the Badische Co.—were used to reduce in the cold the vat dyes without introducing any sediment that would spot the goods; that is just as Mr. Klipstein stated the great advantage of the vat dyes; (2) the soluble sulphonylates (trade name Rongalite)—and they were made by several people over there, especially Hoechst and Cassella—served as discharging agents where a dye already applied was again removed or bleached out in certain spots to produce a pattern. Another use is for stripping the dye from cotton goods that were spoiled in the course of manufacture and had to be dyed over again; (3) the insoluble sulphonylates (trade name, Decrolin), were used together with acids to bleach woolen and silk goods and shoddy.

It seems that the Germans had scared all the rest of the world off these fields, because they had an absolute monopoly of manufacture. Anyway, since the war began our company has plunged in, spent many thousands of dollars on laboratory research and large plant experiments and is now successful in supplying these much-needed articles to their American trade. But I assure you that it was a hard problem, because of the extreme sensitiveness to temperature, air oxydation, and catalytic action of certain metallic impurities. It is imperatively necessary to maintain for proper plant supervision and laboratory control a comparatively large staff of high-grade chemists and foremen; and even then an entire batch will be not infrequently irretrievably spoiled by a slight oversight. Of course we hope to overcome in time these imperfections of an infant industry. In fact, we know now that we can overcome that to a certain degree and we are making progress very fast. But until we know as much about the tricks of manufacture as the Germans we urgently plead for the same protection as the dye manufacturers for their products. For this reason we suggest an amendment to the bill inserting the words, "hydrosulphites and sulphoxylates," on page 6, line 3, after the word "coumarin." This will give to these chemicals so vitally important to the dye industry and so closely related to it the protection necessary to insure its permanency. Our opinion of the lincensing feature is that it is the only effective way of meeting an emergency many times pointed out in the course of this hearing. We are advised that in England the hydrosulphites and sulphoxylates are subject to the same lincensing provisions as the dyes.

Senator CURTIS. On what page was the amendment you suggested?

Mr. HOLLANDER. Page 6, line 3.

Senator CURTIS. After what word?

Mr. HOLLANDER. After the word "coumarin."

Senator CURTIS. Have you anything further to state?

Mr. HOLLANDER. Yes, Mr. Chairman, if you will let me speak a little while longer.

In England these same chemicals were included with the dyes and really they are logically of the same group, because one is dependent on the other. The chief use of hydrosulphites is for dyes. That is by far their greatest use, and so it is with the sulphoxylates; they are only applied for discharging, for patterns, and to decolorize or bleach shoddy to be used over again and dye over again and they are hardly used for anything else—I would like to modify that statement, because there is one very interesting use for the hydrosulphites, and that is they are indispensable for the manufacture of salvarsan or arsphenamene, or 606, that you heard of the day before yesterday by Dr. Stieglitz. This can not be manufactured without the hydrosulphites, and we are now prepared to offer them to the trade. By the time the vat dyes are here we will be ready to furnish our hydrosulphites, but we are not able to compete with what the Germans are ready to "hand to us." The great difficulties in manufacturing these products, and I think everybody who has even made these things on a laboratory scale will bear me out in my statement that they are extremely difficult to make, because if you have it, and you leave it standing for an hour it is gone, and it can not be

recovered again, as it is gone forever. I have a way of stating it to our workmen and foremen that it is a "race against time," because within a certain time a certain amount will always decompose and the rate of formation has to be very much quicker than the rate of decomposition, and it really is the race of skill against time to beat the German skill—

Mr. DEMNING. This that you speak about is not a coal-tar product, is it?

Mr. HOLLANDER. Not directly, but logically.

Mr. DEMNING. Not at all, is it?

Mr. HOLLANDER. But at the same time it is logically very important to them, and logically—

Mr. DEMNING (interposing). This bill is limited to coal-tar products, as I understand it.

Mr. CHOATE. There is no reason why it should be.

Mr. HOLLANDER. I understand that, but at the same time there is hardly any other place for these chemicals, Mr. Chairman. They are indissolubly bound up with the dyestuffs and are not used for anything else.

Senator CURTIS. His suggestions will be considered with others.

Mr. HOLLANDER. They should be considered with others; yes, sir.

Senator CURTIS. We will now hear Mr. Isermann. Please state your full name.

STATEMENT OF MR. SAMUEL ISERMANN, SECRETARY AND TREASURER VAN DYK & CO., NEW YORK.

Senator CURTIS. Where do you live?

Mr. ISERMANN. I live at 107 Boulevard, Summit, N. J.

Senator CURTIS. What is your business?

Mr. ISERMANN. I am the secretary and treasurer of Van Dyk & Co., a New York corporation.

Senator CURTIS. Make any statement you may desire.

Mr. ISERMANN. Van Dyk & Co. manufactures a line of chemicals that is very closely allied to the dyestuff industry. We have been in business since 1904 and manufacturing these materials since 1908. Our business at that time was a very difficult one, because we had to compete with German raw material for the manufacture of our products, and in order to be able to manufacture it here at all, not being able to obtain the raw materials in this country, we had to import our intermediates and chemicals used for the production of our products from Germany. When the war broke out we found ourselves in a position where our raw materials was unobtainable—

Senator NUGENT (interposing). One moment. From what country did you import this raw material prior to the outbreak of the war?

Mr. ISERMANN. From Germany. When the World War began we were forced to go into the manufacture of the necessary intermediates for our products.

Therefore, when the United States got into the war we were then manufacturing quite a line of intermediates. Some of the intermediates and finished products were found to be rather useful for

the carrying on of the war. The manufacture of these materials is not a very easy matter. The line is known as synthetic aromatic organic chemicals. While on the face of it they are used mostly for perfumery purposes, for perfuming soaps, perfumes, toilet water, and so on, some of them are being used for drugs; and during the war several of them were adopted for aeroplane dope, and we were the only concern in the country equipped for the manufacture of the product which was used for aeroplane dope, namely, benzyl benzoate and benzyl acetate.

This work was carried on in conjunction with a dyestuff concern by the name of the Chemical Co. of America. This dyestuff concern manufactured some of the raw materials or intermediates, called benzyl chloride, and those two plants worked together and produced the high-boiling solvents, benzyl benzoate, etc., which were used for the waterproofing and fireproofing of aeroplane wings. If it had not been for the fact that the plants that I am interested in were so equipped with knowledge and experience to manufacture these compounds, the War Department, to use a common expression, would have been "up against it" in procuring these materials.

Senator NUGENT. Were you manufacturing them prior to the outbreak of the war?

Mr. ISERMANN. In a very small way prior to the United States entering the war, and for this purpose we bought the raw materials in Germany.

Senator NUGENT. I say, were you manufacturing the substances that you have just referred to prior to the outbreak of the war?

Mr. ISERMANN. Yes; in a laboratory way only. As this matter was taken up previously at the hearing of the Ways and Means Committee, I would like to say a few words and refer to that hearing to save time. My request was to change the phraseology to include our products.

Senator CURTIS. That will be all right. You say they were presented and they refused to put it in?

Mr. ISERMANN. No; they did not refuse to put it in. As about 60 per cent of our products are made from coal tar, there was a question raised what should become of the balance of our materials. As far as I am concerned, I am perfectly satisfied to let it go with a coal-tar bill and to get 60 per cent protection than not to get anything at all. That is how I feel about it, as I do not want to do anything to interfere with the progress of this bill, even if I have to suffer by it.

Senator NUGENT. I understand that you went into the manufacturing business in 1904?

Mr. ISERMANN. In 1904.

Senator NUGENT. From that time up until 1914 you imported the raw materials?

Mr. ISERMANN. We imported raw materials and finished products; in other words, we were merchants and manufacturers.

Senator NUGENT. You imported raw materials from Germany?

Mr. ISERMANN. We imported raw materials both from Germany and from Switzerland.

Senator NUGENT. Was there a tariff during those years, 1904 to 1914?

Mr. ISERMANN. Yes, sir; 20 per cent.

Senator NUGENT. And you imported raw materials from Germany, manufactured in this country and competed with Germans in the sale of the finished product?

Mr. ISERMANN. The Germans—

Senator NUGENT (interposing). Is that correct?

Mr. ISERMANN. That is correct.

Senator NUGENT. I fail to understand why, under those circumstances, there should be any additions to this bill so far as that matter is concerned.

Mr. ISERMANN. Senator, if you will allow me, I will explain.

Senator CURTIS. Go ahead and explain.

Mr. ISERMANN. Germany was satisfied for a long time to sell to Switzerland and ourselves, and probably France, the raw materials and make a profit on those raw materials, and from them we made our finished products and competed with Germany. But about 1910, the Germans became very graspy and wanted it all. Then they were getting into the market and made it very hot for everybody; they were not satisfied with selling the raw materials; they also wanted to supply the finished product as well, and if you will allow me, I will now read my report, together with a very interesting letter.

Senator CURTIS. Go ahead.

Mr. ISERMANN (reading).

VAN DYK & Co.,
New York, December 8, 1919.

HON. JAMES E. WATSON,
Chairman Subcommittee on France,
United States Senate, Washington, D. C.

DEAR SIR: The Senate is just considering a protective tariff bill known as H. R. 8078.

I am herewith submitting to your attention, suggested additions in the proposed tariff bill; memoranda appended.

Van Dyk & Co. (Inc.) entered into the manufacture of synthetic aromatic organic chemicals in 1904. In order to exist, it was forced to import, in the past, certain materials from Germany, Holland, and Switzerland, there being no supplies of such materials here. Its progress was beset with difficulties. A number of other plants entered this field during the war, so that to-day we are entirely independent of foreign countries.

In view of securing protection for this industry, Van Dyk & Co., before asking Congress to act in this matter, has sent out 385 letters to consumers of basic perfumery material, as to their attitude, for, or, against tariff protection for our industry. Three hundred and forty-eight favorable replies were received.

Since, the whole chemical industry depends upon all of its parts, the organic branch of the industry, will not be self-contained and independent, unless, the part manufacturing the synthetic aromatic organic chemicals—of which over 60 per cent are made from coal-tar, is given ample tariff protection in the above bill.

May I ask your kind cooperation in the Senate on behalf of this important industry?

Respectfully submitted.

SAMUEL ISERMANN.

MEMORANDUM.

Whereas, the bill known as H. R. 8078 is now before the United States Senate for its consideration; and whereas, the bill purposes to give tariff protection to the dyestuff intermediates, dyes, drugs, and all other chemicals, directly or indirectly obtained from coal tar; and whereas, no specific mention has been made as to the protection of the industry synthetically manufacturing

compounds used in the manufacture of perfumery, cosmetics, and flavoring extracts—may I not suggest to you the consideration of this industry, among the other infant industries, which have recently come to the forefront in the United States.

The industry manufacturing synthetically aromatic organic chemicals deserves serious consideration, since during the war it has suffered a great deal at first, before it placed itself in a position to manufacture all of the needed basic products.

This industry consists in the manufacture of basic materials used in several American industries.

The industry is based on the synthesis of odoriferous organic chemical compounds, involving great skill and knowledge, and represents the highest development in chemistry.

Since, with the exception of a few natural products gathered from all over the globe, the raw materials used in the production of aromatic chemicals, consume the same chemicals as do industries producing intermediates, dyestuffs, and synthetic drugs, this industry being very interdependent upon other industries, and because it claims the same source of supplies in the main, namely, coal tar, it seems to me but logical that the tariff bill should include those aromatic synthetic chemicals in all its provisions.

The industry manufacturing synthetic aromatic organic chemicals produces many of the bases for the following industries: (a) Perfumery industry, (b) soap-making industry, (c) flavoring-extract industry, (d) medicinal-chemical industry. (e) In a considerable measure also: Dyestuff industry.

These industries are dovetailing and use the same raw materials, namely, coal tar.

The perfumery, soap-making, medicinal, and flavoring industries in themselves are very large and represent investments of many tens of millions of dollars. They employ thousands of people in manufacturing and selling capacities.

At the present time there are at least 15 important manufacturers contributing to the production of the synthetic aromatic organic chemicals as made from coal tar. Their investment is considerable, and the trades depending upon them as stated above are large and responsible.

Our industry is threatened unless protected by the tariff to the same extent that the dyestuff industry and the coal-tar intermediate industry will and shall be protected.

It is suggested that the synthetic perfumery materials referred to in this document be placed under group 3 of the proposed tariff law and should be so worded as to include all synthetic aromatic organic chemical compounds used for perfumery, soap making, flavoring, cosmetic, or drug purposes.

A tariff protection of at least 45 per cent plus 7 cents per pound would seem at this time to be adequate to protect American manufacturers and at the same time, should there be any products that are not at present available in this country, 45 per cent tariff plus 7 cents per pound would not be prohibitive.

In the body of the Longworth bill there are mentioned isolated aromatic synthetic compounds used in flavoring and perfumery industry, as coumarin, but the entire large list of these very fine and costly chemicals have been omitted, and yet the intermediates used in their manufacture are mentioned in group 2 and in group 3 of the proposed bill known as H. R. 8078. Among others are mentioned amidobenzole acid, benzaldehyde, benzylchloride, benzoquinone, benzoylchloride, cumidin, nitronaphthalene, metachol, etc.

EXTENSION.

Not only are the five previously mentioned industries to suffer from the inadequate protection given to the manufacturers of the synthetic aromatic organic chemicals. National safety for one and the health of our citizens are greatly concerned with the protection of our industry.

Permit me to cite one example of each of the above conditions:

National safety.—When America entered the war, Van Dyk & Co. were in a very favorable position to offer their services to the War Department, as they had the necessary facilities for turning out synthetic aromatic organic chemical compounds needed for experimental work by the American University and other branches of the War Department. Eventually Van Dyk & Co. supplied pure benzylchloride to the training camps for the purpose of training the soldiers to combat with gases. The training camps were practically all supplied with the company's materials.

I might remark at this time that we were the only company in the United States which was in a position to make benzylchloride, because we used these things for perfumery purposes.

When the aeroplane program advanced to a point that it was necessary to get high-boiling solvents for the fireproofing and waterproofing of wings, Van Dyk & Co. was the only concern in the country which was able to turn out benzyl benzoate and benzyl acetate, two high-boiling solvents for dope to supply the needs of the Government. A contract for 90,000 pounds was placed by the Government, and Van Dyk & Co., in conjunction with the Chemical Co. of America, a dyestuff concern, delivered to the Aircraft Production Board, the necessary benzyl benzoate and benzyl acetate for dope manufacture.

These two materials are, properly speaking, perfumery raw material, used for the manufacture of scented articles. When the armistice was signed, the company had an additional order for 60,000 pounds for which it got ready, but as the armistice was declared, there was no necessity for completing the entire facilities.

In England the Royal Air Force used benzyl alcohol; also a perfume body. In France, benzyl alcohol and other perfume bodies were used, as, for instance, diethyl phthalate. The chemical section of the Aircraft Production Board experimented with a great many chemicals before adopting benzyl acetate and benzyl benzoate, and Van Dyk Co. was ready to furnish them with all materials necessary for experimental work.

Many of the aromatic synthetics are used in making war gas also.

Health of our citizens.—Benzyl benzoate and benzyl acetate mentioned above have been manufactured by the firm of Van Dyk & Co. for 10 years past and used as solvents in perfumery soap making, etc. During the war benzyl benzoate and benzyl acetate have been used for fireproofing of aircraft and now benzyl benzoate and benzyl acetate have been largely experimented with by authorities in America's foremost universities and found that benzyl benzoate is a medicine of the first potential importance. It has, a few months ago, been recognized by the American medical profession for its importance as a nonnarcotic antispasmodic, which is capable in a great measure of replacing opium in medicine, and yet, a drug which is devoid entirely of the evil effects of opium, namely, it does not form a habit.

Benzyl benzoate supplanting opium will do a great deal—stamping out the scourge of opium and yet provide the physician with a safe and ready means of combating pain and human suffering.

These illustrations are here given to show the interdependence of one organic chemical industry upon the other.

We are in receipt of letters; one coming from Hamburg, Germany, and the other from Basle, Switzerland, quoting us some aromatic chemicals at the same prices. Upon inquiry at both of the different addresses in two different countries we are informed that the firm of Dr. Mehrlander & Bergmann, of Hamburg, Germany, and the Societe Anonyme des Parfums Synthetiques, of Basle, Switzerland, are one and the same firm, the German firm being simply camouflaged by the French name and Swiss address and openly stated, that, under this camouflage they "should be able to secure certain facilities impossible in Hamburg." This rather nefarious competition on the part of Germany, Switzerland, and Holland imperils our industry, and we see the handwriting on the wall, which is simply this:

Shall the chemical industry in general in the synthetic aromatic organic chemical branch, in particular, continue to exist as a truly American industry, or shall we return to Germany the power and the control which she possessed previous to the war?

The answer to this question is up to the United States Senate.

The Manufacturing Perfumers' Association of the United States, an association composed of the manufacturers of perfumery, soaps, and cosmetics, who are the consumers of the products which Van Dyk & Co. manufactures, in April, 1919, adopted the following resolution:

Resolved, That the dealers and manufacturers of raw materials, including aromatic plants and aromatic chemicals, use their best and diligent efforts to encourage the manufacture of all such materials in the United States, and that we cooperate with them in securing suitable tariff protection, and also that the association authorizes the president to appoint a committee to collect data and to recommend what action, if any, our association should take in this matter. (Adopted.)"

At the hearing on H. R. 2706 and H. R. 6495 before the Committee on Ways and Means, House of Representatives, on the subject of dyestuffs held June 18, 20, and July 14, 18, 1919, reported on page 521 will be found the writer's views. Dr. Grinnell Jones, chemical expert of the United States Tariff Commission, made the following statement:

"The following material was submitted by Dr. Grinnell Jones as proposed amendments to H. R. 6495, page 5, line 16, after the word 'flavors' add 'benzyl acetate, benzyl benzoate, synthetic odoriferous, or aromatic substances, preparations, and mixtures used in the manufacture of, but not marketable as perfumes or cosmetics and not containing alcohol.'

"Add to the repealing clause, page 8, line 7, after the figures '46,' the figures '49.' Add to page 5, line 1, after the word 'flavors,' the following words: 'synthetic materials for perfumes and cosmetics.' (See Report on Dyestuffs, p. 522.)"

It would be inconsiderate that our struggling industry should get a set-back by the reason of influx of German, Swiss, and Hollandish materials, all of which would be produced from German crudes. In this case not only manufacturers of perfumery raw materials, but the entire organic chemical industry would suffer in its development to an extent beyond repair.

Respectfully submitted.

SAMUEL ISERMANN.

I will now refer to one letter from Dr. Merhlander and Bergmann, of Hamburg, Germany, and the other from Societe Anonyme Des Parfums Synthetiques, which are one and the same firm. I would like to say something about this: I received a letter from Switzerland from the above firm offering my firm certain synthetic materials. The letter was signed by some one that I read to be "Merhlander," whom I knew to be at Hamburg, Germany.

This Dr. Merhlander I met in New York some years ago; I thought at once it is very possibly the same Merhlander from Hamburg connected with this Swiss concern. I then wrote a letter to the Mehrlander Co., of Hamburg, and to my great surprise I received this letter from Switzerland, reading as follows:

[Societe Anonyme des Parfums Synthetiques, Bale. Bg/1. Aktein-Gesellschaft for Synthetische Riechstoffe, Basel. Freustrasse 31. Schweiz, Bankgesellschaft, Zurich. Telegram-Adressee: Sapes.]

BALE (BASEL), October 3, 1919.

Messrs. VAN DYK & Co.,
4-6 Platt Street, New York.

DEAR SIR: We are in receipt of your letters of September 3, one to the above-called firm, the other to Messrs. Dr. Merhlander and Bergmann in Hamburg, and beg to inform you that these firms are closely connected and you may write either to the one or to the other.

As to our manufacture we have pleasure in inclosing a list which represents a choice of those articles which we can at present deliver rather promptly. Regarding prices, we shall be glad to quote you before long. In the moment please note our quotation for prompt delivery of cinnamic aldehyde is \$3 per pound, subject to fluctuations; methyl-anthranilate, \$5 per pound, subject to fluctuations; aubepine, \$6 per pound, subject to fluctuations, c. i. f. New York, package included, cash against documents. We should like you to pass orders on any articles along to the societe (not to Messrs. Dr. M. & B.) as thus we should be able to secure certain facilities, impossible in Hamburg. Samples of cinnamic aldehyde and methyl-anthranilate are forwarded by same mail. Of aubepine we can but offer very small quantities.

We should be glad to receive an early and favorable reply. If you wish to cable, kindly employ the ABC Code fifth edition or Simplex Standard Code.

Yours, faithfully,

SOCIETE ANONYME DES PARFUMES SYNTHETIQUES.

(Rubber stamped in).

The prices given in that letter are lower by almost 50 per cent than we can produce these materials in this country at the present time.

Now, if such a trick is worked in the synthetic drug trade or synthetic perfumery industry, why can it not be worked in the dye industry? It is very plain to me that such a trick will and can be played. Therefore, we can not safeguard ourselves sufficiently; there is no question about it in my mind that every remedy should be resorted to. I would like to refer to the hearing before the House where the suggestion was made as to how our industry could be protected in conjunction with the dyestuff industry by just changing one or two lines in certain paragraphs of the bill as stated later.

I would also like to read into the record a letter addressed to Hon. Nicholas Longworth by the United States Tariff Commission, signed by Thomas Walker Page.

Senator CURTIS. Just hand that to the stenographer.

Mr. ISERMANN. The Tariff Commission in this letter suggests as to how the certain paragraphs can be changed so as to include our products.

(The letter of the United States Tariff Commission, submitted by Mr. Isermann, is here printed in full as follows:)

UNITED STATES TARIFF COMMISSION,
Washington, August 5, 1919.

HON. NICHOLAS LONGWORTH,
House of Representatives, Washington, D. C.

DEAR MR. LONGWORTH: In connection with H. R. 8078, now pending before the House of Representatives, I desire on behalf of the United States Tariff Commission to call your attention to the following suggestions of amendments or questions involving modifications of the original policy, which may seem desirable to Congress in view of changes in the situation which have occurred since the signing of the armistice:

(1) H. R. 8078 as officially printed contains the following typographical errors: Page 3, line 18, "nitrolenzol" should read "nitrobenzol"; page 3, line 21, "phenylohydrazine" should read "phenylhydrazine"; page 3, line 25, "thiocarbanill" should read "thiocarbanalid"; page 7, line 3, "deuco base" should read "leuco base"; page 7, line 12, add a comma after the word "it."

(2) The commission suggests the following amendment: On page 8, line 9, after the figure "5," add the figures "14" and "20."

Paragraph 14 of the act of 1913 reads as follows: "14. Calomel, corrosive sublimate, and other mercurial preparations, 15 per cent ad valorem."

Mercuric salicylate is a drug of minor importance, which is in part of coal-tar origin, and is described in general terms in H. R. 8078 as a "medicinal * * * obtained, derived, or manufactured in whole or in part from any of the products provided for in Group I and II," and is also covered by paragraph 14 as a "mercurial preparation."

This suggested amendment introduces no new principle, but merely insures that this case will be treated exactly like other similar cases.

A parallel case is found in paragraph 29 of the act of 1913 which provides in part: "* * * ethers and esters of all kinds not specially provided for in this section, 20 per cent ad valorem."

Some of the products provided for in this bill, including drugs, intermediates, dyes, medicinals, flavors, and photographic chemicals, may also be described in chemical terms as ethers or esters, so that there is possible conflict between the two acts.

(3) The commission further suggests that the words "standards of strength" be stricken out of line 17, on page 7, of H. R. 8078, and that the words "a standard of strength for each dye or other product" be substituted therefor, and that the words "strengths used," in line 18, be changed to "strength in

ordinary use." These changes will make the sentence read: "In the enforcement of this section the Secretary of the Treasury shall adopt a standard of strength for each dye or other product which shall conform as nearly as practicable to the commercial strength in ordinary use in the United States prior to July 1, 1914."

It is believed that these slight changes in language will make the original intent clearer.

The word "standards" was used in the plural sense, because there were many different dyes so that no single standard would do for all. On the other hand, it was intended that there should be a single standard for a given dye even in cases where several different strengths appeared on the market, and that the standard should conform to the strength chiefly or ordinarily used. In some cases a dye was sold and used in an "ordinary" quality or strength and also in a "double" or "extra" strength.

(4) The commission further suggest that page 3, line 12, after the word "dimethyl amidophenol" the word "dimethylphenylbenzylammonium hydroxide" should be inserted. The purpose of this is to cover certain products used for discharge printing on textiles dyed with indigo or vat colors, thus producing white or yellow stripes or designs on a colored background. These products were formerly sold under trade names controlled by Germans, especially as Leucotrope O and Leucotrope W. At the time the original report of the Tariff Commission was prepared the chemical composition of these products was not known to the commission, and since they had no name in commercial use except their trade names a satisfactory designation of them could not be devised. It is objectionable and ineffective to describe goods in the tariff law by trade or brand names, since such names can be properly applied only to the products of a single firm, and the goods might easily and legally be imported under some other name. It has lately been brought to our attention that these products are mixtures consisting of dimethylphenylbenzylammonium hydroxide (or sulphonic acid derivatives thereof), which is a coal-tar product, and sodium formaldehyde sulphonylate and zinc oxide. By adding the coal-tar ingredient by name to Group II Leucotrope or its equivalent by whatever name sold will be dutiable under the clause on page 4, line 19, which reads "all mixtures, including solutions, consisting in whole or in part of any of the foregoing."

(5) The commission also desires to call attention to the following questions, which involve a question of policy, but without making a recommendation.

Perfumery and perfume materials. Materials of the coal-tar origin are not covered by the act of September 8, 1916, or H. R. 8078. The tariff act of October 3, 1913, contains the following provisions:

"48. Perfumery, including cologne and other toilet waters, articles of perfumery, whether in sachets or otherwise, and all preparations used as applications to the hair, mouth, teeth, or skin, such as cosmetics, dentifrices, including tooth soaps, pastes, including theatrical grease paints, and pastes, pomades, powders, and other toilet preparations, all the foregoing if containing alcohol, 40 cents per pound and 60 per cent ad valorem; if not containing alcohol, 60 per cent ad valorem; floral or flower waters containing no alcohol, not specially provided for in this section, 20 per cent ad valorem.

"49. Ambergris, enfleurage greases, and floral essences by whatever method obtained; flavoring extracts, musk, grained or in pods, civet, and all natural and synthetic odoriferous or aromatic substances, preparations, and mixtures used in the manufacture of, but not marketable as, perfumes or cosmetics; all the foregoing not containing alcohol and not specially provided for in this section, 20 per cent ad valorem."

In addition certain other perfume materials of natural origin are specifically mentioned elsewhere in the act of 1913, especially in paragraph 46.

Commercial perfumery is made by mixing or compounding various natural odoriferous substances such as various balsams, essential oils, floral essences, animal product (musk, civet, etc.), and synthetic chemicals with each other and a suitable solvent (usually alcohol) and a suitable fixative. Other vehicles, such as talcum powder and cold cream, are also extensively used.

None of the synthetic chemicals used are of coal-tar origin and others are not derived directly or indirectly from coal tar. These perfume chemicals are as a rule complex substances which are difficult and expensive to make, they must be of the highest purity and quality and they have a small market. For these reasons they are very expensive—only a few of them can be bought as

low as \$1 per pound, and prices above \$25 per pound are common, and even sales at \$100 per pound are not unknown.

The manufacture of perfumery and perfumed materials is divided into two distinct branches—(1) manufacturers and dealers in perfume materials, and (2) manufacturers who purchase their materials and mix, bottle, advertise, and distribute the finished perfumery or other perfumed toilet articles to the retail trade.

In the preparation of the report of the Tariff Commission, dated December 12, 1918, suggesting a revision of title 5 of the act of September 8, 1916, perfumery materials were purposely left out because Congress had apparently clearly expressed an intent to leave them dutiable under the tariff act of 1913. Perfume materials of coal-tar origin are, however, so closely allied to drugs and flavors of similar origin that they might logically be included with them. There are materials such as methylsalicylate which may be used as drugs, flavors, or perfumes. Benzyl benzoate and benzyl acetate are worthy of special mention by name because in addition to their use as drugs and perfumes they were found during the war to be useful as a solvent for the varnish used on airplane wings and large amounts were made for this purpose. The material used for this purpose does not require to be of high quality necessary for use in medicine or perfumery, and, therefore, it is suggested that these two substances be mentioned by name in order to forestall a claim by an importer that the materials are not perfume materials, but solvent for airplane varnish.

If Congress desires to include perfume materials in Group III, the following amendments to H. R. 8078 will accomplish this purpose:

Insert, on page 5, line 17, of H. R. 8078, after the word "flavors," the following: "* * * benzyl acetate, benzyl benzoate, synthetic odoriferous or aromatic substances, preparations, and mixtures, used in the manufacture of, but not marketable as perfumes and cosmetics and not containing alcohol";

Add to the repealing clause, page 8, line 8, after the figure "46" the figure "49."

On page 5, line 2, after the word "flavors," insert the words "synthetic materials for perfumes and cosmetics."

(6) There is one other matter on which Congress expressed very clearly a definite policy in the act of September 8, 1916, which it may wish to reconsider in view of later developments. In the present law phenol is placed in Group II on the dutiable list, whereas cresol, which is closely allied to phenol, is placed on the free list. Both phenol (or crystal carboric acid) and cresol (or cresylic acid or liquid carboric acid) are found naturally in coal tar and are commercially derived from this source as joint products in the treatment of coal tar for the recovery of its valuable constituents. They have many uses in common. The distinction between them, which is of the greatest commercial significance, is that phenol was used on an enormous scale in the recent war as a raw material for the manufacture of the high-explosives picric acid and ammonium picrate, which are important shell fillers. Cresol, on the other hand, was used only in relatively insignificant amounts in the manufacture of explosives. As a consequence, the supply of natural phenol from coal tar was entirely inadequate and an enormous synthetic phenol industry was developed in the United States during the war, although no such factories existed in the United States at the outbreak of the European war. During 1918 over 100,000,000 pounds were made in the United States. The difference in the treatment of phenol and cresol in the tariff act of September 8, 1916, was obviously intended to protect and encourage the new synthetic phenol industry and found ample justification on military grounds.

The conditions which have arisen since the signing of the armistice are, however, so radically different that Congress may wish to reconsider this policy. The new synthetic phenol industry had been so successful that soon after the signing of the armistice the stocks of phenol on hand in the United States were so large that it will probably require from three to five years to consume them for peace-time purposes. The price quickly dropped from about 45 cents to about 8 cents, and all the factories shut down, and it is very doubtful if they will ever open again. Natural phenol will, of course, continue to be made and may supply the entire demand as it did before the war. The best that can be hoped for is that after allowing three years or more for the disposal of surplus stocks a small fraction of the existing plant capacity may be utilized. Under these changed circumstances Congress may wish to reconsider the policy of making a difference between phenol and cresol and put them on an equality either on the free list in Group I or on the dutiable list in Group II.

The commission expresses no opinion on the matter of policy involved, but merely presents for the convenience of Congress the facts having a bearing on the subject. A prominent American manufacturer of phenol and cresol from coal tar urges that cresol should be placed on the dutiable list along with phenol, and in support of this contention urges the following arguments: (a) Phenol and cresol are obtained as joint products in the treatment of coal tar, and if the argument based on the protection of the synthetic phenol industry is no longer regarded as valid, the two products should be given equal treatment under the tariff. (b) The recovery of phenol and cresol from coal tar is more complex and expensive than the recovery of other crude coal-tar products, such as benzol, toluol, and crude naphthalene. (c) At the present time there is much phenol and cresol which is not commercially recovered from the various coal-tar distillates, because it has not been profitable to do so in the past in competition with imported phenol and cresol; but the imposition of a duty on cresol and the retention of a duty on phenol would make it profitable to install and operate the necessary equipment at tar distilleries. On the other hand, it should be pointed out that cresol or cresylic acid is an important raw material for the manufacture of disinfectants, including disinfectant soaps and sheep dips, as well as in the manufacture of synthetic resins and a great variety of other products.

Cresol and cresylic acid or crude carbolic acid have been regularly imported in substantial amounts chiefly from England. It therefore seems probable that to transfer cresol and cresylic acid to the dutiable list would increase the cost to the consumers of these products, and if it resulted in a lesser use of disinfectants might ever react unfavorably on the public health. Although it is probably true that the recovery of cresol from coal tar is somewhat more difficult than the recovery of some of the crude products, nevertheless, as compared with most intermediates classified in Group II, cresol can be made easily and cheaply and is regularly sold at prices substantially below the price of most intermediates.

Attention is called to the fact that if any change is made in the present policy, either by changing phenol to the free list or by adding cresol to the dutiable, further amendments should be made to the specifications which distinguish between distillates which shall be dutiable and those which are free. The specifications in H. R. 8078 are drawn for the purpose of insuring that distillates containing large amounts of phenol shall be dutiable, but that distillates which contain cresol instead of phenol as their most important ingredients shall be free.

Very truly, yours,

THOMAS WALKER PAGE,
Vice Chairman.

**STATEMENT OF MR. THOMAS O. MARVIN, SECRETARY HOME
MARKET CLUB, BOSTON.**

Mr. MARVIN. Mr. Chairman, the first tariff law of the United States was signed by George Washington on July 4, 1789. The average duties were low, but this law contained one provision the importance of which has been overlooked in much of our subsequent tariff legislation. That provision was that the ad valorem duties should be assessed upon imported goods in accordance with "the values thereof at the time and place of importation." It was because of this method of levying duties upon the American value of the imports that the low duties of that bill proved satisfactory and to a considerable degree efficacious.

This system of American valuation of imports continued until 1795. Foreign valuation was substituted at that time without any public explanation and without discussion. But the custom was retained of adding to the foreign cost all packing, transportation, and commission charges.

In 1817 the importing interests scored another victory in the passage of a short supplementary act which provided that ad valorem

duties "shall be calculated upon the net cost of the article at the place whence imported, exclusive of packages, commissions, charges of transportation, export duty, and all other charges." Within a year frauds and undervaluations became apparent, and Congress passed a law providing that the owner or consignee of goods subject to ad valorem duties must produce "the original invoice thereof" and swear that it "exhibits the true value of such goods, in their actual state of manufacture, at the place from which the same were imported." This was the beginning of a complex system of rules and regulations to overcome the difficulties of the system of foreign valuation, and to prevent and penalize frauds and undervaluations.

In a speech in the House of Representatives in support of the tariff bill of 1820, Henry Baldwin, of Pennsylvania, chairman of the House Committee on Manufactures, said:

The mode of ascertaining the value of goods on which a duty is to be assessed has been attended with much difficulty—an almost constant war between the merchants and the officers of the customs—and has been often changed. The original mode of ascertaining the value "at the time and place of importation," prescribed by the act of 1789, was the fairest and most equitable; as an ad valorem duty it was, in fact, what it purported to be—so much per cent on the value.

In April, 1830, Rollin C. Mallery, of Vermont, chairman of the Committee on Manufactures, discussing the bill to prevent revenue frauds, said:

You can not reach the person who swears falsely to an invoice in a foreign country. There he is perfectly safe. The truth is, sir, that the foreign valuation is the rotten part of our system.

During the debate on the tariff bill of 1833, Henry Clay offered an amendment that after 1842 the duties should be assessed "on a valuation made at the port in which the goods are first imported." Mr. Clay said:

Now the valuation is made in foreign countries. We fix the duties, and we leave to foreigners to assess the value on articles paying ad valorem duties. This is an anomaly, I believe, peculiar to this country. It is evident that the amount of duty payable on a given article, subject to an ad valorem duty, may be affected as much by the fixation of the value as by the specification of the duty. And, for all practical purposes, it would be just as safe to retain to ourselves the ascertainment of the value and leave to the foreigner to prescribe the duty as it is to reserve to ourselves the right to declare the duty and allow to him the privilege to assess the value.

Now, sir, it seems to me that this is a state of things to which we should promptly apply an efficient remedy; and no other appears to me but that of taking into our own hands both parts of the operation—the ascertainment of the value as well as the duty to be paid on the goods. If it be said that we might have in different ports different rules, the answer is that there could be no diversity greater than that to which we are liable from the fact of the valuation now being made in all the ports of foreign countries, from which we make our importations. And that it is better to have the valuations made by persons responsible to our own Government and regulated by one hand than by unknown foreigners, standing under no responsibility to us.

The amendment was adopted, and the bill as thus amended was enacted.

In 1842 a new tariff bill was passed which retained the provision for foreign valuation, but the law as passed provided, in section 27, that the Secretary of the Treasury should annually ascertain if the duties on any articles had exceeded 35 per cent ad valorem on the average wholesale market value of such articles "in the several ports of the United States for the preceding year," to enable him to make

such recommendations as he might deem necessary. Thus the anomalous situation was presented of specifying foreign valuation for the collection of duties and of retaining home valuation for the purpose of making recommendations.

In his first annual message to Congress, December 2, 1850, President Fillmore recommended the adoption of specific duties as a method of preventing undervaluation, and then added:

As before stated, specific duties would, in my opinion, afford the most perfect remedy for this evil; but if you should not concur in this view, then, as a partial remedy, I beg leave respectfully to recommend that instead of taking the invoice of the article abroad as a means of determining its value here, the correctness of which invoice it is in many cases impossible to verify, the law be so changed as to require a home valuation or appraisal, to be regulated in such manner as to give, as far as practicable, uniformity in the several ports.

President Fillmore repeated this recommendation in 1851, and in his annual message of 1852, once more recurring to the subject, he said:

I therefore again most earnestly recommend the adoption of specific duties wherever it is practicable, or a home valuation, to prevent those frauds.

Col. George C. Tichenor, for years a special customs agent of the Treasury Department and for some time prior to his death president of the Board of General Appraisers, in a letter addressed to the Secretary of the Treasury in regard to importations of foreign goods, said:

I have found instances in some foreign countries where it was claimed that the prevailing market values for certain articles were different—lower, of course—for the export trade than for the home trade, and in some instances the prices for export to different countries differed. It appears to me that in such case either the home value there or here should be taken.

He expressed the opinion that "there is eminent propriety in assessing the duty according to the home value, instead of the unknown and uncertain value in the country of production." In his opinion the difficulties thus encountered would not be as great as are met in arriving at the true foreign market value of the immense quantities and kinds of goods imported.

Henry F. French, Assistant Secretary of the Treasury, appeared before the Tariff Commission of 1882 in response to an invitation of the commission, and in the course of his testimony said:

I think the question whether your commission should not recommend a home valuation instead of a foreign valuation is one of the most important you should consider.

Why should we go to India, or to England, or anywhere else, to ascertain what the value is or was there, rather than to take the value in the port of importation, or in the principal markets of the United States, which would be the better term or better method? It seems to me that it is one of the curiosities in the law that such a provision should have existed from 1799 down to the present time, and I think it only exists now because nobody has really thought it possible to change a thing that has existed so long.

In the course of this testimony Mr. French said:

I think any person who should be told for the first time that we look abroad in order to find out what duty we should assess upon an imported article would be very much puzzled to know what reason there could possibly be for so doing.

He declared it to be his opinion that "there is no sense in retaining this provision for foreign valuation. It is home valuation, in fact, which should control the duty."

The Dingley law of 1897 contained a provision authorizing appraisers "to take into consideration the wholesale price at which such or similar merchandise is sold or offered for sale in the United States." Here is a recognition of the principle of home valuation in one of our recent tariff laws, but it is not an establishment of the principle as part of our revenue system.

It would seem to be a good time now to give careful consideration to the question of returning to the original basis of assessing the value of imports that was established in our first tariff law—that is, the assessing of the value of the imports "at the time and place of importation," or on their value in the principal markets of the United States. When our first tariff law was adopted manufactures were but slightly developed in this country and possibly some difficulty arose in establishing the American value of some of the imported articles. The situation has completely changed, however, and almost all imports are either of a competitive character or of a nature so well known that their value in the American market can readily be ascertained. It has been testified time and again by tariff experts and Government officials that the difficulty of ascertaining the honest foreign valuation is much greater than any difficulty attending American valuation of the article.

There is a marked difference in the cost of similar articles in foreign countries. The cost in Germany may be lower than that in England, the cost in Japan considerably lower than that in Germany. Our present system of estimating value on the market price in the country of origin gives a decided preference to the countries of low production costs, and Japan has sufficient advantages at present without continuing a system which plays directly into their hands, a system which will give both Japan and Germany an advantage over France and England. A duty that might prove protective so far as British products are concerned might afford no protection at all from similar products from Japan. If the duties were levied upon the value of these goods in the American market, they would bear equally upon corresponding products of all countries.

American valuation of imports can be more readily and honestly established than foreign valuation. By this system confusion, fraud, undervaluations, and lawsuits would be avoided. And of particular importance is the fact that the home valuation, which in most cases will be higher than the foreign valuation, would permit the adoption of a scale of duties lower than those that would be necessary to afford adequate protection if the system of foreign valuation is retained.

Assume the purchase price of a pound of foreign dyes to be 20 cents; and that the dye comes within group 3 of the Longworth bill, which provides a specific duty of 7 cents per pound and 45 per cent ad valorem.

If this dye were imported under the provisions of the Longworth bill, with the ad valorem rate of duty levied upon the foreign value of the product, the transaction would figure out as follows:

Foreign cost.....	cents..	20
Specific duty.....	do.....	7
Ad valorem duty.....	per cent..	45
Duty paid.....	cents..	36

This same transaction under the plan of the American valuation would work out as follows:

Foreign cost.....	cents..	20
Specific duty.....	do.....	7
Ad valorem duty.....	per cent..	45
Duty paid.....	cents..	50

In the first example the ad valorem duty is figured on the foreign value of 20 cents and amounts to 9 cents. In the second example, the ad valorem duty is figured on the American value, which for this purpose is assumed to be 52 cents. Forty-five per cent of the American value, therefore, would be 23 cents. But this enables the importation of the article at a duty paid value of 50 cents, which is 2 cents less than the American cost of production. In the following table the specific duty is raised to 10 cents and the ad valorem duty of 45 per cent is levied on the same American value, that is, 52 cents, which would be 23 cents, and the plan would work out as follows:

Foreign cost.....	cents..	20
Specific duty.....	do.....	10
Ad valorem duty.....	per cent..	45
Duty paid.....	cents..	53

These illustrations show that by adopting American valuation in place of foreign valuation protection can be secured for American products if the specific and ad valorem rates of duty are properly adjusted, and that it would not be necessary to resort to excessively high duties.

Mr. ISERMAN. I think Dr. Jones is here and I believe he can explain the position of the tariff commission, and what their suggestion was regarding our products, and as to how the matter was left out.

Senator CURTIS. We will hear the tariff commission later on. The committee will now stand in recess until 10 o'clock sharp tomorrow morning.

(Thereupon, at 4.30 o'clock p. m. the committee adjourned to meet tomorrow, Thursday, December 11, 1919 at 10 o'clock a. m.)

DYESTUFFS.

THURSDAY, DECEMBER 11, 1919.

UNITED STATES SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON FINANCE,
Washington, D. C.

The subcommittee met at 10 o'clock a. m. in the committee room, 312 Senate Office Building, pursuant to adjournment on yesterday, Senator Charles Curtis, presiding. Also present, Senators Sutherland, Calder, and Nugent.

Senator CURTIS. Mr. Demming, whom will you call next?

Mr. DEMMING. I would suggest that you call Mr. Wood, of Philadelphia.

STATEMENT OF MR. JOHN P. WOOD, PRESIDENT OF PEQUEA MILLS CO., PHILADELPHIA, PA.

Senator CURTIS. State your full name and whom you represent.

Mr. WOOD. My name is John P. Wood; I am president of the Pequea Mills Co., Philadelphia. I represent, besides the mills with which I am connected, a group of textile mills in Philadelphia, and I shall speak for them also.

Mr. Chairman, at the request of a number of those who have asked to be heard, I am going into the matter somewhat more thoroughly than my individual representation would warrant, with a view to reducing the amount of time they will take.

At the very beginning of my remarks I desire to emphasize that I earnestly and unequivocally favor the enactment of such legislation as will assure the preservation of the American dye industry, and a continuation of its prosperous and successful development. Everything that I may say must be interpreted with full faith in that statement.

I shall try to make clear the objections to an embargo; and the reasons for my belief that such a method is not needed to accomplish the result.

If I fail in this, and the advocates of an embargo can show by experience and fact that the evils of a licensing system are negligible, and that the power of foreign competition can not be met by any other means, then must I confess to the need of an embargo and its accompaniment, bureaucratic licensing.

Up to the present time the case for licensing has been presented as an appeal to emotional patriotism. There may yet be submitted a logical argument, supported by competent evidence, but thus far

apprehensions have been offered in lieu of facts; and opinion in the place of reason.

The plan under consideration being of so extraordinary a nature, and entirely without precedent in American legislation for economic benefit, the burden of proof of necessity rests upon the proponents.

If Mr. Waters, who testified yesterday, and Mr. Cheney and Mr. Hobbs and the United States Finishing Co. are satisfied with the dyes they are getting; if these dyes will meet the requirements of their trade, there is no opposition on the part of those who object to the licensing system to their continuing to use them, but we object most emphatically to the assumption upon the part of these witnesses that because they have no need for better dyes, no one else has either.

Of the consumer witnesses who testified yesterday, including the letter introduced by Mr. Choate from Mr. Hobbs, three of them are of establishments members of which constitute the consumer members of the present advisory committee to the War Trade Board. They are committed to the present system by participating in its administration; they are responsible in large part for the delays, which we have been suffering from, and they can not do otherwise than advocate the continuance of a system with which they have been so intimately identified.

Dr. Grinnell Jones, the dye and chemical expert for the Tariff Commission, in referring to vat dyes, which constitute one group of colors not yet made in the United States, said in a statement published as recently as October 27:

But unless American textile manufacturers can get these vat dyes as soon as they have to compete with the textiles from abroad made with these dyes they will suffer heavily.

* * * * *

It stands to reason that if foreign cotton goods colored with vat dyes can be offered for sale in the United States before American goods of equal quality are ready for the market, it will seriously damage the reputation of American manufacturers and give a new opportunity for the old prejudice in favor of foreign dyes. These vat dyes that I refer to are the fastest type of cotton dyes known and are particularly needed for cotton shirtings, gingham, and other wash goods.

I met last evening a gentleman who had come to Washington particularly to hear this subject discussed, and who I presume will appear before you, who told me his company had bought far more foreign cotton goods of British manufacture at this present time than ever before, and that the amount exceeded the total amount of the domestic cotton goods, because the British goods are dyed with the superior quality of dyes which are at present denied us. He will probably testify before you and tell you his own story, but it is appropriate in connection with this statement of Dr. Jones.

What Dr. Jones said of the importance of the vat dyes to the cotton industry is equally applicable to certain classes of dyes needed by the woolen and silk trades.

Before proceeding to discuss the tariff aspect of the matter, I want to direct attention to the fact that no American industry, as far as I am aware, ever expected that tariff rates could be enacted by Congress that would permit of its immediate complete development to 100 per cent of American requirements. In the cases of the steel industry, of carpets, silks, woolen goods for men's wear, fine women's

dress goods, and fine cotton goods, it has been true that with a tariff protection that would cover the simpler forms of manufacture which included the bulk production, the industry could be developed here, and gradually attain the skill and experience to manufacture those finer products which in all trades constitute only a relatively small percentage of the total. I am not able to say what that percentage is in the dye industry, but I understand from those in the business that the amount which has been developed to quantity production in this country—being the dyes of general use—would represent probably over 80 per cent and perhaps nearer 90 per cent of the total American consumption; and if the tariff will thoroughly protect so large a part of the consumption as that, we feel that out of the success which can be attained in that business there is abundant opportunity to develop the finer and more intricate dyes, and the industry will then proceed to the attainment of full production.

Those from whom the proposal to apply licensing restrictions to dye imports emanated assert that import duties would afford no protection to the domestic industry. But who among them has ever been a real advocate of a protective tariff? Nearly all of those most prominent in promoting this plan before Congress and the public have been lifelong opponents of the protective tariff. One or two, while affiliated with the party of protection, have never displayed any familiarity with the historic record of the industrial achievements of the American tariff policy, nor with its practical applications. They confidently allege that no rates of duty would suffice to sustain the dye industry; but they offer no evidence in support of their contention.

Against their unsupported assertion we cite the evidence adduced by the representatives of the domestic-dye industry at various congressional tariff hearings in recent years. At these hearings they have habitually and consistently testified that adequate tariff rates would enable the industry here to develop to the most complete degree; and they have submitted competitive costs in support of their views. The rates for which they asked were much less than those asked in the Longworth bill, to which latter there has been no opposition by us.

I shall not trespass upon your time to read quotations from the earlier hearings, though I have them here from as far back as 1882 and, if desired, can present them for the record.

Senator CURRIS. We would be glad to have you present them for the record.

(The quotations from tariff hearings submitted by Mr. Wood are as follows:)

TESTIMONY BEFORE UNITED STATES TARIFF COMMISSION.

1882.

Mr. James Hendrick, president of the Albany Aniline & Chemical Works (p. 11):

"In that case, I think 35 per cent would be about a fair rate. I think we could live if it were fixed at that figure."

* * * * *

"Specific duties, I believe in, because they are easily collectible, and men have no disposition to be dishonest; but with ad valorem duties the temptation to fraud is greater."

Mr. V. G. Blolde, representing the American Aniline Works of Parkersburg, W. Va. (p. 13):

"* * * There is no reason whatever why, within 10 years, or even a much shorter period of time, if we are only able to avail ourselves, by means of a liberal protection, of our domestic wealth in crude material, all other coal-tar colors should not be in the same position."

The kind of protection to which he was referring was that of tariff duties, and he advocated as sufficient, rates in specific form that had an ad valorem equivalent of from 25 to 33½ per cent.

Mr. J. F. Schoellkopf, jr.:

"We must have an absolute protection, and this can be realized only by a specific duty. I would suggest the raising of the specific duty 25 to 50 cents per pound and dropping the ad valorem altogether. This would enable manufacturers to compete with foreign manufacturers."

"I suggest this high duty in order to give the home manufacturers a start. After 5 or 10 years it would not matter if the duty were taken off; but we must have a large protection to enable us to start. * * *

NOTE.—In 1915 Dr. Stone stated that 35 per cent ad valorem plus 7½ cents specific would not be very far out of proportion then to 35 per cent ad valorem and 50 cents specific in 1882.

Mr. George C. Tichenor, special agent of the Treasury Department:

"I am convinced that it would be advisable to retain the specific feature with an ad valorem rate sufficient only to serve as an equalizer, and not to exceed 15 per cent. I have thought that 25 cents per pound and 15 per cent ad valorem would be as high a rate as could be asked for purposes of protection."

HEARINGS BY COMMITTEES OF CONGRESS—(DR. HESSE'S PAMPHLET).

1888-1890.

Statement (jointly) of Albany Aniline Co., Schoellkopf Aniline & Chemical Co., Heller & Herz, Hudson River Aniline Color Works, recommends duties in two classes, viz:

Class I. Alizarine colors, picric acid, naphtholizillon, 25 per cent ad valorem and 10 cents per pound gross weight.

Class II. Nonalzarine colors, 25 per cent ad valorem and 25 cents per pound gross weight.

1896-97.

Mr. Schoellkopf advocated a duty of 35 per cent ad valorem on "coal-tar products of every description, not specially exempted by name," and crudes and intermediates to be continued on the free list. And a paper submitted by him, jointly signed by his own company, Heller & Merz Co., and the Hudson River Aniline Color Works, concluded with the statement:

"We feel confident that the slight increase asked for, which makes the rate what it was under the tariff act of 1883 and 1890, will enable us, with the experience we have gained under adverse circumstances, and with the great progress in scientific chemistry, to successfully compete against the imported goods and in time supply the home market."

1908.

Hearing of Ways and Means Committee, Mr. Schoellkopf, representing his own company and the Heller & Merz Co., presented a brief requesting that the duties "on colors and dyes be increased from 30 to 40 per cent ad valorem, and that all coal-tar products not colors or dyes used in the manufacture of these dyes be placed on the free list." The brief further stated:

"In submitting this request we do so with the understanding that it is the intention of Congress so to adjust import duties as to give the domestic manufacturer adequate protection against his foreign rival."

1909.

Congressman E. J. Hill, in a speech in the House on February 20, 1912 (Cong. Rec., p. 2355), said that when three years previously "the great chemists of the country said in the public hearings:

"If you will give us an advance of 5 per cent on the finished products of coal tar we will develop that industry in this country, provided you leave the first derivatives or raw materials for our products on the free list."

"We decided to do that and raised the duty from 30 to 35 per cent. The bill went over to the Senate, and the Senate put the duty back to 30 per cent."

1915.

Mr. I. F. Stone, in an address delivered September 22, 1915, before the National Exposition of Chemical Industries, quoted with approval the opinion of Dr. Hesse that the rates in effect from 1880 to 1883 "gave ample protection to the industry," and added his own opinion that the rates then (1915) recommended by the American Chemical Society, viz, 35 per cent ad valorem and 7½ cents specific "would not be very far out of proportion to the 1880 rates, considering the differences in methods and costs then and now."

PATENT REQUIREMENT FOR MANUFACTURE IN THE UNITED STATES.

There exists a difference of opinion as to whether any advantage would result if the patent laws required manufacture in the United States. But I think it is not disputed that such a requirement could be framed that would assure a considerable development of the production in this country of colors hereafter patented. Great Britain seems to have accomplished something in that direction prior to the war.

But whether the advantage of such a requirement would be much or little, the German Government was successful in persuading our own Government to forego, in the past, the opportunity to try that policy; for the Bernstorff-Bacon treaty is understood to have included a clause reading as follows:

"The working of a patent, working pattern (Gebrauchmuster), design or model in the territory of one of the contracting parties shall be considered as equivalent to its working in the territory of the other party."

Mr. Wood. But coming down to the conditions which have prevailed since the beginning of the war in Europe; in 1916 the New York section of the American Chemical Society appointed a select committee to make a study of the legislation necessary to protect the rapidly developing dye industry and to assure its continued progress under satisfactory conditions after the war.

This committee of the Chemical Society was composed of Bernard C. Hesse (chairman), J. B. F. Herreshoff, I. F. Stone, J. Merritt Matthews, H. A. Metz, D. W. Jayne, and Allen Rogers.

The committee after a thorough study of the subject recommended these rates: On intermediates, 15 per cent ad valorem and 3¾ cents per pound specific; on finished dyes, 30 per cent ad valorem and 7½ cents per pound specific.

Senator NUGENT. When was that?

Mr. Wood. In 1916—which rates are substantially less than those provided in the Longworth bill.

And on January 7, 1916, in a letter to Hon. E. J. Hill, of the Ways and Means Committee, the committee said it was "their expectation that as the result of such duties a complete, self-contained, and independent coal-tar chemical and dye industry will eventually result in the United States."

The only changes in the general situation that have occurred since the committee made this statement are a weakening of Germany's economic condition by the cost and wastage of three years more of war and the great strengthening of the American dye industry through added experience, and the great profits earned which have made it possible to write off much of the plant cost, and to accumulate in addition large reserve funds.

In that connection I want to call your attention to the subject of profits, because there was so much said yesterday about the difficulty of encouraging capital to come into this business unless this pending bill is enacted. I have before me a prospectus issued for the sale of certain stock of the National Aniline and Chemical Co. In this statement it is shown that the company had plant and tangible assets of "more than \$18,000,000," against which it is stated that there has been especially reserved for depreciation and obsolescence out of earnings of 18 months \$8,000,000, reducing the net book value of the fixed assets to approximately \$10,000,000. The New York Sun on December 2 in its financial news had a report regarding this company in which it stated that the earnings for the present year are more satisfactory than during the year 1918, which, if true, would seem to enable the company to further reduce the plant investment of \$10,000,000 by another \$8,000,000, so that very early after the 1st of January we may reasonably expect that a plant cost of \$18,000,000 will then have been reduced to \$2,000,000, which certainly is far less than the cost of replacement.

That I offer only in connection with my general statement, that at the time these rates were advocated by the chemical industry for the dyestuff business the conditions were less favorable than now. Since then, the war having been protracted longer than was expected, the high profits of the war have made it possible to write off large sums for depreciation and to accumulate large reserve or surplus funds in addition.

During the same period Germany has become progressively more exhausted and in a situation where the expense of production is greater than it was before. So it is fair to assume that if the rates asked for in 1916 would have been sufficient then, rates much higher than those ought to be sufficient in 1919.

The committee further stated that the rates proposed by it would substantially reproduce the tariff conditions in 1882, under which the domestic dye industry was satisfactorily developing.

Senator Nugent has asked several witnesses why we had no dye industry before the war. My answer (in which he probably will not concur) is that after 1882 it never did have adequate protection. In 1882 the German industry was relatively in its infancy compared with what it subsequently became, and, as you have been told by previous witnesses, the industry in the United States, in its small way was, in 1882, in a prosperous condition, and if protection had been continued then until now, there is no reason to doubt that we would have had an industry here that would have been comparable with the German dye industry.

I want also to refer to another statement that has been made here. It has been said the reason a sufficient tariff was not continued was because of the opposition of the textile industries. It is true that some 8 or possibly 10—I do not remember the exact number—textile consumers in New England did oppose the duty on alizarin dyes and indigo.

Senator NUGENT. Were they successful?

Mr. WOOD. They and others holding the same view were successful. They were a small minority of the textile users of dyes. The textile manufacturers generally were not in sympathy with them.

By a curious coincidence some of the most prominent advocates of the licensing system were among those who asked for the removal of the duty on alizarin dyes.

Senator NUGENT. During those times, did the dye manufacturers receive any assistance in their efforts to secure the enactment of tariff laws from the men whom you speak of as a large majority of the textile manufacturers?

Mr. WOOD. They did. I can not specify time and place, Senator. But, personally, as a representative of the textile industries in hearings before the House, I have habitually stated that those whom I represented favored adequate protection to the dye industries.

Senator NUGENT. Then, you would have the committee understand, Mr. Wood, that during this time about 10 of the textile manufacturers, according to your statement, were successful in their efforts to defeat the enactment of tariff legislation for the protection of the dye industry.

Mr. WOOD. I would not say that, Senator.

Senator NUGENT. Against the efforts of the dye manufacturers and an overwhelming majority of the textile manufacturers.

Mr. WOOD. I would say that 10 or more—I do not remember the exact number—the names can be found in the print of the Ways and Means Committee hearings, whatever the number was—that their efforts, coupled with other efforts upon the part of interested importers, were successful.

Senator NUGENT. What other importers?

Mr. WOOD. Importers of dyestuffs who naturally did not want a tariff. That is quite the common attitude of the importing interests. They are not interested in a tariff on imports, and the importers—not only the representatives of German houses, but the representatives of the British and French and Swiss houses—have opposed protective tariff rates on dyes.

Senator NUGENT. Do I understand you now to say that the manufacturers of dyestuffs in this country were not a unit in their demand for the enactment of tariff laws to protect their industries?

Mr. WOOD. On the contrary, I think they were entirely a unit.

Senator NUGENT. I am sure I do not understand you, Mr. Wood. You say that "other importers"—

Mr. WOOD (interposing). The importers and manufacturers were two entirely different interests.

Senator NUGENT. I understand, but do you say that the importers then joined forces with a large majority of the textile manufacturers?

Mr. WOOD. Oh, no. The importers opposed the granting of the duty or the continuance of the duties on alizarin and indigo. They sought support for their opposition from dye consumers, and in those efforts they were successful in getting a very small number of dye consumers in the textile industry to say they were opposed to a duty on alizarin and indigo. Their opposition, I think, did not go beyond signing a petition upon the subject.

Senator NUGENT. Then, we will put it another way: According to your statement the importers of dyestuffs in this country joined hands with a considerable number of textile manufacturers to prevent the enactment of tariff laws which would protect the dye manufacturing industry in the United States.

Mr. WOOD. I think that is correct, excepting as to the considerable number—the number will speak for itself; it is in the hearings.

Senator NUGENT. I understood you to say, in the first instance, that there were a small number of approximately 10.

Mr. WOOD. My recollection is that it might have been 10 or a dozen; it is in the published hearings which are before the chairman. The names are all given. By reference to the record the actual number of signatures appears to have been 17 out of several thousand textile establishments.

Senator NUGENT. You may proceed.

Mr. WOOD. In the same letter to Representative Hill in 1916, this eminent committee of the chemical society added:

This committee further believes that with this protection (i. e. the rates above quoted) on the cheaper dyes, the domestic manufacture of the more expensive varieties of dyes, of pharmaceuticals, of medicines, and of explosives will follow almost as a matter of course. (Hearings before Ways and Means Committee, Jan., 1916, p. 10.)

In a concluding summary the committee said of the schedule of rates proposed by it:

It meets the requirements set forth in 1908 as necessary to maintain a dye industry in this country, which dye industry then operated with foreign-made intermediates. * * *

It provides at the same time a suitable protection to the making of intermediates within the United States.

Dr. Bernard C. Hesse, chairman of this committee, appeared in person before the Ways and Means Committee and in the course of this testimony (hearings, p. 19) said:

The rates that we propose reproduce as near as we can to-day the conditions of 1882, when we did have something of an industry, and they reproduce at the same time, as nearly as we can, the added advantage or added protection asked for in 1908; and we have added to that a complete protection for the manufacturer of the intermediates, which are necessary in the production of these dyestuffs.

And he might now add: The Longworth bill has materially increased the rates asked for; the reparation commission has been given a control over the prices of German dyestuffs to be exported; and the Chemical Foundation can impose royalties on imports of many, if not most, of the competitive German dyes, still further enhancing their price in the United States.

Dr. Herty, testifying at the same hearing of the Ways and Means Committee (p. 107, hearings, January, 1916), expressed the utmost confidence that with the adoption of the rates recommended by the Chemical Society and the enactment of antidumping legislation, the dye industry could be sustained and developed.

And in his presidential address before the American Chemical Society about this time, he said:

The prime consideration, therefore, in the immediate development of this industry in our midst, is congressional action in the form of an effective antidumping clause and an increase for a reasonable period in the present tariff on dyestuffs. As a guide to what this increase should be, we have judgment of the committee of the New York section of this society, a committee representative of all interests concerned. (Hearings, p. 115.)

Senator NUGENT. When was that address delivered by Dr. Herty?

Mr. WOOD. About January, 1916, and it was put in the hearings at page 115.

In the same address Dr. Herty quoted the words of a Swiss professor, who in 1900, after one of his lectures on coal-tar dyes, said:

The natural home of the dyestuff industry is in your country (United States), and some day it will flourish there.

Mr. Daniel Waters, president of the Master Dyers' Association, of Philadelphia (who testified here yesterday), was asked by Mr. Fordney:

Is there anything needed for the establishment of this (dyestuff) industry except a protective tariff law, in your judgment?

In answer to which Mr. Waters told the committee:

I believe not.

Mr. Schoellkopf, the dean of the American dyestuff industry, was asked this question by Mr. Longworth:

In the event of this legislation (i. e., the rates recommended by the American Chemical Society's committee) passing, and conditions justify you in making this development, which you say you will, if the bill passes, what percentage of the total American demand will your company supply?

To which Mr. Schoellkopf replied:

We would start to double our plant at once, and then we would keep on increasing as much as necessary.

That is, if the rates asked for in the Hill bill should be enacted into law.

Mr. Longworth then asked:

Do you think that within a comparatively short time we would have an industry here that would substantially supply the American market?

And Mr. Schoellkopf answered:

I do not doubt it. But I would prefer to have the business develop gradually rather than have this hothouse development.

It is to be noted that the subject was being discussed and considered solely with reference to the protection needed to sustain the industry after the war. Everyone knew that during the war the blockade of Germany and shortage of shipping facilities would afford complete protection; but to encourage capital and enterprise to quickly expand the domestic industry so that the then existing dye famine might be alleviated, it was essential to assure an adequate protection against German competition after the war, which no one then expected to last long enough to permit the large profits that have actually been realized.

The rates recommended and the opinions then expressed all had reference to the protection that would be needed upon the early termination of the war. And the recommendations then made are more adequate to-day, to the extent that it has been possible to liquidate plant costs and build up reserve funds from the huge war profits earned during the war.

Confirmatory of this is Mr. Schoellkopf's remark in concluding his testimony in January, 1916, to wit:

We are making money enough in this thing to pay for this plant? We ought to be in a better position to compete after the war, because we have the larger production.

Then he repeated, that if the pending bill became a law, they would proceed to double the plant which, in its then existing size, they would pay for out of the war profits (p. 88).

Senator WATSON. Colonel, what is the difference between conditions now and conditions then?

Mr. WOOD. That is what I referred to before you came in, Senator.

Senator WATSON. Then go right on; do not answer the question.

Mr. WOOD. How accurately this veteran of the industry estimated the situation may be indicated by the amounts which he and his principal colleagues have realized from their interests in the business.

I presume that is a matter of sufficient notoriety to not necessitate my dwelling upon it here.

Mr. CHOATE. I could not presume upon that for a moment. The statement has been made that they never made a penny out of the business.

Senator WATSON. State that again.

Mr. WOOD. How accurately this veteran of the industry estimated the situation may be indicated by the amounts which he and his principal colleagues have realized from their interests in the business.

That is mere rumor. I only referred to it because if you desire to investigate the subject thoroughly I have no doubt you have the means of ascertaining whether it is correct. It is generally understood that those who were originally in the dyestuff business during the years of its inception and development have realized upon their investment, and by common report have realized handsomely.

Mr. CHOATE. We can agree to that, after the war began.

Mr. WOOD. That is all I am speaking of, Mr. Choate. I am not referring to prewar conditions; I am referring to the conditions—

Senator CALDER (interposing). From the time the war began down to this day?

Mr. WOOD. Yes; during the war. Dr. Schoellkopf said that if those rates were granted them they would be able to go on and expand; they would be able to pay for the existing plant out of the profits, and we imply say that he accurately forecasted what the result would be.

Dr. Beckers, one of the most important factors in the development of the dye industry in America during the war, speaking of the rates of duty then under consideration, said he thought the duties would be sufficient as they stood in the then-pending bill—the Hill bill—and that—

There is no doubt that this bill will not create a so-called hothouse industry. We will have a healthy industry.

Dr. Beckers also told the committee:

I was a very small manufacturer before the war broke out.

And, if common report has any foundation, Dr. Beckers has also very handsomely realized upon cashing in his investment in the dye industry.

Senator NUGENT. When he said, "before the war broke out," did he mean before the war broke out in 1914, or when we entered the war?

Mr. WOOD. He meant before 1914, because the hearing at which he made the statement was held just before we entered the war.

Perhaps he might be willing to say how much he has since realized from the dye making business, and from that some estimate could be

made of the relative financial strength of the industry to-day, as compared with what it was at the beginning of the war, when a protective tariff (of lower rates than now asked), and an anti-dumping law were considered sufficient after war protection.

At the hearings in 1916 no suggestion was made of the need of license restrictions, nor was there then any thought of the added security now provided by the reparation commission and the Chemical Foundation.

In 1916 Congress was asked to increase the rates of the duty on dyes, not because there was at that time any competition from foreign dyes, for imports had practically ceased.

Senator WATSON. When was that?

Mr. WOOD. 1916. They had ceased by reason of the blockade of Germany.

Senator WATSON. Certainly. And were there imports in 1915?

Mr. WOOD. I can not remember the exact time, but in the early period of the war one or two cargoes of dyes were released by Germany and permitted to pass by Great Britain. Later, another lot was brought here by a German submarine, shortly before the United States entered the war.

Senator WATSON. So that from 1915 on up to the present time the imports of dyes have been in consequential?

Mr. CHOATE. Excepting the two submarine shipments.

Senator WATSON. And then there has practically been no competition whatever with any enterprise fostered in America?

Mr. WOOD. Practically none. There have been some Swiss dyes coming in, but not enough to constitute any competition at all.

The reason then given for increasing the duties was to protect the industry from competition after the war. Representatives of the most important dye factories stated at the hearings that if the duties were increased their companies would greatly enlarge their plants, as they would then feel assured that after the war they could successfully continue the business on a largely increased scale. But, if the increase in rates of duty was not made they could not undertake the very extensive enlargements of plant then under consideration.

It was the same subject of encouraging capital to invest, which was referred to, in your "hearing" yesterday.

Senator WATSON. Let me ask a question or two right there which are in my mind: Because of the embargo occasioned by the war, the industry has sprung up in the United States to a certain extent, and in the manufactured dyes of a certain class and character; that is true, is it not?

Mr. WOOD. Yes, sir.

Senator WATSON. What is the difference in the price you pay for the dyes made in the United States at this time in our factories and the prices you paid before the war for the products of Germany of similar character?

Mr. WOOD. Well, it would be very difficult to say, because the amount of increase varies greatly for different dyes, it is a very great deal higher. But I would not draw any inference from that, Senator.

Senator WATSON. I was just trying to get the facts, you know.

Mr. WOOD. We want to be perfectly fair to the dye manufacturers. The costs of raw materials were enormously increased during the war

by the competition of the Government for many of them in the manufacture of explosives.

Senator WATSON. Certainly.

Mr. WOOD. And the cost of their labor was also increased by the competition of plants engaged in war-making things and various kinds of production for war.

Senator WATSON. I was taking all that into account in my mind, but I want to get the facts.

Mr. WOOD. I think I can have put into the record a comparison of prices, but in fairness to the dye industry I do not think any particular inference to the prejudice of domestic dye makers should be drawn from a comparison of prices before and during the war.

Senator WATSON. I am simply trying to get at the facts as to whether or not it is necessary to continue in the future a practical embargo in order to sustain this institution.

Mr. WOOD. I think we shall show that it is not.

Senator NUGENT. What has been the difference in the cost in the past six months?

Mr. WOOD. Of the manufacture of dyes?

Senator NUGENT. Yes.

Mr. WOOD. I am unable to say that. I have had no technical experience in the manufacture of dyes.

Senator NUGENT. I mean the difference in cost of the dyes you are obliged to purchase now and prior to the war.

Mr. WOOD. Quite a number of them have declined somewhat.

Mr. CHOATE. You mean in the last six months?

Mr. WOOD. In the last year, I will say—since the armistice quite a number of them have declined and a good many of the decreases have been voluntary upon the part of the dyestuff manufacturers. A good many raw materials have declined because of the cessation of their employment in the manufacture of explosives and poison gases. Just whether the decline in these dyestuffs has been in proportion to the decline in raw materials I am unable to say. I would not want to express an opinion upon that point.

An increase of duties was granted in 1916, and the contemplated enlargement of plants was made, which clearly shows that capital had acquired the necessary confidence and the managements of the companies felt assured the new tariff rates were sufficiently protective to justify the increase production which the addition to the former plants would make possible.

These experienced business men who testified three years ago that increased rates would enable them to compete, and who demonstrated their faith by the investment of large amounts of capital in permanent plant, have not now testified to the need of a licensing system.

It is possible that the tariff rates then adopted to assure the protection of the dye industry after the war were not high enough to encourage the manufacture of those dyes of more difficult production, which are not yet made here. But the existing production, which the dye manufacturers were confident they could continue, represents, as we are told by the dye people themselves, about 80 to 90 per cent of the country's consumption.

To provide for the development of the comparatively small remainder, the tariff rates in the pending measure have been raised very much above those now in effect, and also much higher than the

the highest previously asked for by the dye makers. And it must be noted that these increases will apply not only to the more complicated sorts of dyes of relatively limited consumption but will also apply to the colors of much larger and more general use, the production of which is already well established, and the manufacture of which would admittedly be continued successfully at the lower rates asked for in 1916.

Until this licensing idea was developed a few months ago in the Alien Property Custodian's office, those engaged in the domestic dye industry were entirely satisfied with tariff protection to assure the future success of their enterprises.

A short time before the first proposal was made for a dye licensing plan, a circular was issued in connection with an offering of shares in the largest of American dye companies, in which the statement was made:

A manufacture of coal tar dyes is firmly established in the United States. * * * The Germans will enjoy no supply of raw materials or intermediates which the _____ Co. does not possess. With the depressed currency and labor unrest in Germany, it is not to be expected that the labor costs of the German manufacturers in the future will be as low as in the past.

Mr. CHOATE. You say that is a prospectus issued by the company?

Mr. WOOD. I did not, sir. I said that it was a prospectus issued in connection with the sale of the stock.

Mr. CHOATE. The sale of the stock by private individuals—you know that?

Mr. WOOD. I was very careful to make my language accord with the actual facts. Let me explain that this is a prospectus issued for the sale of stock; it is understood, I believe, that the company did not directly put out this stock.

Mr. CHOATE. Or indirectly?

Mr. WOOD. I will tell the story, if I may, and you may correct me.

It is understood that a large amount of this stock which had been held by some of the former proprietors was being offered for sale in consequence of the withdrawal of the owners from the business and their desire to realize upon their holdings. They had profited handsomely and were ready to cash in. The bankers issued the usual sort of prospectus, the information supplied to them being presumably supplied by these gentlemen whose stock was being offered for sale and who were familiar with the business, familiar with it in several instances, for a very much longer time than any of those who have been testifying here have been engaged in the industry.

I was very careful to say that the statement was not put out by the company but put out in the interest of the sale of the stock, but certainly by and with the knowledge, consent, and information of those abundantly able to advise the brokers in the preparation of the prospectus.

Mr. CHOATE. That is accurately stated, except for the sale of its stock—it was the sale of the stock of private individuals.

Mr. WOOD. I think I made it clear, did I not?

Senator WATSON. I understood it that way.

Senator NUGENT. The stock being sold for account?

Mr. WOOD. Being sold for the account of private individuals. The company did not put out the circular and had no responsibility in that regard.

Mr. CHOATE. And did not get the money from the sale?

Mr. WOOD. Did not get the money from the sale. All that is admitted. I only established the fact that it was the sale of stock of some of the principal owners who had been interested in the business throughout its development and up to the time of the sale; that the stock was being sold for their benefit, and they were giving out the information through the brokers as to the situation of the dyestuff industry, based upon their intimate knowledge of the conditions.

I want to say, Mr. Choate, that I am desirous of being very accurate in my statements, and if I do make any statements in which I may be wrong I shall be glad to have you correct them.

Mr. CHOATE. Except that I do not want to interrupt you.

Mr. WOOD. A representative of that other largest American dye company, which is the most insistent for the licensing plan, when lately asked can we compete with Germany, replied:

If we did not believe we could hold our own we would not have started.

Senator NUGENT. What company do you refer to?

Mr. WOOD. The Du Pont Co., and the gentleman who made the statement was Mr. Poucher.

And at that time the duty on finished dyes was, as it still is, 30 per cent ad valorem and 5 cents per pound. And the duty in the Longworth bill, which duty we approve, is increased to 45 per cent ad valorem and 7 cents per pound.

Only a few days ago Dr. J. Merritt Mathews, one of the prominent spokesmen for the dye manufacturers of the United States, gave out a statement in the course of which he said:

Is there any good reason why an American dye industry can not succeed? It goes without saying that coal tar can be had in large quantities, while all the important crudes and intermediates are manufactured here. The supply of anthracene from which alizarine and its derivatives and many other important vat dyes are made is limited. However, encouraging progress is being made in its production, and we may hope that American ingenuity may soon be able to solve all the problems connected with its recovery and preparation. As regards the other necessary chemicals required in the making of dyes, this country is as well supplied as any other.

In this statement he frankly concedes that the pending problem in the development of the dyes of more difficult manufacture is a technical one, and it is to "American ingenuity" that he looks for the solution of this problem.

One who wrote on behalf of the domestic dye trade in the New York Evening Post's foreign trade section for October, 1919, said of the American dye industry:

* * * the industry as such will survive beyond the shadow of a doubt, and prosper. * * * the dyestuff industry of the United States has come to stay.

One of the first companies to engage in the manufacture of synthetic indigo in the United States (the Dow Chemical Co., of Midland, Mich.) in its current advertisements announces:

American textile mills are free from dependence upon foreign-made indigo. We are permanently established as large factors in this country.

After the outbreak of the war the Dow Chemical Co. was the first American manufacturer to produce synthetic indigo on a commercial scale.

Three years have elapsed since that time, in which we have gradually and economically increased our daily output.

There is no qualification about this confident assurance of permanence. It is not conditioned upon the adoption of a licensing system; the announcement is that of a fact accomplished.

Synthetic indigo, though of comparatively recent development, has become one of the most important of the coal-tar colors, and the amount consumed constitutes an important portion of the total dye requirements. Domestic manufacturers appear to have made sufficient progress in the production of this material to supply home requirements, and export substantial quantities in competition with foreign dye makers.

In this connection I offer for your information an interesting statement which shows the amounts, in value, of dyestuffs exported from the United States to various countries during the month of August, 1919, which is from the Color Trade Journal. I might say that those are the latest statistics I have been able to obtain. I understand that the later exports very materially increase the amounts exported over these August figures. I shall not take the time to read it, but offer it for the record.

(The statement here submitted by Mr. Wood is printed in full, as follows:)

Domestic exports of dyes and dyestuffs from the United States by countries during August, 1919.

	Aniline dyes.	Log-wood extract.	All others.		Aniline dyes.	Log-wood extract.	All others.
Denmark.....	\$508	\$563	\$1,000	Haiti.....	.....	.....	\$150
France.....	18,091	.....	.....	Dominican Republic.....	\$77	.....	1,793
Germany.....	.....	290	.....	Argentina.....	61,263	\$392	3,219
Greece.....	1,528	.....	1,000	Bolivia.....	3,280	.....	68
Italy.....	3,534	4,820	19,880	Brazil.....	36,555	189	12,727
Netherlands.....	.....	.....	400	Ecuador.....	2,488	225	.....
Norway.....	375	.....	352	Chile.....	3,265	1,519	150
Portugal.....	1,589	.....	120	Colombia.....	8,605	106	1,688
Spain.....	36,805	1,881	6,426	Peru.....	3,691	194	954
Sweden.....	.....	.....	1,783	Uruguay.....	.....	660	.....
England.....	2,340	36,994	23,011	Venezuela.....	1,287	102	778
Scotland.....	.....	.....	5,950	China.....	59,837	.....	30,223
Bermuda.....	.....	.....	9	British India.....	210,085	.....	14,415
British Honduras.....	.....	.....	11	Straits Settlements.....	.....	.....	3,939
Canada.....	54,672	11,468	114,747	Other British East Indies.....	.....	65	4,500
Costa Rica.....	160	.....	174	Dutch East Indies.....	.....	.....	.....
Guatemala.....	536	.....	5	French East Indies.....	14,125	.....	.....
Honduras.....	.....	.....	47	Hongkong.....	20,551	.....	6,867
Nicaragua.....	.....	.....	53	Japan.....	153,690	.....	59,477
Panama.....	.....	.....	25	Russia in Asia.....	.....	.....	511
Salvador.....	63	10	.....	Turkey in Asia.....	.....	.....	206
Mexico.....	28,159	1,624	20,933	Australia.....	5,315	.....	473
Newfoundland and Labrador.....	2,752	.....	585	New Zealand.....	.....	145	2,001
Barbados.....	.....	.....	463	Philippine Islands.....	7,384	.....	742
Jamaica.....	.....	.....	44	British South Africa.....	6,240	.....	.....
Trinidad and Tobago.....	291	.....	43	Egypt.....	2,672	.....	225
Cuba.....	351	.....	8,314	Total.....	761,009	60,587	350,491
Danish West Indies.....	.....	.....	10				

Senator WATSON. What are the latest figures on that?

Mr. WOOD. The latest figures for aniline dyes in August are \$761,009.

I also offer for the record a statement of the amounts of certain other requisites for the manufacture of coal-tar dyes exported from the United States in substantial quantities month by month from

July to September, which would seem to indicate that the United States is, in respect at least to these raw materials, in a very favorable position. In the matter of benzol, for example, the exports in July were 154,000; in August, 37,000, and September, 488,000. I understand, although the official figures are not available, that the amounts in October and November are substantially increased, and that a number of other intermediates are now being exported in considerable quantities.

(The table of exports of coal-tar dyes from the United States, as submitted by Mr. Wood, are here printed in full, as follows:)

Exports from the United States, 1919.

Sulphuric acid:		
July	-----pounds--	1,309,440
August	-----do-----	2,867,911
September	-----do-----	2,385,389
Wood alcohol:		
July	-----gallons--	30,807
August	-----do-----	26,936
September	-----do-----	30,172
Coal-tar distillates:		
Benzol—		
July	-----pounds--	154,447
August	-----do-----	37,570
September	-----do-----	488,653
All others—		
July	-----	\$50,513
August	-----	\$64,392
September	-----	\$84,751

The preeminently strong position of the United States with respect to its supply of raw materials for dyes was told by Mr. Henry Wigglesworth, vice president of the Benzol Products Co., in a letter to the Commissioner of Corporations, dated January 2, 1915, wherein he said:

The total production of coke in the United States in 1913 was nearly twice as much as that of Germany, and it is only a question of time when all the by-products resulting from the distillation of coal and the production of coke must be recovered and their utmost value obtained, or the steel industry will be unable to maintain its supremacy against the competition of countries that operate more economically in that respect.

With regard to the by-products of the distillation of coal for coke, testimony was offered by the representatives of one of the companies manufacturing by-product coke ovens, and at this point I think it is proper for me to refer to that. The introduction of the by-product coke oven in this country preceded the war and has no connection whatever with the demand for by-products for the manufacture of dyestuffs on a large scale, because the dyestuff business was of little magnitude and the manufacture of intermediates almost nonexistent when these ovens were being extensively installed. The replacement of the old-fashioned beehive ovens by modern by-product ovens had been begun in earnest probably five years before the beginning of the war. The change was proceeding on an extensive scale when the war began in 1914. Several of the large steel companies had experimented with the different types.

Some of the first installations were not satisfactory and had been replaced with others of different design. Before 1914 it had be-

come evident that a general substitution of ovens which would save the by-products, in place of the wasteful beehive type, was inevitable. The necessities of war merely accelerated the substitution. It would have gone on, although at not quite as rapid a rate, irrespective of the war or the dye industry.

The by-products of the distillation of coal for coke that go to the dyestuff industry are only a fraction of the total production. I am not able to tell you what that fraction is, but I asked the gentleman who testified before you, Mr. Rust, some time ago what it was. He was not prepared to say exactly. I asked him if it was 10 per cent; he thought it would be over 10. There was some discussion as to whether it would reach 20 per cent; he did not think it would. But the total consumption of the coke by-products used in the manufacture of these intermediates and dyestuffs does not probably represent as much as 20 per cent, probably a great deal less than 20 per cent of the total output, and the total output is steadily increasing.

The United States is in an invulnerable position, so far as the crude coal-tar products are concerned, and it is in a very strong situation with respect to many of the intermediates made from these coal-tar crudes and some of the other important raw materials for dye making, because at the present time we are exporting them to markets where they must meet competition without even the advantage of the tariff, which protects them in the domestic market. The importance of these exports is evidenced by current market reports, as, for example, the Philadelphia Ledger of November 20, in its daily commercial reports, said the dye situation is acute because ingredients are scarce, and attributed the scarcity of the latter to "strong export demand for intermediates."

The opinion is well founded that Germany must now look to the United States for no inconsiderable portion of the raw material needed for its dye industry.

Mr. CHOATE. What was the date of that?

Mr. WOOD. November 20, 1919.

Referring to the tariff rates in his bill, Mr. Longworth said, during the debate in the House of Representatives:

They will be sufficient, in my judgment, and in the judgment of most of the witnesses before the committee, if in the next two years we can prevent the destruction of the American chemical industry; but they would not be sufficient if multiplied by two, in my judgment, to prevent the present dumping of dyes in order to put our dye manufacturers out of business.

In this statement it is conceded that the tariff rates will provide ample protection except in the contingency that Germany is able to immediately—now—dump such a flood of dyestuffs on the American market as to annihilate the American chemical industry. Let us then consider the possibility of that contingency.

The advocates of this bill, quoting from official information received from the peace commission, have stated that the value at present prices of the total inventory of dyes Germany has on hand is \$20,000,000. At prewar prices this stock would be worth not to exceed \$4,000,000 to \$6,000,000. If the whole amount of it was shipped to the United States is it likely that it would annihilate the industry here, which claims to have an aggregate capital of from ninety to one hundred million dollars?

But, of course, no considerable portion of the total German stock could be sent here, for every dye-using country in the world is in need of shipments from this stock that can not be obtained elsewhere. England, France, and Italy have already been allotted two very substantial portions of this supply.

This entire present stock has been estimated to be not more than one-sixth of the quantity habitually on hand before the war. And because of existing difficulties of production, due to the reduction in working hours and to the shortage of labor, raw materials, and coal; as also to the dye requirements of the domestic industries of Germany, which are already reestablishing their export trade in color-using products; it is quite certain that the stocks of finished dyes in Germany will not attain their prewar proportions in less than two years, and probably not for a much longer time.

It is, therefore, incontrovertible that our domestic dye industry stands in no danger of injury, much less of annihilation, before that time, when, in the opinion of the author of the bill, the tariff rates which it contains will provide sufficient protection.

If verification is desired of the estimates I have given regarding the relatively small stocks of dyes that are owned by Germany at the present time, and as to the period required to bring them to prewar volume, I suggest that the economic experts attached to the peace commission, who investigated this subject, be invited to testify before your committee. They have doubtless returned to the United States, and the definite facts which they should be able to submit as to the potentiality of the German dye industry as a destructive competitor within the next two years ought to be of value in the consideration of this subject.

In the hearings before the Ways and Means Committee the supporters of the bill offered the testimony of an Army officer who had visited some of the German factories. But his statement was definite merely upon the fact that the plants had not been seriously damaged, and were substantially intact. No actual evidence whatever, except the statement already quoted as to the total present value of \$20,000,000, was offered concerning the stocks on hand, their kinds and quantities; or as to the present production of the factories compared with their prewar output.

This information must be in the possession of the representatives of our Government who participated in the work of the economic council at Paris, and should be submitted to your committee.

I should mention that those notes were written before Dr. Herty testified yesterday; later on I shall refer to his testimony.

The quantity of dyes Germany has on hand, and the present and future cost of producing dyes in that country are of such importance in the consideration of the protective value of the tariff rates that this is an appropriate point at which to make a more detailed reference to them.

In the absence of direct official statements touching these particulars, we are compelled to rely upon the best secondary evidence and opinion at present available. From a very large collection of dispatches and articles appearing in the newspapers and technical journals, and from some other specified sources, I have selected such excerpts pertaining to these features of the subject as bear evidence

of authenticity. These I submit with only such comment as is necessary to indicate the source from which each is derived.

The London Times several months ago stated that—

Mr. CHOATE. Can you give the date?

Mr. WOOD. I can not, but I will supply it, if you desire [reading]:

If the huge stocks of dyestuffs with which Germany is credited really existed there would be some excitement over their allotment by the Allies.

And about that same time one of the English trade papers, in an editorial on the subject, said:

There is every indication that Germany is as free from accumulation of dyestuffs as any other country.

We know that other countries have no accumulations, a fact which gives significance to the editor's phraseology.

An announcement by the American Chamber of Commerce in London, quoted by the Daily News Record of October 20, 1919, states that—

The shortage of German dyes for export is such as to practically remove Germany as a competitor in the world's dye trade for the next 12 months.

Senator WATSON. Colonel, how did you account for the statement made by Germany under the terms of the treaty of peace?

Mr. WOOD. I am going to refer to that.

A London letter published in the New York Journal of Commerce of October 10, 1919, contains this reference to German stocks:

The only official information upon the subject is contained in the report of the dye commission of Germany to the Interallied commission, in which it was stated that there was about £4,000,000 worth of dyes in Germany at that time. * * * An estimate has placed the vat dyes at about £1,000,000. The estimate is evidently based on prices far above prewar values. Many of the dyes in stock in Germany may as well remain there. They will be of doubtful vintage. * * *

Mr. Irving A. Keene, whom Dr. Herty has referred to rather contemptuously, wrote under date of October 8:

Upon my return from my tour through Germany I found your letter awaiting me, and can readily understand that you are interested in my report. The gist of same will be published in the bulletin of the American Chamber of Commerce, and I have instructed them to send you a copy when published.

To answer your questions roughly, I would say Germany is exceedingly short of colors and dyes, and when they have delivered to the Allies the quantities due them as per the treaty agreement, there will be practically little left to offer for export. Their dire shortage of raw material precludes the possibility of their becoming anything more than weak competitors for at least a year.

Dr. Herty has discredited Mr. Keene's competency. But the Keene statement is amply verified by that of the president of the British Board of Trade, which I shall presently read.

The Badische Co. has reported its total stocks of dyes other than indigo as 3,968 tons, which it reported as slightly less than 13 per cent of its total production of colors other than indigo in the year 1913.

Finally, upon this matter of stocks we have this from the November, 1919, issue of the official publication of the Chamber of Commerce of the United States:

German goods have been said to be stored in large quantities for export at the first possible moment. A devastating torrent has sometimes been predicted.

England officially holds another view. The president of the board of trade, declaring he has excellent means of information, has recently said: "Beyond a comparatively small quantity there does not seem to be any accumulation of goods in Germany ready for export. Their costs are enormous. In addition there is a great fall in productivity. * * * There is no great manufacturing activity in Germany. Industry is not moving but is very stagnant. They are short of raw material, and their state is pitiful with regard to coal. Great as our difficulties are here, theirs are infinitely greater."

The statement quoted is that of the head of the governmental department of Great Britain which has jurisdiction over the import of dyes into Great Britain, and which has official supervision over the British dye-making establishments in which the Government has invested a large amount of capital, in consideration for which the Government reserves the right to regulate prices and distribution and to indicate the lines of new development the plants are to follow. It is to be presumed that none can have better opportunities for obtaining accurate information; and the interests committed to his care are such as would forbid a misleading or unwarrantably optimistic statement on this subject.

Senator WATSON. I notice this statement refers to goods. Does it have reference to dyes exclusively?

Mr. WOOD. I think it was inclusive of dyes.

Senator WATSON. Did it mention dyes?

Mr. WOOD. It does not mention dyes; it refers to conditions of shortage of coal and labor and present inefficiency of production, all obviously applicable to the dye-making industry. The statement is general; dyes are not excepted.

Mr. CHOATE. Where can we find the evidence in full?

Mr. WOOD. The Journal of Commerce of November, 1919; that is, the official organ of the United States Chamber of Commerce, the title of which, I am informed, is "The Nation's Business."

Dr. Herty told us yesterday that the stock of dyes reported by Germany is 40,000 tons.

We have long waited for this information which the proponents of licensing have had but which they assured us was of so confidential a character that it could not be divulged.

From British sources we understood the stocks were of somewhere about that figure, and when so quoted in a recent discussion of this subject, Mr. Choate, who is usually more earnest than accurate, emphatically asserted that the mentioned quantity was only the amount which the Germans wished to tender on account of, or in partial delivery of, their first installment on the 50 per cent due the reparation commission; and you remember that Dr. Herty was asked yesterday, if the quantity was not only 50 per cent, and Dr. Herty said that is the entire reported stock.

Mr. CHOATE. Did you notice that I stated the whole is amounting to 45,500,000, and Dr. Herty stated the whole is amounting to 18,000,000 pounds?

Mr. WOOD. No.

Mr. CHOATE. That was the fact.

Mr. WOOD. I refer to the record, for the exact language of his statement; your question and his reply. The 40,000 tons represents a mere fraction of the normal stocks habitually on hand before the war.

And of this stock we have good reason to believe a very large proportion is entirely unavailable for export to America. A considerable part will be of dyes that are obsolete and not used here.

Another large portion will be of colors like sulphur dyes which can be made in the United States so efficiently and cheaply that similar products of foreign make can not possibly compete with the domestic products under the present law.

The home requirements of Germany's dye-using industries require another large deduction, while for the dyes that are wanted here, the demand from other countries is so urgent that only a relatively small part can be obtained by us, in the case of vat dyes, only about 40 per cent of present needs.

In this connection I desire to ask the committee to place in its record a copy of the invoice which Dr. Herty submitted to you.

There does not seem to be any reason of statecraft for keeping it secret. Is it right that the information should be accessible to those who are seeking this legislation, and denied the consumers whose interest in the subject is so vital.

Let us have done with this mystery and secretiveness which have been so long continued for the purpose of giving countenance to the entirely unfounded statements regarding the magnitude of these mythical German stocks.

Dr. Herty has also told of the current rate of production of the German factories during July, August, and September, when these factories, it has been alleged, were working to capacity under normal conditions.

From his figures, as I remember them, the record being not yet available, I estimate those deliveries to have been equivalent to less than 5 per cent of the normal prewar production for an equivalent period, and if the whole quantity had been sent to the United States instead of none, it would have fallen far short of even our present urgent needs, and nowhere near the amount of our prewar needs for a like period.

Senator WATSON. Do you go into the present needs of the business in this country?

Mr. WOOD. The present needs?

Senator WATSON. Yes.

Mr. WOOD. Yes, sir; I shall refer to that.

He also told as a matter for surprise that shipments had already been sent from Germany to Argentina and China, which is excellent evidence of the working of the license system, for if already received by those countries, we, too, should before this have received the sorts which it is conceded are badly needed, and which could have been received if the licenses had been issued to the consumers who asked for them upward of six months ago, since when they have been withheld by evasion and subterfuge, to assure a control upon the part of those who are seeking this legislation.

Senator NUGENT. Do I understand that the importers made application for license?

Mr. WOOD. Yes, sir; I shall refer to that presently, and for six months they have been trying to obtain them, and could have had the dyes long before this if the existing licensing authorities had granted their request.

Senator NUGENT. And those are dyes not manufactured in this country?

Mr. WOOD. Yes, sir. Dr. Herty has little to say of the present factors of cost in Germany which are of the first importance in the consideration of this subject. We had hoped he would bring authentic information as to whether wages have materially increased, and in what proportion, or concerning the cost of living which would be an index of wages. Also as to the sufficiency of coal and raw materials and their present costs. Data of this kind can readily be obtained by one on the ground without recourse to the management of the factory.

The statement that smoke was coming out of 12 or 14 chimneys is of little significance by itself.

The statement of the director that they intended to reestablish their business with the United States through their former agencies is certainly not surprising. What other kind of a statement did he expect the director would make under the circumstances.

Although not mentioned in his testimony here, Dr. Herty did say in a public statement made since his return:

Germany faces a winter in which coal supply is destined to prove a more serious obstacle to contend with than was the food problem resulting from the blockade.

And in another place he said:

The German is badly worried over the situation created by the seizure of those patents by which he had throttled American industry for many years.

And well he may be, for in the control of those patents alone there is a potential protection of very great value to the domestic dye makers.

It is interesting to note in passing that while abroad he discovered a new argument for the licensing system, which is not only unique, but a flat contradiction of the chief plea heretofore urged on behalf of the embargo. The doctor now tells us:

The threat to the American dye interests that is to both dye consumers and dye producers lies in the fact that until American manufacturers can take care of all the American needs, Germany can charge extortionate prices for these dyes which we do not manufacture.

He does not explain just how extortionate prices for German dyes will menace the business of American dye makers.

A journalist who has recently been investigating conditions in Germany, without particular reference to the dye industry (Mr. Marcosson, in the Saturday Evening Post of Nov. 29), states:

At Kiel manufacturers are paying 700 marks a ton for coal that early in 1914 brought 20 marks a ton.

The German coal output on the day I left was less than 40 per cent of the normal. This tells the whole story.

We can imagine the feelings of those German directors when they watch the smoke coming out of 12 chimneys with coal at such a cost.

The economic situation of the German dye industry is referred to in the quotations I shall next present.

At a meeting of the American Manufacturers' Export Association held in New York on October 16, 1919, and presided over by the vice president of the E. I. du Pont de Nemours Export Co., one of

the speakers delivered an address upon "Our future trade with Russia," in the course of which he summarized the kind of Germany there will be to compete with in the world markets thus:

In the first place, there will be a Germany whose nationally organized efficiency has been fearfully distorted, a Germany no longer united at home, a Germany whose competitors can truthfully say they love her for the enemies she has made, a Germany where wages have risen almost more than raw materials. * * * Germany has no capital, no raw material, even, to supply her own factories or her own local demands.

The New York Post, in its chemical industries section, dated October 4, 1919, published an article entitled, "This country's dyestuffs have become a world factor." This article is printed under the name of Paul Nobbee, vice president of the American Aniline Products (Inc.). From this article I quote the statements relating to the German dye industry and its comparison with ours, which I shall now read:

One thing is certain, the old order of things has passed, never to return. Germany, once dominant in the field of dyestuffs, now has a rival. If not rivals. To be sure, Germany will continue to make dyestuffs and to ship them abroad, but she will not be able to do it on the same scale as she did before the war. Her output will be curtailed by quantity and curtailed also in kind. Many of the colors that she made before the war she will not make again, because it will no longer be profitable. Unless I should be a poor prophet, I predict that principal among the colors she will drop will be the majority of those now made in this country, the bulk of which form the backbone of the export trade.

They are what we may call the cheaper colors, the colors of most simple dyeing method. * * * Conditions in Germany surrounding the dyestuff trade are grave, very grave. The shortage of coal of course affects all industries alike, but tenfold an industry that depends upon coal, not only as a creative force for motive power, but for the very things upon which the industry is built—coal tar. * * * The German manufacturers are now buying in the United States such raw materials as benzol, alcohol, etc. * * * I, for one, believe that it will take many years before the German dyestuff industry will reach again that state of efficiency that made it possible to conquer the markets of the world.

The prices of these colors and all other colors in stock, without duty, are from five to seven times that of normal, in Swiss francs; what the prices will be for goods manufactured to-day instead of in 1915 and 1916 nobody knows. For a certainty, they will not be less, but probably much higher; while at our end, with essential raw materials in abundance, increased and more economic production, prices will go lower. Even as matters stand to-day, there are certain bulk colors, such as sulphur black, indigo blue, Congo red, negroaline, acid orange, scarlet, black, and many others too numerous to be mentioned, the price level of which Germany can not possibly touch.

I have not the privilege of Mr. Nobbee's acquaintance, and am unable to state with what authority of experience and knowledge he wrote. He appears to have an intimate acquaintance with his subject, and I assume from the tenor of his article that his interest and sympathy are with the domestic industry. I venture to suggest that you can form your own opinion as to the competency of his knowledge by calling upon him to testify at your hearing.

In the Daily News Record of October 30, 1919, there appeared this article, the source of which is not given. I presume it will be attributed to German propaganda, but I present it in the belief that the assertions it contains will carry conviction irrespective of its origin:

Keen pessimism is being expressed by German trade experts over the prospects of selling German dyes in foreign markets. This feeling is due in part

to the peace terms and in part to realization of the fact that the Allies learned how to produce dyes while making explosives for the late war.

Fear is also being expressed that foreign countries will be able to push Germany out of the market with mass production. It is further asserted that the industry has been harmed by the confiscation by France of factories for dyes and chemicals and by America's seizure of German patents and their distribution to Americans, so that Germany would be guilty of breach of patent if it attempted to sell dyes in the United States again.

Mr. George F. Sykes, of W. F. Sykes & Co., an importing firm representing dyes not made in Germany, but which have to meet whatever competition must be encountered from German dyes, upon returning from France in the latter part of October was quoted by a newspaper interviewer, thus:

Mr. Sykes did not go to Germany, but he said a French chemist who had noted conditions in that country, had brought back the report that of three dye plants visited, two were shut down for a lack of fuel, while the other was working a 10-hour day.

The New York Evening Post's chemical section of October 4, 1919, contains this news item:

HOCHST DYE WORKS TO CLOSE.

Owing to a shortage of coal a large part of the Höchst Dye Works in Frankfurt are to close down, according to a recent issue of the Frankfurter Zeitung. How long they will remain closed seems to depend entirely on the supply of coal available. It is said, however, that the pharmaceutical and a few other important departments will continue in operation for the present. The 1918 report of the Höchst Dye Works states that so far it has not been possible to restore the production of peace goods to any great extent. In the course of the work of renovating the peace plants it became evident, moreover, that they had suffered so severely—partly from their long inactivity, partly from their war uses—that the amounts hitherto reserved would not suffice for the depreciations effected and that additional funds must be provided. Apart from the new plant required, the restoration of the business to a peace footing will require considerable expenditure.

I desire to make it perfectly clear that I have no personal knowledge of the facts, nor do I assume responsibility for the statements quoted. The sources are given, they bear reasonable evidences of genuineness, and until discredited, or offset by more authoritative testimony, they are entitled to belief. I want to say with regard to the last item that it appears in the current number of Dr. Hertzy's paper as a creditable news item. It was originally taken by me from the New York Evening Post. I can now also quote it as being published in his own paper.

Mr. CHOATE. May I ask what Mr. Nobbie's occupation is?

Mr. WOOD. I know nothing about it, as I said before.

Mr. CHOATE. I imagine though, he is a German, and a German importer.

Mr. WOOD. My suggestion was that the committee call him, so that they may judge for themselves of the competency of his statements.

The representative of a chemical company at Passaic, N. J., in a recent interview justified improvements to plant which his company is making, in answer to an inquiry as to whether he thought Germany would ever regain her control of the chemical industry, by saying:

There was small fear of that. Germany would never be able to manufacture for the small money she did previous to the war, and her unsettled Government conditions will impede her progress for a good many years to come.

That is quoted from a recent interview with Dr. Alfred Pfeister, Daily News Record, of November 11, 1919, and he was showing his faith by putting capital into extensions to his plant.

The best criterion we have by which to judge the practical effects of the proposed licensing system, is current experience with the licensing authority of the War Trade Board. Until the declaration of peace is proclaimed (and by the recent joint resolution of Congress, until January 15, 1920, if peace is sooner proclaimed), the board possesses, and is now exercising the very powers which the Longworth bill would confer on a licensing commission.

It is not at all clear upon what theory the licensing authority of the War Trade Board was continued by the executive department after its restrictions relating to other commodities had been removed, and prior to the time when Congress by joint resolution specifically authorized a continuation of the dye licensing requirements until January 15.

The Secretary of State has recently told the wool growers—in response to their protest against shipment by the British Government of Australian wool to the United States to be sold at auction—that:

In December, 1918, a request was made to the War Trade Board on behalf of the domestic wool growers to prohibit the importation of wool until July, 1919, but the board decided that the powers conferred upon it as a war agency did not include the right of maintaining import prohibitions or restrictions designed exclusively to protect domestic producers.

In view of the decision of the War Trade Board, what reasoning or what influence could justify the board in departing from its own announced policy in the case of dyes, while refusing to do so in the case of wool?

The War Trade Board is supposed to be guided in its policy and decisions upon matters relating to dyes, by an advisory committee on dyes. This committee is composed equally of representatives of the dye-making and of the dye-consuming industries; and it was expected that most of the members of the committee would be members of the licensing commission originally provided for in the Longworth bill. It is therefore pertinent to inquire how the War Trade Board, under the guidance of its advisory committee on dyes, has been functioning.

I will say that so far as the consumers are concerned, the gentlemen upon that committee, while men of the highest character and personally possessing the confidence of the trades, they are not representative, in the sense of having been chosen for the purpose by those they are supposed to represent. They were selected, not by the trades, but in the way in which most such appointments were made during the war.

As recently as July 26, 1919, and therefore subsequent to the hearing held by the Ways and Means Committee of the House of Representatives, the War Trade Board made the following official statement:

As the result of a careful survey of the present situation in the dye-consuming industries and the unanimous opinion of the advisory committee on dyes, and having regard to all existing conditions, there appears to be no such need for German dyestuffs in the United States as to warrant the issuance of licenses on any of these articles.

Mr. CHOATE. When was that statement made?

Mr. WOOD. July 26.

Senator WARSON. Of this year?

Mr. WOOD. Yes; 1919. I shall proceed to show you how quickly they reversed themselves under a little pressure. That is a statement which the advisory committee concurred in. The advisory committee included three representatives, of the consumers, who testified before you as to the desirability of continuing a licensing system, that is, either themselves or other members of their companies.

Senator NUGENT. Name them; who are they?

Mr. WOOD. Mr. Cheney, of Cheney Brothers, testified yesterday. One of his brothers is a member of the commission.

Mr. CHOATE. It is this Mr. Cheney?

Mr. WOOD. This Mr. Cheney—I thought it was one of his brothers. Mr. Franklin Hobbs, whose letter was read into the record yesterday; and Mr. Clark, who is a representative of the same company as Mr. Thompson, of the United States Finishing Co., chairman of the advisory committee.

The Association of Shirt Manufacturers, representing one of the large industries of the country, which are at present handicapped on account of the lack of kinds of dyes which are not manufactured in the United States, at once took exception to this statement and addressed a communication to the War Trade Board setting forth the urgency of the need for the so-called "vat colors," and requesting a hearing.

The War Trade Board appointed a hearing to be held in Washington on August 26, 1919, and the committee of the shirt manufacturers went to Washington at that time and made representations of the seriousness of their need for these colors, unobtainable in the United States. Those in charge of the hearing professed great interest; at once conceded that, despite their official announcement on July 26 that "there appears to be no such need of German dyestuffs as to warrant the issuance of licenses for any of these articles," there is a present need for these foreign dyes. Assurances were then given that licenses would be forthwith issued and that a representative would be sent abroad to procure a sufficient supply of those dyes to meet the requirements of the shirt industry for a period of six months.

Mr. CHOATE. What date was that?

Mr. WOOD. August.

This action clearly indicated that in making the official statement on July 26 "that no such need existed," etc., the War Trade Board must either have willfully misrepresented the facts or else was ignorant of them. If possible, I would much prefer to adopt the conclusion of ignorance; but ignorance, upon the part of this board, would be an admission of incompetence.

It is, however, impossible to impute ignorance on this subject to the board, for on June 26, one month before the board made its official pronouncement that "no such need exists," this same committee of shirt manufacturers had addressed a letter to the chairman of the War Trade Board, setting forth the urgency of their requirements and also stating that they would be pleased to appear at any time and go into further details in regard to this situation.

On July 5 acknowledgment of this communication was made on behalf of the board, which acknowledgment contained the following statement:

The information you have given us is very useful and is just what the advisory committee on dyes is anxious to receive, I am therefore taking the liberty of referring your letter to the said committee.

On July 23 (18 days later and 3 days before the board's pronouncement was made) a further reply to the 'shirt manufacturers' committee was made, from which reply I quote these statements:

We quite agree with you that vat colors are essential to the proper making of shirt materials. * * *

This was three days before the issue of that pronouncement. [Continuing reading:]

I have taken the liberty of sending the original of your letter to the advisory committee on dyes and chemicals.

Then only three days later (July 26) this board made its public proclamation that "no such need exists," etc.

The correspondence from which I have quoted had the concurrence of its advisory committee on dyes; and, as appears from the correspondence, the communication from the shirt makers' committee was referred to that advisory committee on July 5, three weeks before the board's adverse announcement. But apart from this specific notice which the advisory committee had, the individual members of that committee should have been fully aware of the situation, for they are representatives of dye-making and dye-using trades. And, in passing, I might here mention on the authority of one of the members of the advisory committee, that certain of its members would undoubtedly have been appointed to the licensing commission originally provided for in the Longworth bill.

There are several significant features of this episode which deserve notice.

The letter of the shirt makers' committee to the War Trade Board was dated June 26. It stated the compelling needs of their trade, and expressed their readiness to go to Washington to give any required details.

Nine days later the letter was referred to the advisory committee.

The advisory committee unanimously concurred in the dictum of the War Trade Board "that there appears to be no such need," etc., thus giving an illuminating example of the way in which even those appointed to guard the interests of the industries they represent became dominated by the organizational policy of the board or committee, for the honor of appointment to which they feel indebted.

The hearing was finally granted to the shirt manufacturers' committee, only after they had appealed to the President of the United States and he had referred the appeal to the War Trade Board for consideration; this occurring at a time when the pending legislation was receiving much publicity and the board's announcement had been widely criticized. The hearing finally accorded the committee, and the active interest suddenly awakened in their case, resulted from a desire to placate the growing opposition to the licensing feature of the Longworth bill; and in business circles there is

a firm conviction that if this legislation had not been pending the board would have, in characteristically bureaucratic fashion, adhered to its refusal to give favorable consideration to applications for licenses, to supply admitted needs.

When finally obliged to consider the reasonableness of the demand, the board did not take the simple and direct course of honoring the requests for licenses to import these vat dyes, which applications had long been on file in its office. It adopted instead the device of sending abroad a representative to negotiate for a supply, with the result that now, upward of five months after the original request was made by the shirt makers' committee on June 26, the wanted dyes have not yet been received; and so far as known have not even been shipped. If licenses had been granted against waiting applications, quantities of the special dyes under consideration sufficient for present urgent needs could have been shipped through regular commercial channels weeks ago.

Mr. CHOATE. By "regular commercial channels" do you mean former German houses?

Mr. WOOD. I mean the former American houses that imported these dyes.

It is noteworthy, too, that when the hearing was finally granted by the War Trade Board, it was actually managed and directed by the president of the Chemical Foundation and an agent of that one of the dye manufacturing companies which has been chiefly active in promoting the demand for a licensing system.

When finally a representative was sent abroad by the War Trade Board to arrange for a six months' supply of vat dyes for the shirt makers, to be allotted by the authority of the board, and under the supervision of those who are demanding the adoption of a licensing system, and who are opposing importation through the usual commercial channels, the man selected for the mission was one who was already committed to the support of the licensing idea, and closely associated with its proponents.

I have discussed at length the experience of the representatives of the shirt-making industry because it so well exemplifies the arbitrary misuse of power which a licensing system encourages; the long delays and costly expense in time and money which must often be incurred to obtain even a limited response to an admitted need; and the yet longer delays that ensue before the realization of actual results.

The representatives of the shirt-manufacturing companies are in Washington—I met two of them last evening—and I think they are ready to testify of their own knowledge about this experience.

In a much briefer way I shall refer to other examples of the difficulty that would be experienced in obtaining required supplies under a licensing system.

The management of a woolen mill recently needed a very small quantity of each of several important dyes for use in preparing samples of its products for the ensuing season. The need was urgent because upon the preparation of suitable new designs, and having them ready at the only time when orders for the season are to be obtained, will depend the operation of that mill for a six months' season.

Prior to the war it was always possible to obtain these preliminary sample supplies from the dyestuff dealers within a day or two; it being part of the dealers' business to carry reserve stocks to meet all such requirements.

It happens that one of the American dye factories is making a few of the special colors which this mill wanted, so an order was sent to its agent for them. In response to this order the information was given that the colors were not on hand and would not be until some indefinite future time which could not even be approximated, but which would be at least several weeks distant.

Under circumstances like these it would be much simpler to make out a good case for the granting of licenses than in many others where the need was just as important, but to do so would require a visit to Washington and compliance with many formalities and much delay before the licenses could be obtained. When obtained there would be a further delay of from 6 to 10 weeks to bring the colors from Europe. Under the most favorable circumstances, before they could be received by the mill, the opportunity for their use would have passed and with it possibilities for business to keep its plant fully employed during the succeeding season. Small as the quantity involved was, I know of no way by which the issuance of a license could be assured without presenting an application before the representatives of the licensing body in Washington or wherever else its place of business might be.

It should be added that the several kinds of colors which the mill wanted, it had previously been obtained in moderate quantities from the American producer, and therefore he had good reason to expect that additional quantities could be promptly obtained when needed, but evidently production had not yet attained to the proportions of substantial commercial quantities, and the producing company was unable to say when adequate production would be assured.

These instances are cited as illustrations, they are typical of the general experience.

Another example of the practical difficulties of operating under a licensing system relates to the demand for anticipation of requirements long in advance of actual need of the dyes. The War Trade Board sometime ago sent to dye users a questionnaire which called for a statement of the various kinds of colors and the quantity of each that would be required by the addressee during a future six months period, which period was to begin something like three months after the date of the inquiry. Those who are familiar with the conditions under which dyeing is done in most of the textile trades, understand how impossible it is to know which colors will be in demand at a somewhat distant future period and how much of each will be needed. Some users filled out the blanks on the questionnaire by enumerating a variety and quantities in excess of any probable usage, so as to insure the import of an adequate supply.

I received that information from the proponents of the licensing system, by whom the statement was originally made.

But if all the dye users had followed the same course, and the quantities imported had been determined by the aggregate of such replies, the result would have been farcical for the total quantities, if brought to the United States would have defeated the very purpose

of the licensing plan, by bringing to this country quantities greatly in excess of actual requirements. And the organization set up by the licensing commission to make the importations and allotments would have had to provide a very large amount of money to pay for stocks that would have to remain idle for a long period, or if the excess was promptly sold would have constituted an unfair competition for domestic products.

However, many other dye users replied to the questionnaire by frankly stating that it was quite impossible to anticipate the kinds and the proportionate quantities of dyes they would need within the specified period.

I want to explain that the preparation for a new season's business in almost all these color-using industries, requires a period varying from three to six months before the time the sale begins. Then when the selling season opens orders are usually taken for a considerable part of the production for several succeeding months of that season.

It is impossible except in the case of staple goods, for the manufacturer to determine what the public demand is going to be. In some years, blues are worn, and in some years purchasers think they have had blue suits long enough and want to wear for business purposes, brown or grey.

It is only the aggregation of the selections by the public at large that determines what colors are wanted. To some of those who replied that they could not fill out the questionnaire, the War Trade Board made answer that unless a definite categorical reply was made the addressee would be unable to obtain any of the dyes imported. Here is a copy of one such letter from the board.

GENTLEMEN: Replying to your letter of the 2d instant, you of course, realize that at this time the importation of vat dyes is to be limited to the needs of the country for six months as nearly as can be estimated by personal replies from consumers of said vat dyes.

Your needs, if any, would not be taken into consideration unless you are able to make some reply to our questionnaire regarding such needs. So far as the plans for the importation of these dyes are perfected, it is not contemplated that a blanket license will be given to any one to supply, in a general way, the needs of his customers, but all importations will be in accordance with an actual use estimated as correctly as possible by the user.

Yours, very truly,

BUREAU OF IMPORTS.

And there has been upon the part of the advocates of the licensing plan much unwarranted criticism of those who did not specify their future requirements because of the impossibility of doing so.

While the licensing system is fundamentally wrong and there would have been much opposition to it in any case, I believe many of those who are now active in their opposition to the system would have been acquiescent, if the delays and difficulties interposed under the licensing authority by the War Trade Board had not convinced them by experience of the grave disadvantage imposed upon business by such a plan.

If when applications were made to the War Trade Board upward of six months ago, for licenses to import moderate quantities of the dyes unprocurable here; there had been an evident effort to facilitate the application with such reasonable dispatch as is common in commercial affairs, the applicants would not have had forced upon their notice the expense, vexatious delays, and interruption to production

they have experienced. Having had a practical demonstration of the working of the system; and knowing that those who have dominated its operation under the War Trade Board are the same persons who are pressing for this legislation to continue the war-time control, and equally expect to guide and direct the new licensing authority, it is not surprising that this opposition to a continuation of the system should cease to be passive.

Recently licenses have been issued for some importations, many of them in response to applications long on file. And arrangements have been made whereby the Textile Alliance has been designated as the agency through which vat dyes obtained through the reparations commission can be imported.

The Textile Alliance has promulgated the terms upon which it undertakes this business, and among other conditions it is stipulated that payment must be made in advance for the entire quantity for which the applicant has received license, although it is understood that the quantity of these dyes available for allotment is relatively small, and that each licensee will only receive a fraction of the quantity for which he has been given a license.

Senator NUGENT. Is there any objection to that procedure?

Mr. WOOD. Only this objection, Senator, that if you had made application for \$50,000 worth of products, which normally you would receive and pay for in monthly installments over a period of five or six months, and you knew you were only going to get 30 per cent of that \$50,000 worth, and you are required to put up the whole \$50,000 in advance, it might be quite a tax upon your resources if engaged in a business having but a moderate capital, understand the amount to be paid is the cost of a six months' supply, of which it is admitted only 20 or 30 per cent will be delivered, and you must let your money lie idle until the dyes come in, and the accounts are adjusted, after which at some later time a refund of the excess may be expected.

It therefore results that instead of only having to make an outlay each month for a quantity equal to a monthly consumption, as would be the usual course if the business was transacted in the normal way, the user must now lay down in advance the payment for an entire six months' supply, of which supply he will only receive a part, and he will only receive refund of his excess payment when the transaction has been completed.

It further appears that the actual cost of the dyes thus imported is yet an indeterminate quantity and will not be known until delivery has been made, and probably not until still later.

Among the many inaccurate statements made by some of the advocates of licensing was the assertion that no delay need occur in the receipt of dyes after licenses have at last been obtained, because the dyes could be imported in bond in advance of the granting of a license, and when license is obtained they could be quickly procured from the bonded warehouse. After this had been unequivocally asserted by one of the legal representatives of the proponents of this measure, I addressed an inquiry to the War Trade Board upon the subject, and received this undated reply which was probably written on November 1:

GENTLEMEN: Replying to your letter of October 31, 1919, I beg to inform you that an import license is required for the importation into the United States of dyestuffs, irrespective of whether they are brought in for reexporta-

tion purposes or not, and in this connection it should be stated that licenses for the importation of dyestuffs of German origin, except to users under special regulations as set forth in the accompanying papers, are not being granted, pending legislation by Congress, not even for reexportation purposes.

Very truly, yours,

BUREAU OF IMPORTS.

The reference to "reexportation" was due to the misapprehension of the writer of the reply as to the purpose of importing "in bond."

Mr. CHOATE. Of course, that is true that license is required; it is required as long as the trading-with-the-enemy act was in force.

Mr. WOOD. I shall offer some further examples of the difficulties experienced with a licensing system when discussing objections that have been made in Great Britain to the licensing system of that country, which has been cited here as a precedent we should follow.

The license plan is simply a device to satisfy the consciences of those who are opposed to the protective-tariff policy, but for prudential reasons do not wish to seem hostile to this domestic industry. It is intended to enable them to support the licensing feature while professing a futile objection to the tariff rates of the bill.

If the device is successful in this case its more general application will undoubtedly be attempted. This is clearly foreshadowed in a news-letter emanating from Washington in the latter part of July, in which, after referring to the Longworth bill, then pending in the Ways and Means Committee, the correspondent said:

* * * In it (the licensing plan as a substitute for the protective tariff) is the germ of future political campaigns and a possibility of change in the whole protective system.

Editorials in the daily press convey similar intimations, as an example of which I submit this from the Evening Bulletin (Philadelphia) of July 31, 1919:

SUBSTITUTE PROTECTION.

The issue between a tariff on imports and regulation by a commission, as a means of protection for American industry against German competition, which is raised by the dye-using industries of Philadelphia, is not limited to these interests and to the matter of dyestuffs. A similar substitution of Federal licensing of imports is proposed in amendment of the proposed tariff protection for the glass manufacturers of the country, and it is evident that the administration party in the House and Senate will favor something of that sort wherever there is a demand for tariff protection against German or other goods.

By this means the free-trade party may save its face, while acknowledging the necessity of some barrier for the protection of American industry. But there is a question whether such a plan of arbitrary control of imports, which may have been necessary and may have served well enough as a war measure, is suitable for conditions of peace. If imports can be regulated in this way it may be argued that the tariff may be abandoned altogether as a protective device, and the wish may be father to the thought. At least the believers in protection will discover that a principle rather than a mere detail is involved in the Philadelphia protest.

Those who are asking for the application of licensing restrictions upon dye imports will assure you that it is not intended to make any other application of this innovation. But as to that their voices will be impotent. When this measure is disposed of they will disappear from the scene; and the idea will be taken up anew by others.

There are other products for which the licensing plan could be advocated upon precisely the same grounds and with as much reason

as for dyes; and the importance of one such product exceeds that of dyes, both in war and peace.

The woolgrowers of the Western States have just made, through Senator Phipps, their protest against the importation of wool from Australia. Wool is one of the most essential products in the prosecution of the war. Without an abundant supply of it the armies can not be clothed; and even though unlimited supplies of gases and explosives should be available, failure would be inevitable if the troops can not be supplied with woolen clothing and blankets. How serious the matter of wool supply was to our Government in the early months of 1918 is well known.

Much less than half the amount consumed by the United States is of home production. With inadequate ocean shipping or in the event of a loss of control of the seas, the deficiency of wool would be much greater and more serious than of explosives; for the latter we possess within our own boundaries all the needed raw materials, and the experience of the war that has just ended has shown that the production of an adequate supply of explosives was more quickly obtained than of any of the other major material needs of war.

To increase our production of native wool in any appreciable degree would require at least three years, and to bring it up to war requirements would take upward of 10 years under the most favoring conditions.

And imported wool is not subject to any import duty, nor can the reparation commission safeguard it from any foreign competition; nor has it a protector to do for it what the Chemical Foundation can do for the domestic-dye industry. In this situation the raw-wool industry is at this very time threatened with an avalanche of competitive foreign supplies of definitely known quantities, whereas the alleged flood of German dyes awaiting export is a myth. The only information vouchsafed by the proponents of licensing as to the existing stocks of dyes in Germany indicates a quantity only about one-sixth as large as the normal prewar stocks amounted to; the existing stocks of importable wool are nearly equal to the normal production of two years.

Can there then be any doubt that if the principle of restrictive licensing is to be applied to any imports, the domestic woolgrowing industry is as much entitled to such legislation as any other industry?

I think it will be clearly understood that I hold no brief for the woolgrowers, and am not personally concerned in their case.

The potash producers are already in the field with their claims for the application of licensing to potash importations, and they only ask that each applicant for a license to import shall be required to purchase an amount of domestic potash equal to the quantity for which license to import is asked.

There need be no doubt, therefore, that if the licensing plan is once accepted for dyes it can be equally justified for many other needs; and the opponents of the protective-tariff system can be counted upon to support every such proposal.

In the debate upon this measure the policy of Great Britain in adopting a licensing system has frequently been referred to as an example we should follow. But the situation of Great Britain is wholly different from that of the United States. To understand the

reason for the adoption of a licensing system for that country it is only necessary to remember that it has no protective-tariff system, and can not under existing conditions adopt one. Consequently there are no alternative means for protecting the dye industry. The assured position which the dye industry of our country can have by the operation of tariff duties is denied the dyemakers of Great Britain.

It is pertinent to ask those who want us to adopt the British method whether they are willing to follow the British procedure in its entirety, by striking from the pending bill all customs duties, and admitting free of duty proportionately as much of foreign dyes as Great Britain will import under its licensing system during the next two years.

Senator WATSON. You made a statement there that I do not think ought to go unchallenged; that is, that every opponent of the protective-tariff system in the United States should necessarily embrace a license system. I do not believe that, at all. The license system is expected to be considered apart from protection, embracing, as it does, a departure from our departmental policies, and it might be, in fact, a departure to a certain degree from our very form of government; and I think it is a question to be considered separate and apart from the tariff question and any relation to the tariff question, and I would not want to go unchallenged the statement that every opponent of protective-tariff system is ready to adopt the license system.

Mr. WOOD. I only offer it as my opinion. I think upon further reflection you will see that that opinion has some merit.

In the references that have been made to the British restrictions it was inferred that no objections had been made upon the part of the British dye users and public to the restrictions adopted, and that the licensing plan has the status of a definitely adopted policy. To controvert these inferences, let me present some of the abundant evidence that they are assumptions without warrant of fact.

At a recent meeting in London of an advisory committee on drugs, dyes, and chemicals "it was decided that it would be well to point out to the Board of Trade" (the Government department which has jurisdiction over the subject) "that the prices had been forced up by the import prohibition" (i. e., since the armistice); and a resolution was adopted in which it was suggested that the interests of consumers should also be considered. The resolution alleged that certain important chemical products had "practically doubled in price since the import restrictions were in force."

One of the speakers brought out the fact that licenses were being refused for certain coal-tar derivatives, the reason being given that the quantity being manufactured in Britain was sufficient to supply the demand; but when applications were made to the two firms that the department had named as able to furnish the products, one had none to sell and the other could supply only 1 pound. It is precisely such experiences that we are certain to have under a licensing system.

A former editor of the *Economist* said of the system that:

The Government is about to embark upon the worst and most corrupt form of protection that has been proposed by any Government that I have ever heard of in modern economic history.

Additional light on the British situation is afforded in a letter published in the Daily News Record of September 27, from its London correspondent. The letter is too long to read in its entirety, but the few passages I now quote will suffice to indicate its general tenor:

* * * Opinion here as to the importation of German dyes is divided. Also the issue is obscured to a certain extent by the fact that the British Dyestuffs Corporation, in which the Government is a heavy shareholder, has succeeded in distributing its stock (shares) to the public. * * *

There is no doubt, however, that the British Government proposes to see that the textile industry shall not suffer much longer by the close restriction of imports from Germany.

No one has any particular faith in the licensing system which has lately been set up by the Board of Trade, and it was, in fact, nothing more than an experiment which probably will give way soon to some other scheme.

The same letter gives the details of an elaborate scheme, proposed by one of the advocates of licensing, to overcome some of the obvious objections to the licensing plan. This proposal is, in effect, to have a central Government agency buy all of the domestic product at regulated prices, as well as all of the permitted imports, and establish fixed prices for the sale of both the domestic and foreign dyes through this central agency.

I submit also this cable from Manchester, England, dated August 14 and published here on August 15.

BRITISH BUSINESS MEN WANT EMBARGO ON IMPORTS LIFTED.

At a mass meeting of business men held here resolutions were passed calling on the Government to remove existing embargoes. The Manchester Guardian commented editorially on the situation, saying in part:

"Why do we still have to put up with so many of the evils of war, now that war is over? In certain cases the obvious reason is that it pays somebody to keep us from getting the benefits of peace. This is the ugly truth behind the evils against which a body of Manchester business men protested at the meeting addressed by Sir John Simon. We publish to-day a second installment of the amazing list of things which, much as English men and women need them, are willfully made expensive by the war policy which the Board of Trade has continued into peace time, to the intense delight of war profiteers. The whole business is a black one, of doubtful legality and repugnant to fair play as well as to patriotism.

"If Brown, an English trader, wants to import some of the things mentioned in this strange list of taboos he has to go to the Board of Trade for leave. He probably knows that some rival trader, Smith, has got leave already. Brown finds that the licenses are apparently kept behind a sort of Hindenburg line of barbed wire, or at least red tape, entanglements and that he is mysteriously sent about from official to official as though in hope that he may lose heart before he wins his way to the inmost citadel, where possibly he may get permission to compete with Smith. His petition will come before a special advisory committee for his trade, and on this he may find sitting a second rival, Jones, who by no means wishes him to get a license. The whole system is dark and crooked, tainted with favoritism and likely, if continued, to degenerate into mere corruption."—(Philadelphia Public Ledger, Aug. 15, 1919.)

The Daily News Record of New York publishes a weekly letter from its London correspondent, which reports current news from Great Britain upon various topics of business interest. I mention this because it is a regular news letter upon British conditions, and therefore, can not very well be infected with any of the propaganda which we are assured is connected with everything said against this licensing plan. No one can make a statement but what

the proponents assert it is German propaganda. From the London letter appearing in the issue of October 25, I have taken these excerpts:

The unsatisfactory supply of dye wares required by Yorkshire woolen manufacturers has been strongly commented upon by members of the Dewsbury Chamber of Commerce. In a recent note details were given of dissatisfaction with the dyestuffs licensing subcommittee, on the part of the British Chemical Trades Association, and further complaints were made at the meeting above referred to.

These objections are from the woolen trade of England. We have been told by several of the witnesses that it is only the vat dyes for cotton which are wanted. The vat dyes do not concern the English woolen manufacturers, whose protests were reported. [Continuing reading:]

The president of the chamber stated that "Yorkshire manufacturers are laboring under very great difficulties owing to their inability to get dye wares, particularly the bright colors which are fast to milling. They are running from pillar to post and then are limited to the ridiculously small quantities that are to be obtained when the agent of Swiss firms divides his supplies among the many manufacturers who are clamoring for colors.

"Is it not absurd that a great industry like the woolen trade should be deliberately handicapped in this manner? With the exception of sulphur black, synthetic indigo, and chrome yellow and brown, such as could be obtained during the war, I am advised that local manufacturers are still dependent upon Swiss firms for 75 per cent of their total color requirements.

"Months ago we heard of a licensing committee appointed by the board of trade * * *. But up to the present we have not heard of any licenses being granted for the importation of German dyestuffs into this country. * * *

"No member of this chamber is anxious to use German dyes, but the woolen industry is being held up, and it is of vital importance that there should be an adequate supply of colors, bright in shade, fast to light, and capable of withstanding heavy milling.

"It is to be hoped that the time will soon arrive when the British producers of dye wares will be able to meet the wants of the trade for colors equal to the foreign products. But in the meantime something must be done, and done quickly to relieve the very difficult situation."

Senator WATSON. The committee will rise until 2 o'clock this afternoon.

(Thereupon at 12.25 p. m. the committee took a recess until 2 o'clock this afternoon.)

AFTER RECESS.

The subcommittee met at 2 o'clock p. m., pursuant to recess.

STATEMENT OF MR. J. P. WOOD—Resumed.

Senator CURTIS. Col. Wood, you may resume your statement.

Mr. WOOD. There are two references I neglected to make at the appropriate place and would like to offer now: First, on the question of already established American dye plants, I want to call your attention to and quote from an advertisement of the National Aniline & Chemical Co., appearing in current technical publications, which says in part—or I will just offer the advertisement:

AMERICAN DYESTUFFS IN 1919.

This company was founded to provide America with a permanent dyestuff industry. Its predecessors were the pioneers in American color production. The war brought not only the opportunity but the necessity for the develop-

ment of this accumulated experience. Upon this experience has been built a structure in personnel and in equipment not bettered by any European works.

The obligation resting upon us during the war was to produce quantity. The emergency needs of the Government and of the textile industry demanded first attention. The building of our immense plants had to go on hand in hand. To-day we are producing some 84 intermediate products and over 200 different colors. Type for type these products are as fine in quality as any ever imported.

Out of our research department must come the future progress of the company. Its past years of steady upbuilding and devoted service will become evident as better and newer types advance into the semi-manufacturing, and ultimately to the full manufacturing scale of production. Several very important types to be available in 1919 have already been announced. We know the needs of the country by reason of years of service which our selling units have devoted to the textile industry, and the research work we undertake is dictated in the interest of the textile user.

Primarily and logically, the American coal-tar color industry is a servant of the great American textile manufacturers, whose annual product runs into the hundreds of millions. It is the needs of the great army of textile consumers that we serve. It is the voice of the textile manufacturer to whom we listen. It is because the great American investment in textile manufacture must be insured against loss for all time, that an American dyestuff industry has been born to serve the Government with explosives for war, and with colors for textiles and allied industries in both peace and war.

NATIONAL ANILINE & CHEMICAL Co. (INC.).

21 Burling Slip, New York.

Mr. Wood. In referring to the difficulties presented by the licensing system, under which we are now operating, I neglected to mention that application was made by the mill with which I am associated for a license in reference to one of these colors, and they replied as follows:

WAR TRADE BOARD.

Washington, November 26, 1919.

Sirs: Your application for an allocation certificate authorizing you, or your assignee of the certificate, to apply for and to obtain from the War Trade Board section a license authorizing the importation of 200 pounds of alizarine black, has been referred to the advisory committee on dyes of the War Trade Board section of the Department of State.

We beg to advise you that the committee finds that the dye for which you have applied is obtainable from United States sources on reasonable terms as to price, quality, and delivery, to satisfy the requirements of consumers of that color for the six months' period, November 15, 1919, to May 15, 1920.

Accordingly, pursuant to the provisions of paragraph 2 of our letter of October 8, 1919 (copy inclosed), we must advise you that your application has been refused.

Very truly, yours,

BUREAU OF IMPORTS, WAR TRADE BOARD SECTION.

By L. J. P.

A letter was then written to the War Trade Board asking them to state where, from American sources, the color could be secured, as this mill was entirely satisfied to use an American dye. Up to this time, now approaching a period of two weeks, no reply has been received. Meanwhile I learned of another mill having applied for the same dye which was given a license for it, or an allotment, without any question at all.

Senator NUGENT. Was the other mill operating in competition with your mill?

Mr. Wood. Yes, sir; but I am inclined to think there was no favoritism intended to be shown to that mill. I know of no reason why they would favor it, but think it was evidence of carelessness of

administration, and that it goes to show how these matters function under the license system.

Senator CURTIS. Your letter might have reached some clerk off on leave.

Mr. WOOD. Yes, sir. I do not mean to impute any partiality or favoritism, but only refer to the insuperable delays and difficulties attending a bureaucratic license system.

Mr. CHOATE. Mr. Chairman, can we have those names?

Mr. WOOD. I can give them if the committee desires them.

Mr. CHOATE. We would like to find out.

Senator CURTIS. Well, the committee will settle that matter a little later. In the meantime, Col. Wood, you may continue.

Mr. WOOD. At the recess I was talking about objection by Britishers to the British licensing system. Proceeding with a few more references of that kind:

The Dyer and Calico Printer, an English publication, in its issue of October 19, reports:

During the past fortnight the question of dye shortage has come prominently to the front in Yorkshire, and dyers are by no means backward in showing their disappointment at the existing state of things. * * * At the Heckmondwike Chamber of Commerce the president and owner of the oldest dyeing concern in town declared that the existing regulations are handicapping country dyers and manufacturers who do their own dyeing * * * without Swiss dyes we should be in a deplorable position, especially in the worsted and woollen trades of the West Riding; that in official quarters the opinion was held that for some time to come we should require to import German dyestuffs; but, so far, none had come to hand, though the demand for them was steadily growing.

Mr. Joseph Clark, the head of a well-known Leeds dyeing concern, declared that the requirements of the Leeds and Dewsbury textile districts could not possibly be met by Swiss or Americans in the quantities desired. (Note that they expect to obtain part of their supplies from America.) Moreover, there were certain dyestuffs imported from Germany before the war which were still neither produced by ourselves nor by the Swiss makers.

Mr. Clark said: "I have made representations to this end in every conceivable direction—both to the English and Swiss makers, to the color controller in London, and to the licensing committee in Manchester—proving to them that at the present time we are absolutely at our wits' end as to what to do."

The writer adds:

But the fact still remains that dyers want colors and can not get them, and whatever the cause of the existing state of things may be, they would hardly go to the length of making complaints in public, if their business was not being badly handicapped.

The Yorkshire Observer, one of the best known provincial papers, of October 17, reports a statement by a member of the council of the Color Users' Association from which I quote in part:

The distribution (of some German dyes) was to have been made by October 1, but so far not a single ounce of German dyes has been brought into this country.

Hopes are held out that not only the 172 tons mentioned but a further 1,500 tons, which have also been allocated, will arrive within three months, and that Great Britain will be placed in a more favorable position as compared with France, where there is an abundance of splendid dyes for which British textile manufacturers are simply waiting.

That the present prices of dyes are scandalously high is not accounted for by the cost of production on a smaller scale than that of the Germans, but by absence of competition.

The present English prices quoted by the speaker for various dyes were from nine and one-half to fifteen times the prewar prices.

The same issue of the Bradford Observer contains a report issued by the Bately and Birstall Chamber of Commerce, which states that:

The executive committee had passed resolutions urging the board of trade to take steps without further delay to secure adequate supply of such dyewares as are essential to the woolen and many other British industries, and which, if made at all in this country, are not made in nearly sufficient quantities.

The committee further stated that it is understood that manufacturers of France already have secured very large quantities of those dyes from Germany, and that the same is true of Italy and Belgium.

Why, the committee asks, should the industries of the country (Great Britain) be handicapped by lack of dyes while the needs of continental competitors are being fully met?

In some views upon the subject submitted to the British Board of Trade by the British Chemical Trades Association, there is an evident note of distrust. The quotation is from the London letter published in the Daily News-Record of October 29:

There is strong opposition to the so-called Central Importing Agency already established. The information which must necessarily accrue to any individual concern acting in such capacity may be applied to a later date, or indirectly, for individual advantage. The association has received various protests on this point, and quite apart from the merchants' point of view, it is submitted that the present system is frequently exceedingly unsatisfactory to the consumer.

Senator NUGENT. One moment, Col. Wood. Is the price of dyes in this country as high as in England?

Col. Wood. I am unable to answer in detail because we have had no opportunity to get the British dyes here in any quantity, and I have only the information which was submitted to the Ways and Means Committee of the House, which indicates that in some instances the price was less than here. I think, in general, it probably compares with the price here.

Senator NUGENT. Take the prices of dyes in this country as a whole at this time, how do they compare with the prices that consumers were obliged to pay prior to the outbreak of the war and when they received their supply from German sources?

Mr. Wood. Oh, they are greatly higher.

Senator NUGENT. How much higher?

Mr. Wood. They vary very much. Those that have been well established by the domestic dye manufacturers are probably not a great deal higher than the general rise in prices of all things. But as to others that have not yet been thoroughly developed, the prices are many times more. I think one quotation was given here a few days ago which would represent a price of something like \$25 a pound, as compared with the price of perhaps a dollar a pound before the war.

Senator NUGENT. But you can not give us any authentic information on the subject?

Mr. Wood. No; but I am quite sure there are witnesses here who can.

Senator CURTIS. You may continue your statement.

Mr. Wood. In the issue of the same journal for November 11, 1919, it is reported that:

Action is at last being taken on behalf of the whole British wool textile industry to augment the present supply of dyestuffs, which is said to be seriously

inadequate to the requirements of the trade, now that production of fabrics is being increased to meet civilian needs at home and abroad.

As a representative dyer said, "The dissatisfaction felt with the dilatory methods of the Government in its control of foreign importations of essential dyestuffs, which are not to be obtained from makers in this country, has at length led to concerted measures on behalf of the wool textile trade."

At a conference in Bradford, at which colored spinners, manufacturers, slubbing dyers, piece dyers, and the low-wool trade were represented, it was decided to appoint a deputation, representative of all sections of the trade affected, to wait upon the president of the board of trade with a view to placing before him the facts of the situation.

The president of the British Board of Trade is to be asked to grant an interview at an early date.

The movement is not characterized in any way by opposition to domestic manufacturers of dyestuffs. Some of those closely connected with the proceedings are, in fact, shareholders in British concerns. It is fully realized, however, that the future of the trade in competition with foreign nations is intimately dependent upon obtaining dyes which are not at present procurable in this country.

"We want essential dyes which are made at home at the present time," said a dyer, who is also a shareholder in the British Dyestuffs Corporation. "We are not out to hamper our own manufacturers of dyestuffs. When they can make the dyes we require we will take them, but until they do we must get the dyestuffs somewhere else."

It is needless to occupy your time with further quotations. Those that I have read show very clearly that in the opinion of British consumers the British licensing system is not functioning satisfactorily, that there has been great delay in obtaining colors for which acute need exists, and that the color-using industries are very seriously handicapped in competition with their continental rivals by reason of inability to obtain dyes that the latter have in abundance.

An interesting sidelight on the troubles created by the restrictions that are being enforced abroad is contained in an interview with one who had just returned from abroad, which was published in a New York daily of September 11. In concluding his tale of troubles this traveler said:

Although the war was fought to make the world safe for democracy * * * one would think the war was waged to make the world safe for autocracy and bureaucracy. The red tape business must be the most prosperous on earth.

Whatever the British practice may be, the fact can not be too much emphasized that a makeshift arrangement has to be resorted to there because they are debarred the application of an effective protective tariff system.

Some of the speakers who refer to British methods also mentioned France and Japan as having adopted a system of license restrictions for dye imports. But no evidence was adduced in support of this statement at the previous hearings. The latest published information that I have been able to find upon the subject merely mentioned that such a plan was under consideration in those countries. And it is noteworthy that, whatever plan may be adopted, both France and Italy are reported to have received their shares of a second allotment of German dyes.

The fact that France is supplied abundantly with important German dyes not made elsewhere, is referred to in some of the quotations I have read of British criticisms of the British licensing system.

United States Commercial Attaché Snow is reported to have cabled to our Bureau of Foreign and Domestic Commerce to the effect that the Chamber of Deputies has adopted a new detailed tariff schedule

for dyestuffs and chemicals, including pharmaceuticals, and providing for free importation and Government distribution of German products covered by reparation annex 6 of the peace treaty, and further licensing of all German imports of those products in excess of treaty amounts. The bill has been referred to a committee of the French Senate. I have a newspaper clipping which I took that from, as follows:

FRENCH REVISE CHEMICAL AND DYE TARIFF SCHEDULE.

According to a cablegram from Trade Commissioner Adams, Paris, made public by the Bureau of Foreign and Domestic Commerce to-day, the Journal Officiel of November 17 contains a law, dated November 7, revising the tariff schedules applicable to chemicals, and establishing a licensing system for German dyestuffs and chemicals. The complete text of the law as proposed was published on October 19, and a copy is on file in the Division of Foreign Tariff of the Bureau of Foreign and Domestic Commerce.

According to the cablegram of the trade commissioner only a few minor modifications were made in the law as it passed the French Senate on October 18. The products affected by these subsequent changes include calcium hydroxide, schweinfurth green, mountain green, and a few similar compounds, while the tariff numberings of certain other chemicals are changed. The object of the new law is to provide a more complete and flexible chemical schedule in substitution of the few general items which formerly included many classes of products.

A large part of the chemicals for which special rates are now provided were formerly dutiable as chemical products not otherwise specified at the rate of 7½ per cent ad valorem under the general tariff applying to imports from the United States and 5 per cent under the minimum tariff. The new rates of the general tariff will apply to imports from Germany, but dyestuffs, chemicals, and other products furnished as a part of the indemnity will be admitted free of duty. On imports in excess of such allotments, full duties will be charged.

Whatever the French system may be it seems to have resulted in providing that country with so abundant a supply of German colors that the envy and apprehension of British color users have been aroused.

In connection with this phase of the subject I quote again from the Daily News Record a statement printed on August 16:

British representatives (reparation commission) are opposing any distribution of German dyes at this time, and have so far succeeded in preventing any general disposition. France, Belgium, and Italy, however, have succeeded in part, and have obtained a quantity of the German dyes under an agreement which limits their use strictly to domestic consumption, and with the understanding that the goods upon which they are used will not be exported through the Rhineland commission.

It is not explained how it will be possible to enforce such a prohibition.

The British have met with success in their efforts to keep German dyes in Germany and have in effect cornered practically the whole supply in the Rhine territory, and are holding them, refusing to permit their exportation.

It was proposed that the Germans be asked to submit an inventory of their stock of dyes as of August 15 (an earlier inventory had already been provided), and that the reparation commission should proceed with their allocation as soon as possible. This plan, however, did not meet with the approval of American interests, it is understood, nor were the British in favor of it; it was abandoned, temporarily at least; it is authenticated that the British members of the commission are making a strong effort to hold up distribution of the German vat dyes in the hope that British dye manufacturers may be able to produce these colors in commercial quantities. The British representatives are strongly on the side of the dye manufacturers, while the French, Italian, and Belgian representatives look upon the question from the viewpoint of the dye consumers.

This attitude of British representatives on the reparation commission may to some extent account for the troubles of which the dyers of England are complaining.

That was an exceedingly interesting statement about American interests being opposed to the proposal that the reparation commission should proceed with the allocation of its share as soon as possible. Who were the American interests referred to, and how were their views made known to the reparation commission? At that time the United States had no official representative upon the reparation commission.

Dr. HERRY (interposing). May I interrupt Col. Wood one moment with an explanation of that?

Senator CURTIS. Do you mean with a long statement?

Dr. HERRY. No; just for a few moments only.

Senator CURTIS. Col. Wood, have you any objection?

Mr. WOOD. Not a bit.

Dr. HERRY. The reason for that is, the representatives of the State Department and of the peace commission were unwilling to take any steps anticipating the peace treaty, and while the peace treaty was under debate in the Senate.

Mr. WOOD. But the facts remain that France, Italy, and Belgium were getting dyes, countries that were equally opposed to Germany in the war, and whose antipathy to anything German was equally as great as our own.

Senator CURTIS. You may continue your statement, Col. Wood.

Mr. WOOD. One of the principal pleas for the support of the licensing system is that the explosives required in modern war must be made from the same materials used in the manufacture of dyes and by similar processes; and, therefore, as a part of a general policy of preparedness for war, the dye-making industry must be sustained so that its plants may be quickly converted to the manufacture of explosives if need should arise.

To the extent that this reason has weight, those who object to the licensing plan are in entire accord with this view. They are just as anxious to have the domestic dye industry flourish and prosper as any one can be. Motives of public spirit and business interest alike persuade them of the importance of cultivating this important interest and valuable national asset.

But they are sincerely convinced that this desired preparedness for military purposes is assured by protective measures which do not involve hardships to other national and equally important interests, that the restrictions under the licensing plan would impose.

The question at issue is not whether the dye industry shall be protected; it is what is the best and simplest method of providing the necessary protection without detriment to other industries.

If we show that licensing restrictions and impediments are not necessary to that end, there is no occasion for considering the incidental benefits that will ensue from the possession of a domestic dye industry.

But since this element has been injected into the discussion let us consider, apart from the fact that licensing of imports is not essential to the result, what degree of importance should be attached to it.

At the beginning of the war the American dye industry was admittedly of small proportions and of exceedingly narrow develop-

ment. The manufacture of intermediates was upon so small a scale that it could hardly be classed as a distinct industry. And it must be remembered that for military purposes it is the production of intermediates, rather than of finished dyes, that is important.

Notwithstanding this situation of chemical unpreparedness the outstanding fact relating to the supply of war munitions is that there was never at any time any lack of explosives. Indeed explosives were almost the only important munitions of which we had quantity production almost from the beginning, and of which there was never any shortage.

Reference has been made to the fact that for two years we were not at war. I admit that that is true, but also there is the fact that not only were our powder and high explosive needs fully supplied, but at the same time great quantities of the former were provided for the Allies. Of no other kinds of munitions was this true. If this record was made with practically no existing dye industry to begin with, there need be no fear for the future.

In making this statement all credit is accorded to the marvelous enterprise and energy of those engaged in this business. Knowledge of what was accomplished under unfavorable circumstances is an assurance for what can be done in the future, with the advantage of greater facilities and larger experience.

Nor can it be overlooked that the United States will, in any case, have a much greater supply of the raw materials out of which explosives and the noxious gases now used in war are made, than any other country; a supply so large that we shall unquestionably export abroad great amounts of these basic materials.

The intimate relation of poison-gas production to the manufacture of dyes has also been referred to. Officers of the Army, Navy, and other Government officials have been called by the dye interests. But their testimony was only as to the importance of noxious gases in warfare and the value of a dye industry in furthering the production of these gases and the development of new varieties. Nothing in the testimony of these officers affords the slightest support for the contention that a policy of embargo and licensing is necessary to protect and develop the domestic manufacture of dyes.

If the dye industry can be adequately protected by tariff duties, then the matter of preparedness for the production of explosives and gases is fully provided for in the existence of the dye industry. The dye industry is itself of sufficient importance to justify its protection, and the means that will protect it will, as a matter of course, assure the preparedness for explosive and gas production. It is, therefore, only necessary to determine what means will best protect the dye industry, and the interjection of the munitions feature only serves to complicate an otherwise simple issue.

However, since the license advocates have placed so much stress upon the preparedness argument, I would like to bring to your attention some statements by the Director of the Chemical Warfare Service which would seem to indicate that, notwithstanding the want of preparedness in this field by the United States prior to the war and the undeveloped state of our domestic-dye industry at that time, the record of performance is an answer to foreboding about the future.

These are from an article by Maj. Gen. William L. Sibert, Director of the United States Chemical Warfare Service, published October 4, 1919, and Gen. Sibert testified before you as to the importance of this service:

Shortly after the United States entered the war and under the leadership of Mr. Manning, Director of the Bureau of Mines, there was authorized and called together a group of chemists unequaled in the history of the world in numbers and ability to take up the search for new and powerful gases.

It [the United States] had developed a production in poison gases not only in every case greater than any other nation in the world, but in nearly all cases a production equal to or greater than all the other Allies and the enemy put together.

Senator SUTHERLAND. But it was so late that none of them ever got to the front.

Mr. WOOD. I call attention to the fact that when they testified upon the subject these officers who appeared before you stated that, while producing gases in large volume, they were unable to get the shells or containers in large quantity in which to put the gases, and the greater need for preparedness seemed to have been in the matter of metal containers for the gases themselves.

Senator SUTHERLAND. Isn't it a fact that they did not get any of those gases to the front during the war?

Mr. WOOD. That is not the question.

Senator SUTHERLAND. That is the testimony before our committee.

Mr. WOOD. That is an administrative matter.

Senator CURTIS. You may continue your statement, Col. Wood.

Mr. WOOD. We who oppose the trammeling of business by bureaucratic control propose that to the natural advantages the country possesses for the production of chemical munitions there shall be added all the facilities of instant readiness that the manufacture of intermediates and dyes will afford. But we propose that this shall be accomplished by a method that our whole industrial experience as a nation has proved to be adequate and safe, rather than by one which can not be more effective, and which has already had its trial and has been found an impediment and a menace to other existing industries.

I want now to quote on this subject some literature by Dr. Bernhard C. Hesse, who is recognized as one of the foremost technical men on dyestuffs in this country. He has appeared before committees of Senate and House to testify in investigations of the dyestuffs industry. His address was made before the Franklin Institute, at Philadelphia, a few weeks ago, and was not for legislative purposes. He was addressing the chemical society and, presumably, dealing with the subject without any reference directly to legislation. That address, although Dr. Hesse is an advocate of licensing, I would like to have placed before every member of this committee. I believe it contains the strongest argument that can possibly be offered against a licensing system, notwithstanding his approval of it.

With regard to this matter of preparedness, Dr. Hesse says:

To particularize: In the explosives industry the coal-tar portion is very simple; the testing out of new products very complex and detailed; hence the invention, development, and manufacture of explosives from coal-tar materials is properly wholly an affair of the explosives' industry so highly and efficiently productive and progressive with us and not of the still-to-be-

created dye industry; the invention, development, and distribution of photographic chemicals properly belong to the photographic industry, now and for a long time past so well developed with us, and their manufacture belongs to our well-developed organic and fine chemical industry and not to the infant dye industry. The discovery of new synthetic remedies is properly the function of the many medical institutes and schools of research in this country; they can be manufactured by our organic and fine chemical industry, helped out by our large pharmaceutical factories and distributed by the latter; synthetic flavors and perfumes have for years been successfully made here at a number of establishments, and they have also conducted much of the research in this field; there is no reason, compelling or otherwise, why the struggling dye makers should share their work. In the manufacture of toxic and like gases for military purposes, whose invention and development belong to the Chemical Warfare Service, the largest single material involved and at the same time the one most difficult to transport is chlorine, which in 1914 was normally made in 23 different factories in this country, and in an amount approximating 65,000 tons annually, while during the war we made a total of but 12,000 tons of toxic-gas war materials; their manufacture, therefore should be linked up with our going chlorine industry.

The coal-tar materials needed in any or all of these arts of peace are, and have been, obtainable if we only wanted them, in any needful quantity and quality, without in any way calling upon the dye maker for them, their total requirement being under 300 tons per year. For each of these important collateral developments we have domestic industrial points of attachment and growth of long and firmly established competitive ability; would it not be the very height of folly to ignore them and to stake our entire future in these fields wholly upon the dye industry, whose future with us is by no means established? I am thoroughly convinced that no one can seriously or for long take any other view than the foregoing; we can surely have all of these other industries in the highest possible state of efficiency if we only will, whether we have a dye industry or not. That we should have our own supply of dyes is the only reason for having a domestic dye industry. The war itself proved that conclusively and beyond question.

There was testimony offered to your committee as to the great need of chemists and trained personnel—

Senator CURTIS (interposing). Would you like to have the whole speech printed in the record?

Mr. WOOD, I submit it all. I want the committee to have it all.

Senator CURTIS. I understand, but we do not want to print anything that is not applicable.

Mr. WOOD. I think the whole speech might go in for the information of the committee on this question, and would be very glad to have it all go in even though I have only taken up your time just now to read this one extract from it.

Senator CURTIS. You may give it to the reporter.

Mr. WOOD. Here is the entire address, which I think very interesting.

(The address by Dr. Bernhard C. Heise will be found at the end of the day's hearing, page 303.)

Senator CURTIS. Col. WOOD, you may now give the names of the companies asked for by Mr. Choate awhile ago.

Mr. WOOD. The one that did not get the license was the Pequea Mills Co., Philadelphia; and the one that did get the license was the Princeton Worsted Mills, of New Jersey.

Mr. CHANEY. Mr. Chairman, may I ask Col. WOOD if he referred to the case of alizarine black?

Mr. WOOD. Yes; alizarine black.

Mr. CHANEY. I am informed that the complaint has been looked up and that the two colors in question, although they both bore the

name "aljarine black," one had a different mark from the other, and a different number, and, therefore, was a different product.

Mr. Wood. My only reply is that we are still without a reply from the War Trade Board as to where we can get it.

About trained personnel, I want to say the experience referred to before you as to the Chemical Warfare Service was the experience in all other lines during the war. There can not be trained personnel enough in peace time to meet the demands of so gigantic an enterprise as this war. And just as we did not have enough skilled personnel to make airplanes, and not enough trained technical personnel for the building of ships, and thousands of other things required for the war, so we did not have enough trained chemists in this work. That is the result of a transference from peace activity to an entirely different kind of production required for war.

In addition to the sufficient protection afforded to all classes of dyes by the rates of duty in the Longworth bill; a large proportion of such dyes as would be imported because not yet sufficiently developed here, may be subject to a unique additional protection in the form of patent royalties. Something like 5,700 United States patents, formerly owned by German dye companies, were seized by the Alien Property Custodian and sold. Of this number the Chemical Foundation now claims ownership of about 4,500. And as that corporation expects to defray all the expenses of its very ambitious program of research and education from the royalties derived from these patents, it must be evident that all imported dyes covered by these patents will have to pay substantial tribute in royalties to the Chemical Foundation; and the owners of the other 1,200 patents are not likely to be behind hand in collecting toll upon imported dyes, the manufacture of which is covered by their patents.

An American company—

Mr. CHOATE (interposing). Who is it?

Mr. WOOD. You know who, Mr. Choate; the Grasselli Co., of course.

An American company which purchased from the Alien Property Custodian such of the German-owned patents as were not acquired by the Chemical Foundation, has recently issued a circular letter which very plainly indicates the element of protection afforded to domestic dye makers by the American ownership of these patent rights. This circular letter, dated October 25, 1919, contains the statement that:

When we purchased from the Alien Property Custodian the dyestuff department of the former Bayer Co. (Inc.), we acquired at the same time all the patents held by the latter company in this country. We do not intend to waive the rights acquired by us under these patents, and would therefore suggest that you place with us all import orders for Bayer dyestuffs * * *

Those who have been contending so strenuously for this embargo on dye imports, have tried to minimize some of the obvious objections to the licensing feature by assurance that in cases where a need exists the language of the bill makes the issuance of licenses mandatory. Theoretically this might be true, but in practice the consolation offered is without hope of comfort; because the essence of the difficulty is in compliance with the prerequisites. The language of the bill is that the commission shall issue licenses for such products only as may be unobtainable from domestic sources on reasonable terms as to price, quality, and delivery.

It is the province of the commission to determine these facts; the burden of proof rests upon the applicant. In any given case voluminous testimony requiring many days to hear might be required, and when heard it probably would often take as long for the commission to reach a decision as it frequently has for the railroad commission to announce its judgment on transportation cases. The determination of the reasonableness of railway rates is a relatively simple matter compared with the determination of the reasonableness of prices, qualities, and deliveries. The single feature of the equivalence of quality of articles put to such various uses and tested by such differing standards would alone provoke endless controversy, because the product which might for many purposes be fully equal to an imported dye would for many other uses be distinctly inferior. The maker of the domestic product would contend that since his material was proven satisfactory to numerous customers, it must be presumed that it would meet the requirements of the applicant. The applicant would have to demonstrate by practical tests and exhibits why the offered substitute would not fulfill his requirements. Both sides would have to call witnesses and introduce expert testimony, and the dockets of the commission would soon be congested with an array of untried cases. Appeals would be frequent and in due time there would probably be demand for an appellate commission to relieve the courts.

Controversy over the reasonableness of prices and delivery might not be as complicated and technical as that concerning quality, but it would be much more complicated than similar questions concerning railway rates or customs valuations.

To say that the obligation upon the part of the commission to issue licenses is mandatory is no more than to say that the obligation upon our courts to do justice is mandatory. The judge can not fulfill that duty until the facts are ascertained, and no more could a licensing commission discharge its mandatory duty until it could be learned from ascertained facts whether the mandatory "shall" or the equally mandatory "shall not" must prevail.

Mr. Choate himself admitted that however mandatory the phraseology of the bill might appear to be, discretion rested with the commission to decide in any given case whether a sufficient case had been made out to require the issue of a license. At page 371 of the hearings (Ways and Means Committee), he said:

The commission must determine that question of fact in a way provided by its general regulation.

It has been the desire and purpose of the Chemical Foundation to altogether eliminate the importing agencies through which these dyes were obtained before the war. An effort was made to have created some sort of central importing agency through which all dyes would have to be brought to the United States. Difficulties were encountered in creating such an organization and the plan has not yet been carried out, although the arrangements for the import of the dyes obtained through the reparation commission now appear to be moving toward the accomplishment of that purpose.

But there is an aspect of this matter which has a larger and more direct interest to the many dye users whose businesses are of such

modest dimensions that it is not practicable to employ the services of a staff of chemical experts. It was the practice of the dealers in dyes to maintain experimental laboratories in charge of skilled dyers and chemists for the assistance of their customers. Through this service improved processes and methods of using their dyes were brought to the attention of their customers; and valuable assistance was afforded in solving the difficult problems and troubles constantly arising in dye houses.

There has been brought into this controversy the question of importing through ordinary commercial channels. The War Trade Board, advised by its advisory committee, has been very desirous of eliminating the regular trade agencies of importation, for what motives others will tell you, perhaps; and they want established some central agency. It was suggested, I believe, though it was never brought to my attention at the time, that some kind of an association of dye users should be formed to do this importing.

MR. CHOATE. May I ask Col. Wood what he means by "regular channels of importation"?

MR. WOOD. I mean the regular importing houses of American citizens doing an American business and who, before the war, imported dyes of German, French, or Swiss origin, and sold them to dye users in this country.

MR. CHOATE. As to the German Big Six, do you mean the German Big Six?

MR. WOOD. I have answered your question, Mr. Choate.

SENATOR NUGENT. Is there any insuperable obstacle to the organization of such a commission, or board, or association?

MR. WOOD. I was coming to it right now.

SENATOR NUGENT. All right.

MR. WOOD. The plan which Mr. Garvan, Mr. Choate, and their associates have been trying to have developed, by which importations must be made through one central agency, would eliminate this technical service, which in the past has been rendered to the importers' customers; for the importing agency would be a mere clearing house, having no concern in the successful application of the dyes passing through its organization.

SENATOR NUGENT. Why could not such an organization attend to those matters just as well and as satisfactorily to the dye consumers as it has been attended to in the past by the agents of foreign companies?

MR. WOOD. Because they have no personal knowledge and as they have no personal interest in the new processes that come out. These new methods are constantly being developed. No central agency can acquire that knowledge except after long research, but the existing agency, whose interest is to sell the particular new dyes, has the information from the producer, whether he be French, British, Swiss, or German. With the development of processes comes knowledge and that knowledge is given to the agents of the American importing houses.

SENATOR NUGENT. Wouldn't it be reasonable to assume that those foreign manufacturers of dyestuffs are anxious to dispose of their goods in this country and in order to do it they would furnish this information?

Mr. Wood. I think it would entail complications too difficult to overcome, because dye users in this country are too numerous and too scattered and many of them too small to make it possible for them to enter into the operation of a scheme of that kind. There are in the one industry I represent not less than a thousand users, many of them quite small, and scattered from the Atlantic to the Pacific. How could they be brought into such a cooperative arrangement? Besides, it requires capital, and many of them have not enough capital for their own business. An agency of this kind would have to have capital to buy, import, and carry in stock the goods required, and it is very serious for the smaller dealers at this time to take six months' supply at once at the high prices now prevailing.

Many references have been made to the influence of the present foreign exchange conditions upon imports. There are two distinct factors in the depreciation of exchange on Germany. One is the excess of our exports over imports, which causes a greater supply of bills on Germany than needed to balance the cost of our imports from Germany. In the absence of a free movement of gold to settle the excess by which Germany's indebtedness to us exceeds ours to that country, the market for exchange on Germany is oversupplied and its value declines. That factor is purely a matter of exchange and cuts both ways. While we can obtain more marks for a dollar, conversely the Germans have to pay more marks for the dollar in settling their debts to us. Now, as Germany is dependent upon imports for so much that goes to make the cost of dyes, such as food—which determines wages, raw materials, supplies, etc.—it follows that the alleged advantage of this depreciation of exchange is fully offset by corresponding disadvantages.

The other of the two factors causing the disparity in exchange is the depreciation of Germany's domestic currency. But since depreciation of the currency of a country results in a corresponding enhancement of all prices quoted in the depreciated currency, that factor affords no advantage in the export trade of the country whose currency is depreciated. If currency depreciation acted as a stimulus to exportation, what an enormous export trade Mexico ought to have now, and how vast ought the shipments from the United States have been when the Continental currency had fallen as 500 to 1. Everyone knows that in buying depreciated currency more units can be had than are given in gold, but equally does everyone know that it takes more of the depreciated units to pay for purchases.

This matter of exchange has been confusing to many minds and has been employed to befog the subject under consideration. But the simple truth is that the disparity of exchange between the United States and Germany will not afford any substantial advantage to the German dye industry in greatly increasing exports to the United States.

The disadvantages of foreign exchange more than offset the advantages on the other side.

I think, Mr. Chairman and gentlemen of the committee, that that covers what I have to say.

Senator SUTHERLAND. What would have been the situation as to explosives if we had gotten into the war without two and a half years of preparation, that we actually did have when we got into it?

Mr. WOOD. My only answer to that is that it would have been the same as respects everything else that we were not prepared in.

Senator SUTHERLAND. Yes; but don't you think we should take such measures as we can to protect such a situation?

Mr. WOOD. I rely upon the statements of those more expert than myself, for instance, Dr. Hesse, who said confidently that entirely independent of the dye industry we could produce a supply.

Senator SUTHERLAND. But we had two years' preparation.

Mr. WOOD. His statement is independent of the two years' preparation.

Gentlemen of the committee, I suggest that Dr. Hesse be invited to come before you. He is much more expert than I. I have put his statement into the record; he might want to qualify it in some way, and if he does I think he should have the opportunity.

Senator SUTHERLAND. Would the entire exclusion for a time of all colors, the work of which is satisfactorily done by American products, hurt your business?

Mr. WOOD. It would not hurt it at all if it was impossible for any foreign products dyed with dyes that we can not get to come here. And upon that question I will quote Dr. Hesse again:

In 1913 about 1,900 tons of dyes came into the United States, not in barrels, tins, or kegs, but on textiles, such as carpets, rugs, tapestries, cloths, yarns, and the like. If, in 1920 or 1921, that should jump to 10,000 tons or 15,000 tons, what added remedy would the dyemaker then want, if any? Should such products also be excluded? The language of the bill passed by the House certainly does look toward such exclusion.

If importations of dyes, not as such, but in an advanced stage of manufacture, such as ground in oil, paste, or like vehicle, and any of the many other commercially feasible, though not now widely practiced, modes should be intensively taken up by foreign exporters, what added remedy would the dye makers then want, if any? Should these also be excluded? If these are to be excluded why should not the dyed fabrics and the like, just referred to, also be excluded? The language of the bill very likely covers the former if it covers the latter.

Mr. CHATE. May I ask Senator Sutherland if he referred in his question to dyes that are entirely satisfactory?

Senator SUTHERLAND. Yes.

Mr. WOOD. I know no way of exclusion that could be effected to meet the situation which I have tried to point out.

Senator SUTHERLAND. You could so amend this bill that as to dyes permission could be granted by you yourself having an opportunity to say what dyes were usable here of American make; would that make the matter satisfactory?

Mr. WOOD. Theoretically we have that opportunity under the existing system. There are three representatives of the consumers on the advisory commission which has supervision of this subject, but it is because that method has failed in actual practice that I am convinced it could not work.

Senator SUTHERLAND. You do not think that that method could be varied or improved upon so as to make it work satisfactorily?

Mr. WOOD. I do not. In my experience with the various boards and controlling commissions during the war time activity, I have

been convinced that it is not possible; and the English experience confirms that conclusion. There they have a commission in which the users are equally represented with the producers, just as this advisory committee is here, and I have read only a few of the vast collection of British complaints as to the functioning of that system there.

Senator CURTIS. Is that all you wish to say, Colonel?

Mr. WOOD. Yes, sir.

Senator CURTIS. Who is your next witness?

Mr. DENNING. I would like to have you call Mr. Campbell.

Senator CURTIS. Mr. Campbell may come around and he will be heard.

STATEMENT OF MR. ARCHIBALD CAMPBELL, VICE PRESIDENT OF THE HARDWICK-MAGEE CO., PHILADELPHIA, PA.

Mr. CAMPBELL. I live at No. 1415 West Allegheny Avenue, Philadelphia. My company manufactures Wilton rugs and carpets. May I state how I got into this dye business?

Senator CURTIS. If you want to, though I do not know that we care to go into all those details.

Mr. CAMPBELL. I want to tell you that I went with our concern as a dyer, and want to tell you that I know a little about the dye situation.

Senator CURTIS. Go ahead, if you want to qualify.

Mr. CAMPBELL. I went with our concern about 35 years ago as a dyer, and have been a dyer for about 24 years and superintendent and manager of the mill for the last 11 years. I wish to say also that I have been using the American colors during all these years wherever I could, wherever it was advantageous, and the reason I came here to-day is the fact that we can not get the proper dyes to run our business; and with our experience, with the War Trade Board as an example of what we have to pass through with the licensing system, we certainly do not look with favor upon this system. As a matter of fact, we are compelled to use inferior dyes in order to obtain our results. We have applied to the War Trade Board for blues—we can get along and run our business with the various colors of domestic manufacture, all except the blues.

Senator CURTIS. All except those?

Mr. CAMPBELL. Yes, sir. There are certain disadvantages but they can be surmounted. Some time ago the National Co. got out a blue at \$20 a pound to take the place of the German blue, and after awhile they reduced the price to \$10 a pound. Now, for certain things we can use that blue, but it will not do for everything. So we have applied to the War Trade Board and they have allowed us a certain number of pounds of blue.

Senator CURTIS. To be imported?

Mr. CAMPBELL. Yes. We have to make an application to the War Trade Board, and then we have to make certificates out for the Textile Alliance so that they may import them. And I believe they add 15 per cent to the cost for the various operations, and we do not know just what these goods are going to cost us, but our situation is such that we are not speaking about price; we want the stuff.

Senator NUGENT. What is the difference in the price of blues that you purchase in this country from American manufacturers and the blues that you purchase from German manufacturers that are imported?

Mr. CAMPBELL. Are you talking about present-day prices?

Senator NUGENT. Yes.

Mr. CAMPBELL. I say we do not know prices on the other side because we have no advice on them. I can tell you what it was in 1914.

Senator NUGENT. All right.

Mr. CAMPBELL. In 1914 this particular dye, SAP, was \$1.65 per pound in barrel lots.

Senator NUGENT. Delivered?

Mr. CAMPBELL. Yes; delivered at our place, less 2 per cent discount. SA blue was of a better quality, which was delivered at \$2.25 a pound at our place.

Senator CALDER. With the duty paid?

Mr. CAMPBELL. Yes, sir.

In order to get that high quality of blue necessary to keep up the reputation of our house for colors we paid during the war \$23 a pound for that stuff, and we would pay it to-day if we could get it. We feel that it is necessary for us to have it for the conduct of our business.

Senator NUGENT. What was the lowest figure you purchased that blue for from American manufacturers?

Mr. CAMPBELL. You understand the blue they are making as a substitute is now known as the sapphire blue.

Senator CURTIS. What does that cost?

Mr. CAMPBELL. \$10 a pound, after some agitation by the manufacturers.

Senator NUGENT. Is the quality of that blue equal to the same blue of German manufacture?

Mr. CAMPBELL. For some purposes but not for all. For example, take a blue that requires, say, half of 1 per cent, and you can work that satisfactorily; but when it comes down to one-tenth of 1 per cent, a very small quantity, to make grays and other things that are prevalent now, and it will not work satisfactorily. For example, we tried about four batches about three weeks ago and found we could not use any of them for plain colors, and by that I mean plain colors such as we have on the table—plain shades, which are in vogue throughout the country.

Senator NUGENT. Then it is your judgment that the American blue is not equal in quality to the German blue for your purposes?

Mr. CAMPBELL. Not in all respects, no.

Mr. CHOATE. May I ask if you have asked the assistance of the manufacturers in applying it that way?

Mr. CAMPBELL. In which way?

Mr. CHOATE. In the particular cases when you say it will not dye satisfactorily.

Mr. CAMPBELL. Will not dye level.

Mr. CHOATE. Well, when it will not dye level.

Mr. CAMPBELL. Have I asked the National people?

Mr. CHOATE. Yes.

Mr. CAMPBELL. Surely.

Mr. CHOATE. Have they given you any assistance?

Mr. CAMPBELL. They have given the stuff, and that is about all. They admit that it is not as good, Mr. Choate. You know, I asked you the question in the meeting, if there were any better dyes abroad would we have the privilege of bringing them in and you denied me that privilege.

Mr. CHOATE. I never denied you anything. I haven't any power to do it.

Mr. CAMPBELL. Well, you were opposed to it.

Mr. CHOATE. We have tried to draw a bill that would let it in.

Senator CURTIS (presiding). Well, we will not go into a controversy over the matter.

Mr. DEMMING. You are not opposed to an adequate tariff, are you, Mr. Campbell?

Mr. CAMPBELL. No, sir; we do not raise any question about the price. We are so hard up that we want the goods, and we want them because the amount we have to pay does not amount to so much as the result we would get from the goods means.

I would like to add that we think the license system is detrimental in this respect, that we are asked to go out and deliver certain goods and we can not do it if we do not have the dyes in our place. That is one of the reasons we are opposed to this license system. We do not object to a reasonable tariff, and think that is the best way to accomplish the object and to allow us competition with the very best dyes in the world.

Senator CURTIS. Have you anything more to say, Mr. Campbell?

Mr. CAMPBELL. I believe not.

Senator CURTIS. Call your next witness.

Mr. DEMMING. The next witness will be Mr. Walter J. Harris.

**STATEMENT OF MR. WALTER J. HARRIS, PHILADELPHIA, PA.,
PRESIDENT T. A. HARRIS CO., CONTINENTAL DYE WORKS.**

Senator CURTIS. You may make any statement you desire to the committee.

Mr. HARRIS. I want to qualify any statement that I make in favor of an ample tariff for dyestuffs by saying, candidly, that first, when the proposition of licensing came up I signed the petition, but I have reversed myself in that respect and am in favor of an ample protective tariff after having learned more of the difficulties in connection with the licensing system.

Senator NUGENT. Have you had any experience with the system now in vogue so far as the War Trade Board is concerned?

Mr. HARRIS. Yes; our corporation has made application for some dyestuffs, and we do not seem to be making any progress; we are not getting anywhere. We have received up to the present time allocation certificates for two colors, and for the third color our application was reduced 35 per cent due to the statement that it was being made in this country, in America, to that extent. This applies particularly to what Mr. Campbell just stated, this alizarine blue SAP. We applied for an important product called alizarine blue SAE. The commission took exception, stating that it was already made

here, and I at that time took exception to their statement inasmuch as alizarine blue SAP or the alizarine blue sapphire did not have the properties of the SAE, inasmuch as the SAE was a refined product and stood salt water. We, as dyers of bathing-suit material, must have a dye that will stand salt water, and SAP does not stand salt water. Therefore we were justified in making application, we thought, it being a superior product.

It is not, as stated, a matter of the price. Our aim is to give our customers a color equal to what could be imported on any manufactured merchandise.

Senator NUGENT. And you pass the price on to the consumer?

Mr. HARRIS. We are compelled to do so.

Senator NUGENT. And that is the reason you do not care particularly as to the price?

Mr. HARRIS. We are willing to pay the price to the American manufacturer or for the imported product, as the case may be.

Senator NUGENT. And then your customers repay you that price?

Mr. HARRIS. They must pay us, otherwise we could not do business.

Senator NUGENT. So as a matter of fact, as usual, the general public who purchase your goods pay for it in the last analysis?

Mr. HARRIS. They do, most assuredly.

Senator NUGENT. If you could secure that dye at a lower price, would there be a lower price so far as the ultimate consumer is concerned?

Mr. HARRIS. That would be the natural result.

Senator NUGENT. In your judgment would it follow?

Mr. HARRIS. It would follow, because if all other dyers obtained that color there would be a natural leveling of price.

I want to state that I am in full sympathy with these American manufacturers of colors, and will give them preference at all times, quality considered. I want to see them amply protected, so that the industry may be fostered. I am in favor of ample protection for that purpose, but I am against the licensing system, because I can not see that it gets us anywhere, because it is an entirely round-about method; and, in addition, in the final result, because we do not know what it is going to cost us, and we hold ourselves open to lawsuit if we do not purchase them through the recognized representative of the product in this country. I have reference particularly, of course, to the Grasselli Chemical Co., which has purchased the American concern of Bayer & Co.; and if we do not buy patented products that they hold patents on we are between the Chemical Foundation and the Grasselli Co. As to the ultimate result and as a matter of expense we do not know what we are going to be liable for in the long run.

Senator CURTIS. If it could be so arranged that you could get a permit to import enough dyes to last you for six months at a time, would that be sufficient?

Mr. HARRIS. That would be sufficient if we could obtain the dye-stuffs. We do not know when we are going to get them through this licensing method. We are taking a long chance and considerable risk—

Senator CURTIS (interposing). Of having your application turned or not getting it acted upon speedily, is that it?

Mr. HARRIS. That is the idea. We do not know when we are going to get the goods; that is the difficulty.

Senator NUGENT. Have you experienced any difficulty, after an import license has been granted, in procuring goods?

Mr. HARRIS. We made application approximately six weeks ago, and we received an allowance of two colors inside of 10 days only, and we then had to make out our contract form for the Textile Alliance, and we have not had any response from them.

Senator NUGENT. You have no means of knowing, then, the date upon which you will receive the goods for which you made application several weeks ago?

Mr. HARRIS. None whatever.

Senator CURRIS. Is there anything else?

Mr. HARRIS. No, sir.

Mr. CHOATE. I was wondering if you could give the committee any idea of how much the dye in these bathing suits cost; that is, for the dye itself, even at war prices.

Mr. HARRIS. That depends entirely upon the depth of shade required.

Mr. CHOATE. Well, on the average, speaking roughly.

Mr. HARRIS. It would cost all the way from, you might say, 2 cents per pound to 20 cents per pound, according to the percentage applied.

Mr. CHOATE. That is, per pound of bathing suits?

Mr. HARRIS. Per pound of material dyed. Of course, bathing suits vary in weight.

Mr. CHOATE. Some of the ladies bathing suits would not take much dye, would they?

Mr. HARRIS. My application applies only to woolen goods. Yet I am informed they are liable to weigh as much as 18 to 24 pounds to the dozen.

Mr. CHOATE. Is that when dry?

Mr. HARRIS. Yes. A bathing suit will weigh a pound, a pound and a half or two pounds, if made up of heavy enough material.

Mr. CHOATE. The limit would be 2 pounds at 20 cents a pound?

Mr. HARRIS. Yes.

Mr. CHOATE. That would be your most expensive bathing suit?

Mr. HARRIS. That would be the most expensive in that particular shade.

Senator NUGENT. Do you mean to say that it would require 2 pounds of dye to dye the ordinary bathing suit?

Mr. HARRIS. Oh, no. It would require 2 pounds, and if the dye-stuff would cost \$10 a pound, it would require \$20 worth of dyestuff to dye 100 pounds of bathing suit material. That would mean 20 cents per pound for the dyestuff alone.

Senator NUGENT. How much would the dye cost with which you dye one bathing suit?

Mr. HARRIS. If it weighed a pound it would cost 20 cents.

Senator NUGENT. If the bathing suit weighed a pound?

Mr. HARRIS. Yes, sir.

Senator CALDER. The dye itself might cost \$10 a pound?

Mr. HARRIS. The dye itself would cost \$10 a pound, say, but I am talking about where we might use 2 pounds of dye to 100 pounds of bathing material. Bringing it down to a pound basis, it would be 20 cents for the dye alone, without any labor or overhead in that.

Senator CALDER. If a bathing suit weighed 2 pounds, it would be 40 cents for the dye?

Mr. HARRIS. Yes, sir.

Senator CALDER. That would be the maximum?

Mr. HARRIS. Yes, sir.

Senator CALDER. And it might run down to 4 cents?

Mr. HARRIS. If using a very light shade of dye, we will say a light blue, for instance. It might take only a quarter of a pound for dyestuff, or half a pound of dyestuff, but at \$10 a pound it would run from 2½ cents up to 20 cents, according to the percentage of dye used.

Mr. DEMMING. That is the cost to you?

Mr. HARRIS. Yes, sir; that is the cost to us for the dyestuff alone. We must add labor, overhead, and profit.

Mr. DEMMING. You charge more than that, of course, to the person buying same?

Mr. HARRIS. Oh, naturally we are compelled to do so.

Senator CURTIS (presiding). Is that all you wish to say, Mr. Harris?

Mr. HARRIS. Yes, sir.

Senator CURTIS. Call your next witness.

Mr. DEMMING. The next witness I have is William H. Berg.

**STATEMENT OF MR. WILLIAM H. BERG, OF F. BERG & CO.,
ORANGE, N. J.**

Senator CURTIS. You may make any statement you desire to the committee.

Mr. BERG. I am assistant manager of the firm of F. Berg & Co., of Orange, N. J. We are about the third largest soft felt hat and derby manufacturers.

I can repeat only what Mr. Harris and Mr. Campbell have stated, with this exception, that we possibly have been a little more fortunate than they. We use, of course, about the same dyestuffs, that is, acid colors.

At the outbreak of the war in 1914, we had about six months' supply. That lasted us, together with substitutions that we made, about a year and a half. We tried to prolong it. Then we were absolutely stranded. We did not feel that it was good policy to say to our salesmen not to guarantee colors—although a great many other houses did so—and it resulted in a great many goods being shipped back to us, and we had to make them good.

During the last year and a half I can safely say that the American aniline manufacturers have made wonderful strides. Their red, yellow, orange, and black are splendid. But their blues are terrible, with the exception of alazarine blue SAP. Of course the price of that is very high; it is my recollection that we have been paying \$13 a pound for it.

Senator CURTIS. You say it is terrible?

Mr. BERG. Well, that is the exception. And the SAP is not what it should be, but we are getting fairly good results with it.

The other blues, navy blue, for instance, are very uniform. Every keg of dyestuff has to be first tested, and often it results in a change of formula every few weeks.

There is one company in this country making a very good green. It is called wool green BSA. They are asking a moderate price for it, and we are very well pleased with it. We can not get enough of it. Fortunately we have been able to obtain some Swiss dyestuffs, and together with the BSA, we have been getting along fairly well.

We have gone to the textile alliance and have asked them for an allocation cyanoll green and have been allowed the amount we asked for. But we do not know when we are going to get it. However, our company is not absolutely dependent on whether we get it or not.

Of course we do not feel competition so much now, but we believe in about eight or nine months, when the Italians and the French start shipping their hats here, we are going to feel it. They will, possibly, by using the fast colors, give us a good deal of trouble; while they will not put us out of business by any means, at the same time we will not be able to guarantee colors as they will.

MR. DEMMING. That is, in eight or nine months from now?

MR. BERG. Yes, sir.

MR. DEMMING. Do you have to make your own business plans eight or nine months ahead?

MR. BERG. Yes; to a certain extent.

MR. DEMMING. Under the present licensing system, can you do that?

MR. BERG. No; we can not. Another thing is this, too: I believe it was Col. Wood who spoke this morning about deliveries. That is a very important factor. When our salesmen go out we, of course, recommend them to specialize on certain colors, but the American public is very queer. You will try to emphasize certain colors but they will send in orders for colors that would surprise you. For instance, we might not be able to get wool green S and thus hold up our goods.

I do not want to give the impression that I am against the American aniline manufacturers. We want them to go ahead. We know that in time they will produce just as fine goods as the Germans have produced, but it will take time.

MR. DEMMING. You are in favor of adequate tariff protection?

MR. BERG. Yes, sir; absolutely.

Senator CURTIS (presiding). Anything else?

MR. BERG. I believe not.

Senator CURTIS. You may call the next witness.

MR. DEMMING. Mr. Rambo.

STATEMENT OF MR. JOSEPH S. RAMBO, OF RAMBO & REGAR, HOSIERY MANUFACTURERS, NORRISTOWN, PA., REPRESENTING THE NATIONAL ASSOCIATION OF HOSIERY AND UNDERWEAR MANUFACTURERS.

Senator CURTIS. You may make any statement you desire.

MR. RAMBO. This matter of the Longworth bill getting into the House was drawn to our attention. We learned then that the proponents of the bill had been working for about six months and had

had a lot of the hosiery people to sign up in favor of a licensing commission. When we investigated we found they did not know what they were signing. Among them was my own son—he said he signed it under a misunderstanding; that there was a luncheon given at the Manufacturers' Club way back in the winter, and that rather a nice speech was made, along patriotic lines, which excited sympathy, notwithstanding that there were protests made against the licensing system and in favor of the direct tariff system.

I talked to my son about it and he said there were several petitions handed around to be signed, and they signed with the understanding, or that he did at least, that that part of it was to be changed, so as to make it favor the protective tariff system.

MR. DEMMING. That is the petition that Mr. Choate put in evidence on yesterday?

MR. RAMBO. I do not know whether he put it in evidence on yesterday or not.

MR. DEMMING. You were not here, but he did.

Senator CURTIS. Well, it is the petition in controversy.

MR. RAMBO. In talking with Mr. Galey, of the Aberfoyle Manufacturing Co., he stated that he had signed something under a misapprehension; and he has since made a protest against the licensing system, which, I suppose, has been filed. Several others have said the same thing.

In July last, at a meeting of the officers and directors of the advisory board of the National Association of Hosiery and Underwear Manufacturers at Atlantic City, N. J., they passed the following resolution:

Resolved, That we, the officers, board of directors, and advisory board of the National Association of Hosiery and Underwear Manufacturers, in meeting assembled, in Atlantic City, N. J., this 26th day of July, 1919, recommend that adequate protection be given to the dyestuffs industry by a protective tariff, instead of by a licensing system.

On August 9 of this year, at a meeting of the Pennsylvania Division of the National Association of Hosiery and Underwear Manufacturers, the following resolutions were passed:

Resolved, That we, the Pennsylvania division of the National Association of Hosiery and Underwear Manufacturers, in meeting assembled, this 9th day of August, 1919, in Hamburg, Pa., oppose the passage by Congress of House bill 8078 (the Loggworth Bill) unless the provision for the creation of a dye-licensing commission be eliminated; and

Resolved, That we recommend that adequate protection be given to the dye industry of the United States by protective tariff instead of a licensing commission.

In the meetings there they all seemed to be entirely in sympathy with the dyestuffs manufacturers, and perfectly willing that they should have all the protection that Congress was willing to give them through a protective tariff in order to foster and develop the dyestuff industry in this country.

The National Association of Hosiery and Underwear Manufacturers hold meetings now and then in different parts of the country. Here is another resolution of protest adopted at a meeting held at Hamburg, Pa.: and another one in White Springs, near Knoxville, Tenn. They are having a meeting in Chicago to-day, or this week. At these meetings they have passed resolutions opposing the licensing system but favoring an ample protective tariff.

The National Association of Hosiery and Underwear Manufacturers is composed of some 800 individuals, firms, and corporations, some engaged in manufacturing and marketing textile goods, such as hosiery, underwear, sweaters, gloves, shawls, and so forth, and others in making textile machinery. (I do not know that machinery has a large part in this.) Its members are engaged in the manufacture of knit goods, employ operatives in factories scattered over the entire United States, having an aggregate capital of hundreds of millions of dollars and paying annually in salaries and wages many millions of dollars. The product of the knitting industry of the United States distributed annually has a value, at the source of production, of more than three-quarters of a billion dollars, and there is disbursed in salaries and wages in excess of \$196,000,000 annually.

Hosiery, alone, amounting to 73,340,268 pairs, valued at \$20,034,064, was exported from the United States during the first seven months of the present year, and it is apparent that the demand for hosiery and all classes of knit goods for export will increase with the gradual restoration of normal markets throughout the world. But, unless the manufacturers in the United States shall be enabled to obtain such colors and shades of dyes as may be required by their customers in foreign markets and which are being offered to their competitors in other countries, they will be seriously interrupted in the expansion of their foreign trade, and will be threatened with disaster to their business if for any reason the outlet for production in excess of domestic requirements suffer interference such as would be invited by the maintaining of a commission with discretionary power to limit importations of dyestuffs as to character or quantity.

If the knitted goods manufacturers of the United States do not have free access to the colors and shades of dyes produced in other countries, knitted goods manufactured in such countries will be poured into the markets of the United States, in response to demands for dyeing known to be fast, and in colors which are not and for some years may not be obtainable from manufacturers in the United States, the knitting industry being thus threatened with competition at its very doors that would be difficult to meet. Unless a dye commission restricted importations of dyestuffs there would be no occasion for its creation. If it did, the knitting industry would suffer to a greater extent than would the dyestuffs industry were it to depend solely on adequate tariff for protection.

Mr. DEMMING. Have you built up an exporting business?

Mr. RAMBO. My particular mill has not, but there are many hosiery manufacturers who have. One of the principal reasons for the protest is that Germany is one of our greatest competitors in normal times, and, of course, we are going into normal times pretty soon, or at least I hope so. We have got to compete with German-made hosiery along with the English, French, and others who make hosiery, and they will have the advantage of these dyes which we will not have.

In the general talk had at the Atlantic City meeting in addition to our protesting to the licensing system because it hinders us from having an equal chance with our competitors on foreign-made goods, etc., the protest seemed to be somewhat on general principles. That is, we do not believe in giving a special privilege of a monopoly of any business at the expense of other businesses. As hosiery manu-

facturers and underwear manufacturers we are just as much entitled to a licensing commission on our product to prevent foreign competition in manufactured goods as the dyestuffs interest or any other interest.

Mr. DEMMING. What dyes can not you get in this country?

Mr. RAMBO. Well, we can not get vat dyes. We can not get developed dyes of good quality. Those are about the only ones that we use that we are hampered on.

Senator CURTIS. Anything else?

Mr. RAMBO. That is all.

Mr. CHOATE. May I ask a few questions of this witness?

Senator CURTIS. Certainly, if he has no objection, and it will not get into an argument.

Mr. CHOATE. The resolution that you presented was adopted at the Atlantic City meeting?

Mr. RAMBO. The first resolution that I read was.

Mr. CHOATE. What was the date of that?

Mr. RAMBO. It is on the paper there.

Mr. CHOATE. The 26th of July, 1919?

Mr. RAMBO. Yes, sir.

Mr. CHOATE. Do you recall the fact that there were only eight persons present at that meeting?

Mr. RAMBO. I think you are mistaken. I think more than eight were present, but they were the officers, the directors, and the advisory board. The adoption of the resolution was passed out by the secretary of the association to the different members all over the country, and we have had protests, and this protest here will confirm that.

Mr. CHOATE. Would you deny the statement I have just made that there were only eight persons present at that meeting?

Mr. RAMBO. I do not know just how many were present but there were more than eight; but it was, as I tell you, the officers and directors and advisory board meeting.

Mr. CHOATE. Do you recall that of those eight persons there were persons present who used no dyes?

Mr. RAMBO. No; I do not.

Mr. CHOATE. Are you able to state the percentage of the members of your association who use no dyes whatever?

Mr. RAMBO. No; I am not, because plenty of our people, plenty of hosiery manufacturers and underwear manufacturers, do not do their own dyeing. They depend upon job dye houses that do dyeing, but those houses use dyestuffs just the same.

Mr. CHOATE. I have had an analysis made of your association, which indicates that 60 per cent of your members do no dyeing. Do you dispute the accuracy of that statement?

Mr. RAMBO. No; as I told you, I do not know. But they all do use dyes, even if they get their work done by job dye houses.

Mr. DEMMING. They have others dye the goods for them?

Mr. RAMBO. Yes; if they do not have dye houses of their own. So they, to all practical purposes, use dyes.

Mr. CHOATE. I might also state, if the committee pleases—

Senator CURTIS (interposing). If it is to be an answer to what the witness has stated, wait until they get through. Do not interrupt the witness now.

Mr. CHOATE. All right.

Mr. RAMBO. I want to state that I leave to the committee how much hosiery is dyed. You gentlemen know that most all hosiery more or less is dyed.

Senator NUGENT. Do you desire to be understood as saying that the protest you have introduced here was presented to the members of your association throughout the country?

Mr. RAMBO. Yes.

Senator NUGENT. And was agreed to by them?

Mr. RAMBO. Yes. There were resolutions passed throughout different sections of the country. Here is an affidavit about it:

STATE OF PENNSYLVANIA, *County of Philadelphia, ss:*

Charles B. Carter, being duly sworn according to law, deposes and says he is the secretary of the National Association of Hosiery and Underwear Manufacturers, and that there is on file in the office of the said association at 612 Chestnut Street, Philadelphia, the authorization of approximately 300 reputable corporations, firms, and individuals, having many millions of dollars of capital invested, for entering their respective names on the protest of the National Association of Hosiery and Underwear Manufacturers (herewith attached) against the establishment, or creation of a dye-licensing commission, such as is proposed in H. R. 8078, known as the Longworth bill.

And the said Charles B. Carter further deposes and says he believes the representations set forth in the said protest assigning reasons why such commission should not be established or created are true in substance and declaration.

CHARLES B. CARTER.

Sworn and subscribed before me, a notary public of the State of Pennsylvania, this the 16th day of September, in the year 1919.

MANNING D. BUCK,
Notary Public.

Commission expires January 21, 1923.

Senator NUGENT. About how many individuals or corporations make up the membership of your association?

Mr. RAMBO. I just answered 800.

Senator NUGENT. And they are all familiar with that protest that you gentlemen prepared at Atlantic City?

Mr. RAMBO. Yes, sir; more or less.

Senator NUGENT. And agreed to it?

Mr. RAMBO. Yes, sir.

Senator NUGENT. I believe that is all that I care to ask.

Senator CURTIS. Call your next witness.

Mr. DEMMING. Will you call Mr. Herman A. Metz?

STATEMENT OF MR. HERMAN A. METZ, PRESIDENT OF THE CONSOLIDATED COLOR & CHEMICAL CO., NEWARK, N. J.

Senator CURTIS. State your name, business, and residence.

Mr. METZ. Herman A. Metz, manufacturer of dyestuffs and pharmaceutical goods, Newark, N. J. I may also give a little of my pedigree for the benefit of the gentleman who may want to attack me after I am through.

Senator CURTIS. The committee does not desire any of that; the committee desires simply to go into the facts relative to this bill.

Mr. METZ. I am simply going to state a few points relative to this bill, and then let you ask me questions, if that is agreeable to the committee.

I was referred to by the previous witnesses as an expert. I do not know why they called me an expert, although I have been in this

business for about 38 years, manufacturing colors. I manufactured colors before the war in a small way, and in a very much larger way since the war. I was one of the so-called big six agents. My corporation represented one of the big six; I did that for years. It was a profitable business, and my organization is still complete.

When the war came on and other plants were taken over, mine was taken over with the rest of them by Mr. Garvan, and when I appeared before the House committee, after I left, I was denounced as a pickpocket by Mr. Choate, and I want to say if they have anything of that kind they want to do now, I want them to do it while I am here and can defend myself.

Senator CURTIS. We will not permit any attacks here in the committee. We want to know what you have to say for the bill or against it, and the other matters may be settled outside of the committee room.

Mr. METZ. That is to be settled in court, through the action against Mr. Garvan.

I have not prepared anything for the committee, but I have made a few notes as I went along. I have been on committee hearings before, in the House. I may also say that besides being a manufacturer of dyestuffs, I am a consumer of dyestuffs. I am a consumer of dyestuffs in textile plants, and I run a dye plant of my own to prepare cloth for the manufacture of leather goods, similar to the du Pont, so I run counter to them, in a small way, of course, compared to their institution, but I am a consumer.

I am also a stockholder in various mills and am more or less interested in the industry.

I was also an importer for a number of years, and there were also other manufacturers who were importers and are manufacturers at this time, but who also imported.

The question has been raised as to the quality of domestic colors, as compared with the imported colors. Color for color and chemical for chemical they are as good as the imported ever was. The trouble is we have not now and never did have what the people want. Mr. Harris referred to the matter of the bathing suits. He wants colors that will stand salt water. The man who wears a bathing suit does not wear it all day and is not in the light all the time, unless he lies on the beach all day. And he wants one that will stand the action of the salt water.

Mr. Harris would send an order to me for dyes and I knew exactly what colors to give him; I did not need to match his shade or send a sample; I knew what he wanted; I knew they were for a specific color and purpose.

If the Magee Co. wanted a certain blue for carpets, they wanted something that would remain blue; something that would stand the spilling of water on it and wear and tear.

If Mr. Patterson wanted a certain red for his woolen goods I knew what to give him. That is the experience these old houses had on the old line and the old distributors, and they were of use.

I have seen in my thirty-odd years the industry change a dozen times. I saw the time when the basic colors replaced the wood, the logwood, and other wood colors, as Mr. Waters said, and then I saw it change on down to the line to the direct colors, and then to where

we had the vat colors, which are not the simplest colors by any means but are fast in light shades.

Mr. Harris may want some blues; we may make a shade of a given depth, which is fast in that depth, but there is no assurance it will be fast in another depth or another shade. You have to use a combination of colors to make a given shade. The color house prepared a sample card, giving these colors, and what the dyes were. You send a sample, and the dyes were there, and I could match it. That was experience. We had that, and we gave it out; it was a part of our capital trade.

Now, all these houses, the six large houses, had representatives—and Mr. Sykes operated one of the best of the French houses. One of these houses has lost a great many of their staff, which has gone over to the Du Pont. They have the advantage of having those that knew the business. The Bayer people were interned, most of them, but these witnesses, that you will find in here [referring to a book], they are the crooks you will find that are holding their jobs now. The Cassella Co. was taken over.

Senator SIMMONS. What do you mean by that?

Mr. MERZ. By Mr. Garvan as a foreign concern. Their organization was taken over body and soul by the National Anilin Co. These salesmen are the crooks of the dyestuff business that caused all the demoralization to the trade by bribing dyers. I have not seen so much of that recently.

I was one of those who were sued under the Sherman law in 1913, but I am willing to leave it to Mr. Burr or Mr. Deming and Mr. Patterson whether they found anything against me in that line. If they did, I would like to have them prove it. I had all the attacks made upon me that were made on all the German agents, for I happen to be the best known of them, because I was in public life. I have been accused of everything, but I would like now to have a showdown. I think it is about time. The Berlin & Kalle Co. are still being run by the Garvan representatives, so their crooks are still doing business. They are still at large in New York; none of them has been arrested.

Senator NUGENT. I don't care anything about that; I want to get at the facts relative to the dyestuff industry and do not care anything about a dispute between you and anybody else.

Mr. MERZ. I don't want to follow that.

Now then, Dr. Herty said he was over and visited them, and what he saw. Now, I have some letters as to the stocks and prices over there; the conditions now and the conditions then, and the conditions that will come along in the future. I won't read them, but I have them all here.

And then I want to lay stress on the fact that I am not opposed to a licensing system. If we are going to have it, let it be a Government body, and do not let it be a body of our competitors.

The bill fixes among other things the standard. The standard shall be fixed by the Treasury Department. What is a standard? To bring that about. Here is the next point, that all colors must be marked; in other words, all colors, as Mr. du Pont said must be standardized. The reason for that is that you will get a different yield from different products, but it must all be standardized. You get an average, and you mix two colors together to get a certain shade, or you add something to change the shade, or to bring it down;

that is usually common salt, or sodium sulphate, or dextrin, or sugar. Under this law the man who imports, must import that which is marked. The domestic man will say, "That has salt in it." So has his, but you can not see it. That reminds me of the Ohio food law, where they passed a law that if you were selling any place else you were required to put a label on the package. In other words, you can eat it in New York, but it is poison in Ohio.

The license system provides that the license shall be given to the consumer. Now, there are a great many consumers in this country who have not very expert dyers. The hosiery people give the jobs to the job dyers, like Mr. Waters, who is a job dyer, at so much a pound. Sometimes they can match the shade; we tell him what to use to make the proper shade; in other words we have to use sometimes two or three or four or six colors to make a given shade. These colors must be all of an even nature. They must draw out evenly. You have heard that explained. Now, suppose I had four colors and want a fifth; this blue we haven't got, and I can't get that blue, I can't get a license.

Mr. CHOATE. The bill, I think, does not so provide.

Mr. METZ. I think the War Trade Board does.

Senator CURRIS. We shall not discuss that.

Mr. METZ. It says deliberately, the consumer. The hat man when he want hats for his spring trade, he must have his dyes and his goods the summer before; he can not wait a few days until before he wants it and then order it; he does not know what his orders will be. It has been suggested that we could bring the dyes in in bond; but who is to pay for that? There is a great deal of money tied up in that, and who is to pay for it? We importers used to bring those over and keep them, and have them on hand for the trade. We knew about what it was, and what would be required.

I run a carpet mill in Worcester; I have the whole village and I would give it all away but the church, that does not belong to me. I could pick out a color, and I would say this is a beautiful shade, and this will sell well. They laugh at me and tell me that when the niggers get this in the South they will not want it, because they want this with red in it. That is the way the manufacturer is fixed; he does not know. They make up the samples and get them out. They put them on the market; and on a certain day they are opened up and the orders would come in, so many pounds of this, and so much of that dyestuff.

There is another point: It covers medicinal preparations. I know something about that, as Dr. Stieglitz said. I am manufacturing salvarsan, the 6-0-6 specific. I used to import that. It took me six months to get a product that was approved by the Public Health Service. None of us control that. There is a stipulation as to how it shall pass. They have a regulation that you must take five white rats, and out of the five three must live two days after receiving 50 milligrams injection, but that has been raised to a hundred; in other words, it has been raised double. There is a regulation that five of those rats must have 100 milligrams of this solution, and if three out of the five live two days that stuff passes. Now, if one measly rat dies of something else in the two days that stuff is thrown in the waste basket. The Public Health Service provides that that can be made only in plants inspected by the Public Health Service. Your plants must be sanitary. Now, we have been able to do that

and have brought the price down from \$3.25 before the war with a duty and a royalty on the other side to 60 cents, that I am now selling it in the United States for, and I sold it in the United States for 75 cents from the time we began it, and I did not have any profit at that time but I knew I could sell it for that. We have gone further and taken up novacaine, a synthetic for cocaine. That is a preparation that the dentist uses. I can make that cheaper than I can import it, and it may interest you to know that I have taken two men away from the Public Health Service at three times the salary that the United States was paying them. That is the kind of men we need. We do not need protection for that preparation or for salvarsan.

There are other derivatives of coal tar, such as anti-pyrene, and phenacetine, that is bought by the consumer; that is not produced here. That is bought in quantities by the headache cure manufacturer. He uses that and other preparations made from coal tar. That has not been made in this country. That used to be \$2 a pound for the German goods, including the duty, and I sold it for that, and then the price went to \$25 to \$30, and we are getting that for \$12 now from France and England. Why should we pay these prices? It requires a chemical plant to make it, otherwise we would have done it long ago. But you must have a license to import that. Who is the consumer? The man with a headache; shall he go and get a permit to buy it?

Now, as to the standards; I raised that question. What is a standard? Take the indigo. Mr. du Pont says he makes 600,000 pounds a month. We brought over 800,000 tons, and we used that. Now, when Mr. Cheney tells you he can dye a certain yard of silk for a certain number of cents, there is no comparison there. But you take overalls and other goods that have to be compared, and bear in mind that the cost of dyeing does not mean the cost of the dyestuffs; it means the cost of the preparation and of getting the proper shade.

The fact is that the dyer needs what he needs when he wants it. He may have certain colors; he may have a brown or a blue or a red; but he may need a yellow, and he must have it when he needs it.

Now, the license system as was referred to, allowed orders to the old importers. I have orders now for other than vat colors; I have orders for 20 or 30. I won't read the names.

I shall not read the names, but here are certain allocations showing the amounts that people wanted for a six months' supply. Here is 33,000 pounds of an acid blue. Here is 20,000 pounds of acid alizarine black. Those are the quantities these big mills want, and they are not available here. One allocation came back to me from a customer, who had asked me for a certain amount of color, and they wrote back to him and said he could obtain 35 per cent of that color here. But he can not get the 35 per cent from American manufacturers; some other fellow has got it all. How are you going to divide those things up? You can not do it.

I have got two dye plants, and I am making some first grade colors and intermediates. I have got a lot of money invested, and it is not stockholders' money, but I and one or two associates have it all. I have more money invested in my little plants than I ever had in any importing business, but I do realize the fact that the consumers who are the large factors need and can not get certain colors.

Now, as to prices. I have here a list of prices that I am going to put in. Here are the prices of domestic colors, colors that we made here before the war, and some that were exported to Europe—American dyestuffs. I made some of these colors in the plant I am now connected with.

These are the prices before the war, American prices. We bought chrysoidine for 23 cents, and sold it for about 28 cents to the consumer. That may sound like a big profit. I have branch houses in the United States in the following cities: New York, Boston, Philadelphia, Providence, Charlotte, Atlanta, San Francisco, Chicago, besides Montreal and Toronto, in Canada, with a full force and a full staff in each place, in touch with the mills of those sections. That costs money. We are in touch with them all the time. Our traveling men are on the road all the time seeing these mills and finding out what they want.

The price to-day is 85 cents for the same goods, made in this country by our plants.

Bismarck brown we paid 22 cents for and sold it for 25 cents, and now the price is 90 cents.

Senator NUGENT. Do I understand the colors you are referring to were—

Mr. METZ. Were made here before the war.

Senator NUGENT. Of American manufacture?

Mr. METZ. Of American manufacture, made here before the war in my plant and other plants in the United States.

Senator CALDER. Why is that tremendous increase in prices, Mr. Metz?

Mr. METZ. Well, it is justified to a great extent. The raw materials are away up in the air, and labor, too. Laborers that we used to pay \$1.50 a day to, Polacks and such people, now get 60 cents an hour, and they won't work at that, and I do not blame them, for I would not work in a dye plant either if I could get other work. Coal is three times what it was. Everything has gone up. These prices are not exorbitant, but simply show the difference.

Indigotine we bought for 70 cents and sold for \$1, and the price to-day is \$3. That is produced from indigo.

Orange sold for 13 cents. To-day the price is 50 cents—from 45 to 50 cents—and I can sell tons of it that are made here. These are only some of the very simple basic dyestuffs made by putting two or three simple intermediates together. Fast red sold for from 18 to 20 cents, and now it is from 95 cents to \$1 a pound. Croceine scarlet, one of the cheaper products, which is largely used by the paper mills, sold for from 24 to 28 cents, and now it is \$2. And so on down the line. Nigrosine, a product made here in immense quantities, and exported by the Scholkopf people, referred to by some one previously, sold for 25 cents. To-day it is 75 cents.

These are the prices on those domestic colors. I can give you prices on the imported colors also.

In the meantime, let me say in connection with indigo, that when indigo ceased to be brought over, the synthetic product, which I speak of now, drove the natural out of the market. I want to raise that question because the duty is now fixed on natural as well as synthetic. That is also true of madder, and artificial alizarin, and

so forth. Synthetic indigo was made free because the natural product was free. At that time the Badische Co. had a patent on it. It took them 25 years to work it out, and the plants cost millions of dollars before they got it on the market. The synthetic indigo in a 20 per cent paste, that used to sell at 14 cents, is now 75 cents—made by the du Ponts, and as good as the other ever was.

Suppose the natural indigo, which was driven out entirely by the synthetic, should come back, as it did during the war, when we had no synthetic indigo, why should that be taxed? Why not give us a chance? I say "us," I mean the consumers. Why not give the consumers a chance to safeguard themselves, and have something to fall back on, instead of this synthetic product, if they keep the price too high.

At 14 cents a pound, the price before the war without duty, 20 per cent indigo would cost a little over one-half cent a unit. Call it 15 cents; that would be three quarters of a cent a unit. When the natural indigo came into use again after the war started, it cost \$2.50 for 50 per cent indigo. That is 50 or 60 per cent indigo; the rest is dirt, but it must all be paid for. That indigo, at \$2.50, would cost 5 cents a unit. So it immediately jumped from less than a cent a unit for the synthetic product to 5 cents a unit for the natural, and the cost of dyeing was increased just that much. At 75 cents a pound, it is 3 $\frac{3}{4}$ cents a unit for 20 per cent paste, against three-fourths of a cent at 15 cents before the war and free of duty.

Now we are to have a standard of importation. We imported indigo at 20 per cent. The law fixes the duty at 45 per cent and 7 cents a pound. We also imported 100 per cent indigo in powder. You will find in all countries where they have a specific rate of duty, in Mexico and everywhere else, that the Germans never sent paste there; they always sent powder there, although the paste is much more convenient. It is much easier to use than the powder, which is 100 per cent, being more concentrated, but it is more wasteful by reason of the fact that it is light and fluffy and flies off in the air.

Now, if the duty is to be 7 cents a pound specific and 45 per cent ad valorem, what about the powder when it comes in? How are we to understand that? The same is true of alizarin, which we brought over in the form of 10 per cent paste or 100 per cent powder. Let us get these things clarified before the bill goes into effect. Are you going to put five times 7 cents a pound tax on the 100 per cent powder?

You dyers know what I am referring to. These other gentlemen who went into the dyestuff business since the war began do not know all these things. Mr. Choate, of course, learned more in two years than the rest of us did in 40. I congratulate him. He is a great expert and nobody can contradict him. [Laughter.]

Now, as to the foreign prices: These points arise because they are in the law, and we have got to meet them. What is the standard? The sulphur blacks when they were first making them took 14 pounds to 100. Then we got the concentrated black, which took 5 pounds.

Senator NUGENT. What do you mean by that?

Mr. METZ. It may take 5 pounds of a dyestuff for 100 pounds of wool—10 pounds for cotton and less for silk, depending upon the depth of color. In making these colors it is not always possible to

make them of full strength. Here is an illustration: If you make certain sulphur colors they are very apt to take fire and burn, and we have had fires. The foreigners did not know that, because we had peculiar climatic conditions that caused fires in this country which occurred nowhere else. Certain conditions of heat and moisture in the summertime would start these sulphur colors going and set them on fire, and if you remember the United States Finishing Co. had a big fire in one of their plants. These colors would begin to work under certain conditions.

We found by long experience that when these colors were reduced with sodium sulphite they did not burn. In other words, you could not use the straight color, because if you did you would have a fire the first time you had the right conditions of temperature and moisture. You could not set it afire and you could not explode it, but under those peculiar conditions this stuff would work and suddenly "up she goes." Experience taught us that by adding sodium sulphite to those things in a sufficient measure the danger of fires would be removed.

Now, that reduced the strength of the colors until there was three-fourths sodium sulphite and only 25 per cent dyestuff. That stuff was not put in there for fun; experience taught us the necessity of it. When we first made sulphur colors here we also found they would take fire and burn, and it was necessary to reduce them in that way.

Those are all questions that you have to consider when you come to consider standards.

Then, with improved processes and greater knowledge, we began to get more yield; the color became stronger. It was called "concentrated" and "extra concentrated." As we got stronger dyestuffs we had to put in less and less of the reducing material. The colors began to get stronger and stronger. Of course, as the colors got stronger, it was not necessary to use so much of them.

Now, what was to be the standard? If you have an *ad valorem* duty the value is the standard, because the stronger it is the more it is going to cost. Mr. du Pont said you must standardize these colors, but what is to be the standard. After you have the *ad valorem* duty then there is the question of strength, and the stronger it gets the more it will cost. Of course there is reason and room for trickery and chicanery. Unquestionably you can undervalue, but in all my experience I have not known of a single case of undervaluation by any of the large importers at the customhouse, and I have been called on time and time again to act as a merchant appraiser. Those things are possible and have been charged, but I do not know of any case. If anybody does, I wish to goodness he would bring it up—a real case of undervaluation, by any of the large importers at the customhouse, that was ever proven.

Now you know what all that means. If any question is raised it means charging an amount that will cover all contingencies to the consumer and taking your chance of getting it back through the board of appraisers in New York by going to court and giving the lawyers half—in other words, having them finally decide what the tariff means. It has been done time and time again, and the consumer does not get the benefit of it. The Government itself puts

on the highest possible construction of what Congress did mean, and then the board of appraisers says it means something else. I have been through that game all my life and know all about it. These other gentlemen have not been in it since they have been in the business, since the war began.

Those are questions of standards and questions covered by this law, and they should be taken up here and clarified before any law is passed, whether it is a law providing for a license or not.

As to the foreign prices I have here a list of prices given by the reparation commission to the Textile Alliance for those lots which were included in the allocation by the reparation commission. These prices are for goods billed at the low-rate mark. Then I have the same prices billed at the 24-cent mark that Dr. Herty referred to for the additional quantity that the people abroad had to offer. Then I have the prices before the war, and I have the prices the people abroad quoted me as an importer.

Senator NUGENT. At the present time?

Mr. METZ. Yesterday or the day before—a week ago.

Here are the prewar prices with duty and freight. These prices include duty and freight; the others do not. On helindone fast scarlet, one of the vat colors, the price was 3.15 marks per pound. That is the price we had to pay delivered in New York; freight and duty paid. It is equivalent to 98½ cents; say \$1 a pound. The price quoted me to-day by the German manufacturer, in American dollars payable in Holland—not quoted in cheap marks in Germany; they are not such darn fools by any means—is \$5 a pound at the works in Germany, money first; then the goods are shipped. Those goods were billed to the Reparation Commission at 43.30 marks per kilo, at the works, without duty. That equals 79 cents on the basis of a 4-cent mark.

So this is where the difference to the consumer comes in. The duty, of course, will be added, and the customhouse will probably figure the duty at the 24-cent rate, which will have to be protested and eventually got back, I presume. Goods in excess of this lot offered through the Reparation Commission are offered at the same price in marks, but with the mark figured at 24 cents. In other words, they wrote me saying, "You may figure that our prices will be approximately what they were before the war, but take dollars for marks." The difference between the price based on the low-rate mark for the quantity turned over to the Reparation Commission on August 15—that is, 20,000 tons distributed among the Allies—England, France, and the other Allies and ourselves—and the price for the balance is the difference between 79 cents and \$4.73.

Here is another one, helindone red. The prewar price was 1.75 marks laid down in New York, before the war. That color they quote now at \$2.75 at the works, money first. The price to the Reparation Commission, based on the 4-cent mark, the cheap mark, is equivalent to 43.6 cents. That is the price at the works over there without the duty. On the basis of the 24-cent mark it is equivalent to \$2.61, practically the same price they quote me. That continues all along the line.

Senator CALDER. In other words, the German is asking about five times as much?

Mr. METZ. Five times as much as before the war, on the same rate of exchange.

Senator CALDER. Regardless of what the German is asking, about five times as much?

Mr. METZ. No, sir; he is asking dollars where he was getting marks.

Senator CALDER. Approximately five times.

Mr. METZ. Yes, sir.

Senator CALDER. What does that figure up?

Mr. METZ. I presume we have our cards on the table, and want to be fair, and are all on the level. I want to say I am and I want to be, and I hope the rest of you are.

Now, I find here on one of these invoices that the various colors are billed, and the bill amounts in round numbers to \$2,000 for that amount of dyestuff. This is the bill for the reparation commission's part—cheap prices. Upon that transportation is charged, amounting to over \$300; duty, about \$700; marine and war risks, nearly \$100; royalty, 10 per cent—

Senator CURTIS. That is the patent?

Mr. METZ. That is the patent—\$350, nearly. In other words, the royalty is charged not upon the cost of the dyestuff, but with the transportation, the duty, and the war risk added.

Senator CALDER. To whom does that go?

Mr. METZ. That goes to the Chemical Foundation. On top of that, on these cheap colors, the Textile Alliance have nearly \$600. That profit is 15 per cent upon the cost of the dyestuff, the transportation, the duty, the war risk, and the royalty—in other words, the license fee. By the time the consumer gets these colors there is 25 per cent added, not upon the color itself but upon the transportation and duty and everything else.

Senator NUGENT. Who pays those other charges?

Mr. METZ. That is charged to the consumer. That is what he is asked to send a check for before the goods leave Europe.

Senator NUGENT. Then, according to your statement, he has to pay this percentage to the Textile Alliance and the Chemical Foundation upon money which he must advance, and is obliged to pay for transportation and—

Mr. METZ. On the entire cost, duty, and everything else.

Senator NUGENT. Why, if you know, is that so?

Mr. METZ. You will have to ask the Chemical Foundation and the Textile Alliance. I do not know; I simply state it.

Senator NUGENT. Your contention is, then, that that percentage, if it is charged at all, should be charged upon the amount that the consumer pays for the dye over there? Is that correct?

Mr. METZ. I have no interest in that. I am pointing out what these colors cost the consumer when he gets them under that arrangement.

Senator NUGENT. Just one moment. I am trying to ascertain your contention. Do I understand you to contend that the consumer should be obliged to pay this royalty only on the price he pays the Reparation Commission for the bare goods themselves?

Mr. METZ. That would appear to me to be what they are entitled to, but I am not a consumer. They are fixing the price to the customer here.

Senator NUGENT. I was seeking to get your opinion with respect to it.

Mr. METZ. It is immaterial to me what they charge him. I am only telling you what they charged. As to the justice of that, it is up to you gentlemen to pass upon it; I have no opinion. My idea was to charge the consumer 10 per cent upon the price paid in Europe, and nothing else. That was the basis on which I was going to sell them, because I get back the duty and everything else from him.

Senator CALDER. Let us get that clear. You were going to charge him 10 per cent of the price you paid at the point of manufacture?

Mr. METZ. Yes, sir.

Senator CALDER. And he would pay the duty?

Mr. METZ. That would be charged on. That was my idea of doing it. At any rate, I understand from the Textile Alliance that they are going to refund anything less than this charge. I am simply giving you the whole story. I am not criticizing the Textile Alliance; I am simply giving you the facts and nothing more, gentlemen.

The consumer must send his check to New York before the goods leave over there. But why should not I, as an importer, if I were one, be allowed to bring these goods over? It is my business to pay money to the other side. I am to-day exporting to Europe methyl alcohol and formaldehyde in carload lots. I received a few days ago from the people abroad acceptances for \$60,000 for raw materials bought here and shipped to Europe to one of the plants in Germany. I ought to be allowed to offset that with goods I buy from them, but I can not. I have got to sell to them on a year's credit. Of course, their acceptances are perfectly good, as good as the Bank of England. They pay it in dollars, and I have got their acceptances.

These are the conditions under which they are working over there. They are buying those goods in this country, and I am shipping them, and I ought to be allowed to offset those invoices by goods which I could buy from them, but I can not get goods without buying them for consumers over here. I am allowed to do that but I can not get the reparation commission's prices, so I was very glad to turn my orders over because of this cheap allotment. I am willing to cooperate in every way I can to help the consumer and the alliance to help our customers.

There is nothing selfish about my position on this bill because I can not lose either way. I am in the fortunate position where I can either import or manufacture and I need not care either way. Besides it has not been worth the game for the last five years, outside of the satisfaction of having been able to do something.

As to this licensing feature, I have a telegram here from the War Trade Board, in which they say that the importation of vat dyes through the Textile Alliance is optional with the consumer, but how could a man consistently import these goods for the consumers when he knew they could get them much cheaper through the official sources—the Textile Alliance? The hardship on the little fellow who has not got the capital becomes apparent when he has got to give his money up right away and has to wait for the goods.

(At this point the hearing was suspended for 15 minutes to enable members of the subcommittee to answer a roll call in the Senate.)

Mr. METZ. I was speaking of the conditions abroad. I had stated that I had represented this particular plant for about 25 or 30 years, and smaller plants before that, before we got the larger industries. I started in as a boy with the concern and kept right along.

They wrote me on August 26. This was the first letter I had from them, and I want to say that from the time we went into the war until this letter came I had never heard one word from them or made any effort to communicate with them in any shape or form. This is the first letter I received from them. It is dated in August of this year:

In an English trade paper (The Dyer) we have the following notice: "The American War Trade Board has appointed an advisory committee on dyes to assist in the study of the dye situation and to determine the extent to which the importation of German dyes will be of interest to the country. This committee will consist of eight members, of whom four will be representatives of the dye-producing industry and four of the industries interested in the utilization of the dyes. As soon as the necessary arrangements have been completed the War Trade Board will issue an announcement with respect to the character and quantity of German dyes which will be licensed for importation into the United States and the conditions under which this importation may be made."

We would like to ask you for information as to this notice and the conditions. You inquired in a previous letter to Mr. Ridder about Helindone colors. That those colors are desired in great quantity on the other side we note.

The reason for that was that a Philadelphia concern sent an inquiry over there in March to a concern in Zurich, one of the branch houses of another concern, and it was sent back to me. This Philadelphia concern inquired for millions of pounds, almost, wanted a price, and said they would pay cash. They were only just a jobbing concern. This idea of great consumption here was caused by this letter. The letter further says:

Of most of the brands we have a small quantity, but it is insignificant because we have certain manufacturing difficulties. We propose therefore that whenever you are in the market for any Helindone colors you telegraph us and give us a prompt order, so that we can obtain the export license. Anything definite about prices we can not say, but you can take as a guide that the prices f. o. b. Rotterdam will be in the neighborhood of the old prices, but instead of marks dollars gold.

I sent that letter to the War Trade Board and received a reply, September 25, thanking me for the information. I gave them everything I got as fast as I got it.

Senator NUGENT. Are the houses in Germany from which that letter came and the house in Zurich to which the inquiry was sent from Philadelphia, related?

Mr. METZ. No. The inquiry was sent from Philadelphia—I suppose for the purpose of getting around going to Germany—to a branch house in Switzerland of one of the German manufacturers. It was early in March. I suppose in that way they got around the trading with the enemy act.

Senator NUGENT. Then the inquiry from Philadelphia was sent to Switzerland, to a branch house of the German corporation?

Mr. METZ. One of the Big Six, and from them referred back to me for information, through this concern that I represented over here.

Now on October 21 I received this letter:

We wrote you last on the 10th as per copy, etc. We can not come to any decision yet regarding the delivery of vat colors and helindone colors. Our stocks in entirety have been taken over, under the peace treaty, by the Entente, and our portion of 50 per cent has also been held until they exercise their option, which they have not done as yet. Until they do that we can not dispose of our 50 per cent. It is possible that after the option has been exercised by the English and they have taken their allotment we will then have colors for sale to America. But there are so many questions arising regarding quantities, which are small, that we can not say anything about distribution, because we want to take care of customers in other countries as well.

In other words, their 50 per cent of the 40,000 tons is to go to all neutral countries and other countries where they had customers. [Continuing reading:]

When we wrote you before about larger orders for helindone colors we had in mind new manufacture, but since that time new questions have arisen, particularly the coal question, which has so sharpened itself that we have had to stop most of our plants. We will do our best, however, to supply you with vat colors as soon as we get your orders with your importation license.

We hope that after the coal question has been settled and after our producing possibilities have been extended we can take orders again.

Then they add a little memorandum, giving an additional price of a cent a pound for small packages, and from a cent and a half up to 10 cents a pound for tins.

I find I have here that letter from Philadelphia, so I can show you what these gentlemen asked for. They asked for 25,000 kilos of bromindigo, 100,000 kilos of Algol violet, 50,000 kilos Algol red, 50,000 kilos Algol pink, 200,000 kilos Algol yellow, 50,000 kilos Algol brown, 50,000 kilos Algol blue, 2,000 kilos rhodamine B, 1,000 kilos rhodamine 6 L, 500,000 kilos indanthrene blue, 300,000 kilos indanthrene violet, 300,000 kilos indanthrene yellow, 200,000 kilos indanthrene golden orange, 50,000 kilos helindone violet R, 50,000 kilos helindone violet B, 100,000 kilos helindone pink, 50,000 kilos helindone B, and 50,000 kilos helindone scarlet, and stated that they were in a position to use large quantities of Cassella's hydron colors, and were looking to make a connection where they would be the sole representatives in certain localities and preferred Boston and the Philadelphia districts, and that they claimed to be conservative in making the statement that since the beginning of the war their corporation had done more dyestuff business in the United States than all other brokers together. They certainly were not "pikers."

That is enough to dye the whole universe, and shows the kind of inquiries that were sent over from this country; no wonder they went wild. This was a dealer who never had handled these things before the war for a minute, and shows the situation of some of these people in the dyestuff business.

I just mention that to show you the idea. Here is a letter that is very significant. This letter is dated November 14, practically only a few days ago, because it takes nearly a month to get mail from there. This is in response to an inquiry from a large silk mill in this country that wrote over to its house in Germany. The silk people, as you know, are largely Swiss or Germans. This concern wrote to a house in Elberfeld, with which they were friendly, and said they would like to import, and had permits for, 300 kilos of violamine B, 400 kilos violamine 3 B, 100 kilos naphthol yellow, 1,600

kilos patent blue, 1,600 kilos phosphine O extra, 3,000 kilos blue black solid, and 400 kilos methylene gray N D.

There are seven colors that are ordinary colors for silk mills to use.

The Farbwerke replied to the Elberfeld concern that they only offer 200 kilos of a substitute for the methylene gray N D at \$3.70, 500 kilos of patent blue A at \$2.30, and 50 kilos of leather yellow 3 G as a substitute for the phosphine O extra at \$2.20 per pound, but had none of the other colors to offer.

That is all they have got to offer to this concern in Germany—for shipment to its branch here in this country. That shows about their stock. They write to them and say, "We are sorry that under present conditions this is the best we can do for you. We hope later on to have more colors." Now, if such are the conditions as to those colors where is this awful dumping going to come in?

Wood alcohol or methyl alcohol and formaldehyde were some of the things we imported from Germany. They are now buying these things here. I have telegrams inquiring for prices from Holland. They telegraphed and inquired for prices on toluol and benzol, the very fundamentals that we are producing here to-day, for intermediates to make colors with.

To substantiate what I say, I have here a letter of September 5, from Holland:

I inclose herewith, subject to your attending to the shipping our acceptance for 75 tons methyl alcohol and 75 tons formaldehyde, to be shipped via Rotterdam at the earliest possible moment.

This is only one instance that I know about. How many more there are I do not know. These are facts.

They wrote me that when Dr. Herty came over there they had agreed—I am stating this also not in criticism but simply to give the facts so that we may all know what they are, and immediately when I got it I telephoned to the Textile Alliance and told them the news that I had. They wrote me on the 8th of November—I have not got the letter with me, unfortunately—that when Dr. Herty was over there an arrangement was made by which he was offered sufficient of the 50 per cent allotted to them to fill our orders, and had an option thereon, to expire November 1, but up to that date the option had not been exercised. I do not know whether it was renewed or not. I do not know, gentlemen, and I am now trying to find out. I am simply telling the facts as I have them—that there was an option given on these goods but not exercised.

Senator CURTIS. What was the date of that letter?

Mr. MERZ. That letter to me from Hoechst was November 8.

Now, I do not know any more about it. I am just giving you that for your own information. Mr. Patterson may know. They also say:

We tried to impress upon Dr. Herty the fact that these goods should be sent out through the usual channels, our old agents, because they know the conditions, and it is a very serious matter distributing dyestuffs.

Now, I can very well understand their position in that matter. If their colors are to be sold the people who handled them before would know best where to put them and who should have them and for what purposes. That is probably what they mean. I am not going to try to interpret these statements, but I am trying to con-

strue them as I think they meant them. There evidently is a fear that they might attempt to force the American market, and that if given a chance that they would grip the American market again.

They wrote me at one time they were very sorry that the tariff would make business very hard for them over there in the future, but they would do the best they could to supply things we did not have over here. They know something of conditions over here.

Dr. Herty construes it that they intended to come over here and get the American business back and start in all over again.

I want to say—and I say it in all sincerity—that I was more than pleased to hear Mr. du Pont's statement. I think it was the clearest and best statement I have ever heard of this situation, and I think that if I had Mr. du Pont at the head of a concern, I would not want protection from anybody. I will back him against anybody in Europe as a manufacturer, after what I heard him say here. If I had a guarantee that he would back me up I would go into anything. It was absolutely to the point.

But here is another concern. This was sent here by a former colleague of ours in Rhode Island—George O'Shaughnessy. This is a circular from a concern that says that they are going to make anthracene colors, etc., and are selling \$1,500,000 worth of stock. They say they are going to be protected by the Longworth bill, now before the House, and they have a rubber stamp on it, "Bill passed the House September 26." Now, if that is what American manufacturers want this bill for I think we had better quit. We have had a number of corporations build up here like that.

Senator CALDER. Is that a stock scheme, a scheme for the sale of stock?

Mr. METZ. For the sale of stock by the company direct. They are nobody I know. But they say they are going to make derivatives from anthracene. They say here among other things that the import of dyes for the fiscal year 1913-14 amounted to over 34,000,000 pounds, and that this staggering sum afforded sufficient idea of the millions of dollars that have gone out of this country into foreign pockets, mostly Germany's, which sums it will become possible to pay to American investors through American dyestuff enterprises. It quotes the Department of Commerce report to the effect that it is utterly impossible to compute in dollars and cents the value of these millions of pounds, etc., and then gives a list of prices at which the millions are sold in this country, and states that those quoted are not made from anthracene and therefore are of lower value in quality and market price than the dyes which the company plans to produce from its anthraquinone. It also quotes the earnings of the National Aniline & Chemical Co., and claims that in the 12 months ended December 31, 1918, the National Aniline & Chemical Co. earned \$4,025,000, after allowing \$8,800,800 for depreciation and Federal taxes. [Reading:]

This was equivalent to \$6 a share on 395,990 shares of common stock of no par value, after allowing for 7 per cent dividends on the \$23,524,700. In the seven months of 1917, this combination of a number of chemical companies of the United States showed net earnings of approximately \$3,000,000 or \$5 a share on the common stock after preferred dividends. In a period of 19 months, therefore, the common stock has been entrenched to the extent of \$11 a share.

They go on and show that the Germans took out of here \$300,000,000 a year, or something like that—"which, when supplied by this company, will give an income of millions of dollars a year."

They refer to Mr. Garvan as having taken over these patents. If that is what we are doing it for we had better quit.

Now, there is one other phase of this thing that I want to touch on, if I may, and I do this also reluctantly, but I do it to show that we are not so hard up here for all this protection.

I am making colors. I am making one intermediate, at the rate of about 2,000,000 pounds a year, and we are doubling up to make 4,000,000.

Beta naphthol was one of the first of the intermediates and is one of the most important of the lot and we have been shipping it to England, Switzerland, France, and Japan, to be used for making dyes there. Alpha naphthylamine is another important intermediate. I am not making it, but the man that I have here was the man who had worked over on the other side, had built plants of that sort, and I arranged with another concern to build their plant for them, and they are making the product successfully.

One concern here that is very anxious to be protected claims to make—and I am going to mention this only as it has a bearing upon another point that I am about to bring up to show that things are tending toward a monopoly. We do not want a monopoly. If I am going to be strangled I would just as lief be strangled by a German as by anybody else. But I am going to show you how it is possible to strangle the industry.

There is one concern here that claims to be making 165,000 pounds of dimethylaniline a month. Get these figures and you will see what profits there are on these things. That sold at 55 cents; it cost 35 cents. They claim to have made 600,000 pounds of aniline oil a month and that they will bring it up to 1,000,000 a month. Aniline oil, costing about 15 cents to make and selling at 23 to 25 cents, although to-day is up to 32 cents and more, and you can not get it. I do not know why, because there is plenty of benzol here. Nitric acid also has not gone up. They have simply curtailed the production here; that is all there is to it. There ordinarily was an overstock of it. To-day the price is 32 cents a pound.

On beta naphthol they claim to average 200,000 pounds a month, and they are going to make 400,000 pounds a month, costing 25 and 26 cents, and selling for 35 and 40 cents. As a matter of fact, it sells for 45 and 50 cents.

The three larger manufacturers have already gotten together. In other words, one is making it for the rest of them, and they are not getting such fancy prices. I know, because I offered the stuff at 35 cents to one of them and I did not get the order. They are buying elsewhere. I understand the one concern is practically making it for three of the larger concerns.

Now, that is perfectly proper. There is no use of having different concerns making what one or two can make. That is what the Germans do; one concern makes it for the rest of them over there. That is the cartel system. One makes dye and divides it with the rest.

Now, if a concern needs betanaphthol, it is a proposition. The plant costs at least \$50,000. Mine cost that much to start with, and I have rebuilt it two or three times since, and the money is all in there.

The plant does not last long. As Mr. du Pont said, the machinery is not worth anything. My salvarsan plant I have rebuilt two or three times, until I have got it now where it is all right; but I did not figure my loss into my price. When Mr. du Pont says he lost \$300,000 on his indigo plant, that may be on an indigo plant, but he did not lose that in his business; the Government lost 80 per cent of the cost of it, if it came out of the excess profits tax. The poor fellow who has no profitable lines outside has not any profits, and he has to stand that loss himself; let us bear that in mind.

Betanaphthol sold before the war for about 8 cents a pound, with a 10 per cent duty, and was made here first for \$1.25 a pound and gradually has dropped and is selling to-day for about 45 cents. I was in the market a short time ago because of a breakdown, but could not find any. What is to prevent these big manufacturers from saying, "We have not got any stock," and freezing the little fellow out? There is danger of their doing what the Germans did among themselves.

It means, eventually, that if you can not buy these products in the market, you must make everything yourself or else pass it up. If we are coming to that, the concerns with an enormous capital can make everything from the ground up—buy the benzol, go right through the anilin and on into the betanaphthol, and make everything, and freeze out the little fellow. He can not put his product on the market until he gets these intermediates from the plant that is making them.

If they get together and say, "You are a rank outsider," or "You are a German," as somebody has said about me, then the small manufacturer is gone unless he puts up the capital to do this also and meet this competition. That is the ultimate result of what is going to happen, and you will have no industry when you get through, at that.

Those are things to be considered. They are things for Congress to consider.

Now, we did make colors here before the war. I bought enormous quantities of colors. I bought from the Hudson River Co. 50,000-pound lots of alkali blues instead of importing it. On anilin oil or anilin that we have been talking about I was the largest importer. I was the agent for Clayton and Barnes, two English concerns. I imported over three-quarters of the anilin oil that came here at that time.

I was down here when the Payne-Aldrich bill went into effect, and the Payne-Aldrich bill is what killed the intermediates. Congressman Alexander was here from Buffalo at that time and put it through, putting the intermediates on the free list—anilin oil and everything else. I was down here at the time.

Burton Harrison was the senior Democratic member, I think, of the Ways and Means Committee at that time, and I wrote him and came down here and suggested, against my own interests, at the request of the Barret Co., that they put a duty of 10 per cent on anilin oil. When Mr. Schoellkopf, who is now out of the National Aniline concern, succeeded in putting these things on the free list he killed the industry. And what was the result? I was in Europe shortly

afterwards, and while I was there Mr. Matheson, of Cassella Co., and Mr. Muureing, of Bayer Co., sent a telegram, saying, "Now is the time to start manufacturing in the United States." The people abroad did not see it. They said, "There is no use splitting ourselves up," as they then had plants in France and Russia and the new English patent laws made them erect plants in England also. The Germans took out patents here for everything.

They took advantage of our patent laws, which gave them a right to patent anything here, and we could do the same thing in Germany. Now, if the patent laws were at fault, you can not blame them for taking advantage of them. They patented every thing in sight, which was perfectly right, so as to protect themselves. The patent laws gave them that advantage, and they said, "Why should we build plants in America? We are all scattered now, and America does not use 10 per cent of our output."

The National people went to Europe and they made an agreement on H acid, one of their main intermediates which they used to import, as I remember it, need it in making the product that Mr. Waters talked about, the direct black, which he bought at 20 cents from the Americans till the Germans came down to 18, and 15 cents. They took that direct black, which sold at 17 cents with no profit to anybody, that the National was making here, and jacked the price to 28 cents, and divided the quantity sold in this country among themselves, and Schoellkopf got his share under an agreement that nothing new was to be made in this country.

That is the real inside of the reasons for conditions in this country. They agreed not to extend the manufacture of anything in this country on the condition that the price of that black was raised, and on that condition they raised the price at 28 cents. That was not a German deal; it was an international deal. Everybody was in that except the two English manufacturers, Levinstein and Holliday, when they got together. Mr. Demming knew this, because it came up in these suits. They got together and combined to beat Levenstein: they would say, "What shall we quote this man?" and they would all agree to quote a lower price to beat Levenstein. And the blame lay in this country and not over there. That was one of the conditions that brought down the industry.

Now, then, when the Underwood bill went into effect, these duties on intermediates went into effect. I sat with Mr. Harrison for some time and—it was against my own interests possibly, but I tried to get what I thought was an adequate tariff on those things. Mr. Schoellkopf and the rest of the American manufacturers came down and said they were perfectly satisfied. Then came the war—

Mr. DEMMING. Mr. Metz, who was Mr. Schoellkopf?

Mr. METZ. He was the founder of the National Aniline and Chemical Co., at Buffalo.

Mr. DEMMING. A dye manufacturer?

Mr. METZ. That is a dye manufacturing plant.

Mr. DEMMING. In other words, he is not a textile man?

Mr. METZ. Not a textile man; no. He was the largest dye manufacturer here. There was also my plant and several others. Mr. Schoellkopf was perfectly satisfied.

Then came the question when the war started abroad about how to get dyestuffs. I was one of that committee that was read off this

morning. I was the only importer on the committee, and against my own interests as an importer I sided with the domestic manufacturers. That is in the record here of the last hearing. I was a member of that committee, and I agreed fully there were certain duties we ought to have here to give us an industry, and we all agreed to the same thing. They were all domestic manufacturers, on the same committee, and they were all satisfied with that duty. Now, of course, conditions have changed a little and it may be higher.

But, gentlemen, let us go another step. If to-day you pass that bill regardless of the licensing clause or anything else, if you pass that bill you are going to put these higher duties on the colors that are now coming. You are going to jack them from 30 per cent to 45 per cent. You are going to put another handicap on the consumers. Before you know anything about conditions abroad you are going to jack them up just that much more.

The whole thing narrows down to this: Can the textile manufacturers, the shirt manufacturers, or the silk people produce the shades in the same fastness that manufacturers can abroad so that we can hold our market? If we can, I think our American colors could keep out everything there is.

Senator CURTIS. In your judgement, how many shades are there that we can not produce in this country?

Mr. METZ. We can produce every shade. It is a question of what that shade will stand. You can not produce a solitary light shade that will stand sunlight. You have not got alizarin. You can in heavy colors, because there is a body, but you haven't anything that will stand up in a light stripe. You have not got a color here that will stand chlorine. Certain types of bromindigo will, but you have not got the colors that you can send to the laundry in these fancy shirts that will not come back white after you have sent them there two or three times. That is why you need and must have vat colors which will stand laundering and are not affected by chlorine.

Senator CURTIS. You heard Mr. du Pont say they were producing seven, I think, of the vat colors?

Mr. METZ. I hope they get them on the market soon. But I am only raising the point now that the prices of the colors now coming through Dr. Herty will be raised that much more if you pass the bill now. It is of no interest to me, but the consumer is the man who has got to stand for this.

Now, can he dye those colors in the same fastness? The cost per pound of dye is not the big item, but on cotton and 10 cent calicoes it amounts to a whole lot, whether the shade costs you 4 cents a pound to dye or 20 cents a pound makes an enormous difference in dyeing cotton. Put cotton down to 5, 6, and 10 cents, where it was a few years ago—that was why there was a protest against the duty on indigo at that time.

There were three concerns here that consumed half of the indigo that came to this country. The American Printing Co., in Fall River, for calicoes; the Proximity Mills and allied mills, for denims, and the Amoskeag are the largest consumers. You have got to compete not only in the United States with denims; they go to Haiti, South America, and the export markets. If you are going to pay so much more for dyeing indigo and other cotton goods against

England and France, some one is going to get hurt. It does not affect silk; it may not affect the fancy woollens.

But what Mr. Walters did not tell you is that under a gas light a certain blue will appear brown, whereas another blue will be green. Now, you want blues to dye carpets with, you have got indigotine, which we had 50 years ago, but indigotine, under artificial light, turns red. You would look pretty with a coat that matched your trousers in daylight but did not under artificial light. Such things all come into consideration in putting out dyestuffs, and it makes a difference. You have seen policeman's uniform on the street. They look blue by daylight, but under an electric light they look purple—dyed with a color we discarded 30 years ago, but to-day are glad to get it, because we have no Arizarine blues.

Senator CALDER. Why can not we manufacture these colors here?

Mr. METZ. We have not got the anthracene at the price. If the dyestuff is going to cost you too much, if it is costing you more than the cotton you are putting it on, you can not use it. The Germans brought out new dyestuffs all the time. They could not put their entire cost of invention on the first dyestuffs. Indigo costs millions of dollars to produce. They could not put that all on indigo. They figured that one product as against another product could be used at such and such a price. The first thing the dyer asks you is, "What does it cost a pound to dye?" If it only takes a quarter of an ounce it is cheap, but if it takes 10 pounds to dye 100 pounds, it means money. Will that color compete? This red that is so much faster than that—can I use it for my customer against the one that it not quite so fast? To-day everything goes, but he must decide these matters when things are normal.

When the market comes down to normal again goods come back. A very little streak shows, and the goods are turned back to the manufacturer. The commission house kicks and the consumer kicks. The suit hangs in the showcase for a week, and it will have a patch on there where the sun did not strike it, where the tag was fastened on.

It is not the dye industry as such that makes the cost. The dyes amount to a mere bagatelle compared to the cost of the stuff they go into. You have been told that we make chlorine here. It's safe to state that dyes do not use a fraction of the chlorine that is used for other purposes. Carboic acid is used for making dyes to some extent, but it is used as a disinfectant much more. The Government had so much on hand for making explosives that it will take us several years to use it up, and none will be made for that period until it is disposed of.

The Government is selling the poison gas, the phosgene gas. The dye plants use a small amount of that. They will practically give you phosgene gas down here at the arsenal if you will only come and take it away. The railroads will not carry it. You can not handle the beast. It will break away on you and kill everybody in the neighborhood.

So these little plants are not going to supply your present needs or your war needs: they are unsuitable.

In mentioning the high price of anilin oil, I might say that possibly the steel strike had some significance, and may have some effect

on the price at the present time, on account of the scarcity of benzol, but that is going to flow hereafter. You can not stop it. It simply comes out of the coal, and you will burn it in your automobiles and everywhere else.

The dye industry as such will give you certain war materials, but you want to bear in mind that the six German dye plants manufactured for the entire universe, and we only took between about 6 to 10 per cent, including everything. Those are the facts, so that while we should have a home industry and a native dye industry, and we are going to get it, let us see that it is not throttled and a monopoly formed here that will throttle the firms which are trying to do the work and trying to get ahead with it. And do not try to choke off those who apparently were contaminated by having handled German goods. The fellow with the best stuff is going to sell it, and the fellows that need it are going to get it. The woman that goes into a store to get a silk dress wants a certain shade, and she is going to have it. If she wants red she is going to have red, and you have got to meet that demand, and you can not sell her a blue one. The people who are most interested, the ultimate consumer, has not got a look-in on this game anywhere unless he gets what he wants.

Mr. DEMMING. Mr. Chairman, may I ask Mr. Metz a few questions?

Senator CURTIS. Certainly.

Mr. DEMMING. In answer to the Senator, Mr. Metz, you stated that we could not get alizarin?

Mr. METZ. We do get alizarin red. We are making it here at \$1 per pound and it is being sold at 18 cents in England. We are short of anthracene to some extent, and we have got to destroy so much other stuff to get the anthracene that we can get a better price for the stuff we destroy. Over there they do not. We can use the naphthalene and things of that sort, but we have got to destroy and throw away so much to get a small amount that it costs more.

Mr. DEMMING. In regard to the licensing system, Mr. Metz, what is your opinion?

Mr. METZ. I am in favor of any system that will give us things we need without a lot of red tape and without Government interference and that will let us alone—stop keeping us making reports. You have got to have a force of clerks to make Government reports in the last few years bigger than we had to do business with. Pass a law that will protect you and safeguard and let us alone, and if any crooks are in business put them in jail. There are laws enough for that. If not, pass them.

Do not hamper us with any more bureaucracy. Do not make us go before a clerk who has got to ask somebody else. Do not ask us to go up before our competitors when they are on a commission that we have got to ask favors of. If a manufacturer comes up and asks for certain colors every man on the commission knows what he is going to make, because that kind of color is used only for that purpose.

I am not criticizing Mr. Cheney or Mr. Hobbs. They are high-minded gentlemen. But it is not fair as a business proposition to make us go before our competitors to ask for things we want to bring in. It is un-American. Let us arrange so we can get abso-

lutely fair play and all have the same chance and get the goods we need, and not hurt anybody getting them.

Mr. DEMMING. As a domestic dye manufacturer, are you going to get along without the license proposition?

Mr. METZ. On the colors we are making, absolutely. But we want to expand. I am not going on record as saying it is wholly bad—there are features that are good—but I am going to go on record as saying that for the colors we are making to-day I do not want any protection more than I have got—unless the Germans should undersell, and then you have the antidumping law. You have had your special agents in every plant in Europe going around investigating, so they can not beat us on the cost.

Mr. DEMMING. Are you a native-born American?

Mr. METZ. Yes, sir. I have got a few other things to my credit, but that is one I am proud of. I never worked for a dollar a year, but I have worked for less than that—for nothing—and for more lots of times. I also have served a term in Congress, and got paid for it.

Senator CALDER. Have you seen that antidumping bill that was passed in the House to-day?

Mr. METZ. I have got it in my pocket, and I do not know what it means, to be frank with you. I do not know yet, Senator.

Senator CALDER. I was going to ask you what you thought about it.

Mr. METZ. I do not know. I just simply glanced through it; I think it is pretty much involved, but those things always are until you get them cleared up.

I thank you, gentlemen, for your attention.

Mr. DEMMING. Mr. Chairman, may I read a telegram that I have just received?

Senator CURTIS. Yes.

Mr. DEMMING. [reading]:

[Western Union telegram.]

CHICAGO, ILL., December 11, 1919.

GEORGE DEMMING,

Capitol Park Hotel, Washington, D. C.

Rush following to Senate committee: "Resolved at a meeting of the knit goods manufacturers of the Central West, at Hotel LaSalle, Chicago, December 10, that it is the sense of this meeting that the proposal for restricting by license importations of dyes is un-American in principle, would be of vicious tendency in practice, and would seriously hamper American industries which are consumers of dyestuffs, not only in the domestic trade but in competition in foreign markets.

"Resolved, That we respectfully urge, in the interests of American industry and the consuming public, that the proposed bill for creating a dye-licensing commission be not passed by the Senate.

"Resolved, That we favor the protecting and safeguarding of the American dye industry through adequate tariff.

"D. L. Galbraith, American Textiles (Inc.), Bay City, Mich.; Joseph H. Zens, Milwaukee Hosiery Co., Milwaukee, Wis.; Henry Pope, Paramount Hosiery Co., Chicago; J. O. Wells, Cooper, Wells & Co., St. Joseph, Mich.; R. W. Kimball, Black Cat Textiles Co., Kenosha, Wis., committee."

C. B. CARTER.

Senator CURTIS. Gentlemen, there is a subcommittee to have a hearing here to-morrow at 10 o'clock on another industry. In view

of that fact, this subcommittee will adjourn until 2 o'clock to-morrow afternoon. I thought I ought to make that statement so that you could arrange our program accordingly. You have had four very interesting witnesses here who have covered this situation very fully, and I wish that, if possible, you would reduce the number of witnesses, so that we will get through just as soon as we can.

Mr. METZ. I would like to say just one thing more. Mr. Nobbs is an American citizen of German birth. He used to be a salesman for the Bayer Co. before the war began. He was in Europe when the war began. He was a salesman for them. He is now vice president, I think—I am quite sure—of the American Anilin Products Co., an American concern that used to import and has two or three very large plants. They bought up the stock of the minority interests in the Roessler & Hasslocher Co. and, I think, a few printing-ink plants from the Alien Property Custodian. They have recently also, I understand, bought the Federal dyestuff plant out in Kingsbury, Tenn.

Mr. RAMBO. Mr. Chairman, may I make a brief statement? The telegram just read by Mr. Demming comes from the branch of the National Association of Hosiery and Underwear Manufacturers now in session in Chicago, to which I referred.

(Address of Bernhard C. Hesse, submitted by Mr. Wood at page 265 of the record, is here printed in full, as follows:)

AMERICAN COAL-TAR DYES, PRESENT AND FUTURE.

By Bernhard C. Hesse.¹

Six years ago the general topic assigned to me for discussion to-night would not have attracted nor merited public attention. The American public, through Congress, the dye users and importers, had then six times decided and legislated accordingly that the coal-tar dye industry is one whose establishment with us through the aid of a protective tariff was totally unwarranted and economically unsound, because coal-tar dyes are raw materials for a very large number of our domestic industries, large and small, employing many people, and hence dyes should be as cheap as possible; because, for example, through the 1882 duties, the manufacturing cost of one dozen red flannel undershirts was increased 25 cents, of a rag carpet of ordinary size 3 or 4 cents; because our large textile industries could not compete in export business if all their raw materials, including dyes, were not as cheap as possible; because the amount of labor employed in the dye industry was insignificant; because we could not by any European war be shut off from our source of supply, and even if so we could get good dyes from South America; and, finally, because any help that could be rendered by a dye industry to our explosives industry and to our national defense was negligible.

Five years ago the public changed its mind abruptly and to the diametrically opposite, and has accordingly reversed its legislative program. In that time this subject has been discussed in every conceivable way in all sorts of publications; it has entered national, international, and interrelated politics and economic measures; it has secured place in the President's message; it occupies an important position in the peace treaty signed at Versailles; it has caused much strife between business associations more or less cordially and closely related on other topics; it has occupied much space in our discussions of national preparedness.

The Senate has now before it the Longworth bill, passed September 26, 1919, by the House of Representatives, which puts a protective tariff on dyes and related materials, of a height not before approached for 35 years, and has coupled these with an import embargo on these commodities, though softened

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somewhat by a permissive and limited raising thereof in certain cases provided for—a drastic procedure, without precedent in our history.

The future of the American coal-tar dye industry depends entirely upon the permanence of this wholly unparalleled and most astounding about-face in national opinion on an absolutely unchanged state of fundamental facts, widely known and thoroughly understood by Congress and the dye users and importers from 1880 and earlier down to date. These facts have not changed in the slightest; the reasoning of and the conclusions reached by the public have alone changed.

No matter how inefficient our past may have been, no matter how brilliant our present may be, the future alone counts, and that is determined solely by the steadfastness of present-day public opinion in this regard. If public opinion ever gets back to what it was in 1913, and earlier, the present accomplishment of our dye makers will go for naught and the results of their titanic efforts in the past four years will be substantially wholly destroyed. Our dye makers can be confidently depended upon to grow up to every opportunity offered them; the scope of such opportunity depends exclusively upon public opinion.

In 1882 we had a very promising domestic dye industry, and so effective that during 1881 and 1882 it reduced, through internal competition alone, the cost of one particular dye 38 per cent; on the then prevailing average import pound prices of German-made dyes the then applicable tariff rates (35 per cent ad valorem and 50 cents per pound specific) expressed as ad valorem, were 67 per cent in 1880, 71 per cent in 1881, 69 per cent in 1882, and 88 per cent in 1883. This was reduced to 35 per cent in 1883, and our industry quite promptly disappeared, and all for the reasons just given.

WORLD'S DYE INDUSTRY IN 1913.

In order to have a working perspective when measuring the importance, relative and intrinsic, of this industry its condition at the end of 1913 will be discussed.

For the year 1913 the total declared export value of coal-tar dyes throughout the world was such as to warrant the conclusion that \$100,000,000 is very safely well above, and not at all below, the true manufacturers' value of the total output in that year of coal-tar dyes the world over and used in 34 different countries.

Approximately three-quarters of this amount was made in Germany and the rest was made in other countries, but largely from German intermediates, i. e., coal-tar materials in an advanced manufactured state but not themselves dyes. In effect and on the whole, Germany practically controlled this business for the entire world. An estimate of 40,000 people of all ages and of all kinds and degrees of skill the world over engaged in making these dyes from products out of coal tar in 1913 is probably very near the truth. With an average of 5 pounds to the dollar, which is high rather than low, the average annual output per person so engaged would be \$2,500, or 12,500 pounds; i. e., 6 tons, let us say \$2,000 and 5 tons, respectively. In 1913 there were 22 dye factories in Germany, of which 17 paid dividends, 3 declared no dividend, and 2 had a deficit; the total paid dividends in Germany in this business were about \$11,600,000 for 1913, which includes the profit on many operations other than making and selling dyes.

The total manufacturers' value of dyes imported into and made in the United States in 1913 may be put at approximately \$12,500,000. Distributing these dyes to the domestic dye-using industries, together with the service that necessarily is supplied by the dye-selling houses, may have brought the total cost to the dye user of these goods delivered at his plant up to \$25,000,000 or thereabouts.

FUNCTIONAL IMPORTANCE OF DYES.

To a country like ours, which in 1914 produced upward of \$24,000,000,000 of manufactured goods, taken at the net selling value of the factory, \$12,500,000 does look like a very small drop in a bucket, doesn't it? Just under one-twentieth of 1 per cent. Now, the tonnage or actual value of watch hands used in this country may be very trifling, but a watch without hands is useless. So with dyes. Eliminate the color produced by coal-tar dyes from the host of colored articles about you in daily life and see utility disappear and values shrink to insignificance! This little amount and small money value of coal-tar

dyes affects, by and large and quite directly, the livelihood of more than 1,000,000 employees in this country, working in upward of 11,000 of our manufacturing establishments operating in 24 different lines of industry, having an invested capital of more than \$2,500,000,000 and producing annually \$2,600,000,000 of manufactured product valued at the true net selling value at the factory; this is about 10 per cent of the corresponding value of our entire products of manufacture in 1914. One-eighth of the annual product of 40,000 people, largely in Germany, so importantly affects the work of 1,000,000 of our own citizens, and is an important factor in the values of goods made here, amounting to more than 210 times the value of the dyes involved.

OUR PRESENT AMERICAN DYE INDUSTRY.

The American coal-tar dye and chemical industry as it stands to-day is in its largest part the result of only two or three years of real effort. Although the war lasted somewhat over four years, domestic effort to create this industry did not take on real serious aspect until after September of 1916, when the dye tariff was amended in greater accord with the dye-makers' views of the tariff needs of this industry than any legislation since 1870. At the end of the calendar year 1918, 127 domestic concerns were making intermediates, 77 were making dyes; the dye production amounted to over 58,000,000 pounds, valued at over \$62,000,000, or \$1.06 per pound on the average; of these, almost \$17,000,000 worth were exported. Compare this with conditions in the United States in 1914: Seven domestic establishments made in all nearly 100 different dyes, or just over 6,500,000 pounds of dyes, valued at something under \$2,500,000, or 37 cents per pound, on the average, but out of German intermediates, and we had only one very small domestic maker of intermediates. In 1918 we produced 141 coal-tar dye intermediates and over 220 separate and distinct coal-tar dyes. In 1913 the dyes of the world's market very likely numbered upward of 1,000, requiring well over 300 intermediates in their manufacture; probably upward of 600 of these dyes were on our own markets, requiring not far from, if not somewhat more than, 300 different intermediates.

It is unfortunate that these figures, in the circumstances, can not be mathematically exact, but they are, beyond doubt, sufficiently close to the mark to enable us to assert with a very high degree of confidence that our present-day dye industry is making about one-half the number of dye intermediates required by us in 1914 and a very liberal one-third of the number of dyes required by us in 1914. This is an achievement in which every American can very properly take a wholesome pride, nor need much blame attach if some become quite enthusiastic over it. It is really an accomplishment of the first magnitude.

THE MEASURE OF OUR ACHIEVEMENT.

To enable the nonchemically minded to picture to themselves something of what this means it may be said that these 600 and more dyes of our 1914 market were consumed in amounts ranging from 10 to 15 pounds per year each, up to \$,500,000 pounds, and they ranged in manufacturers' values for 1914 from 3 cents per pound to \$3.60 per pound, in the condition as imported; the same values for intermediates ranged from 6 cents per pound to perhaps 90 cents. Consider the American dye manufacturer when confronted in 1914 and 1915 with the task of promptly making these several hundred dyes saving such a wide range in annual poundage and pound price. Dyes are used in such a multitude of widely different commercial articles, each having its own special requirements, which may, and often do, overlap with those of other articles, that comprehensive information as to individual dyes was not publicly or readily available. Our Government in its import statistics told the dye maker of a very few dyes and intermediates what amounts were imported, but more than 99 per cent of the individuals of each class were concealed under such basket designations as "all other" at so-and-so many millions of dollars, or thousands of dollars, as the case might be.

THE DYE USERS A DEAD WEIGHT.

Now anyone would expect that if the dye users were actually in such straits for dyes as then current press reports seemed to make out, that these dye users would have been glad to get that information together in some more or less conclusive fashion to give the dye maker a very much-needed "steer," if his

efforts were not largely to be wasted or misdirected. I know personally of two separate serious attempts to get this information and one of them by direct invitation of a large number of dye users, followed by personal pledges of personal support in such an effort. Consequently, in due course, these dye users received a letter asking them what dyes they needed most urgently and their probable annual poundage requirements of each. I had the privilege of reading the replies. I received a most liberal education in the gentle art of politely, firmly, and unmistakably expressing the rather crude sentiment, "none of your business." Mind, that was after they had said face to face and man to man that it was distinctly the other fellow's business. The enormous risk to the dye maker to proceed under those circumstances must be convincingly evident to any unprejudiced person. The dye importers knew these very numerous special facts very much better than the dye users, but no one could expect them to give up this information to American dye makers. So what was there left for the dye maker to do? He had no choice. He proceeded slowly and made such few dyes as he had reason to believe would satisfy the greatest number of needs in the shortest possible time. From time to time he increased both variety and output in accordance with real demand. With the advent of the Norton dye census in September, 1916, the American dye maker obtained a very clear insight into the situation and was enabled to proceed more rapidly than theretofore. On the whole, while the dye users, through concerted effort did not give the domestic dye maker information as to their requirements, yet they did ultimately very effectively cooperate with him by revising their operating methods, where necessary, to enable them to use the dye maker's products, which is a contribution not to be underestimated, for it must be realized that the results of our dye makers' early efforts were not nearly so good as are their present results, and this is because, although we had many very competent and efficient chemists and chemical engineers in this country, yet only a few of them had had experience in this complex branch of chemistry, and the many others that were needed had to acquire this art by experience, which here, as in other walks of life, is both costly and slow.

OUR HANDICAPS.

When the dye maker started out to make dyes he had first to decide what dyes he would make and in what amounts, then he had to determine the kinds and amounts of necessary intermediates and then he had to get the needful coal-tar products and a large number of auxiliary chemicals. Bidding against him in the market for the same coal-tar products and the same auxiliary materials and for apparatus made by the same manufacturers was the maker of munitions and explosives, and later in the war, the poison-gas maker, all of them backed by the allied and associated governments and energetically urged to top speed. So the dye maker was handicapped throughout, with a helping hand at odd intervals only. Add to this very obviously difficult path the enormous but hidden difficulties which are encountered in magnifying laboratory operations, on an ounce scale, into manufacturing operations on the hundredweight or even ton scale, not only in the materials of construction of the vessels, their shape, size and relative positions and the details of manipulation as to proportions, rate of mix, temperature, duration, agitation, and scores of other small details all and each of importance in the final result, each to be laboriously and accurately determined by grinding experience, but also in the breaking in of "green" labor to exercise patience and to do exactly as told, then the magnitude of the accomplishment of the American dye maker under such drawbacks must become nothing short of overwhelmingly convincing.

In the merchandising branch the dye maker had a considerable number of experienced American dye salesmen and technical service men to call on, and while this was by no means a bed of roses, yet it was beset by fewer handicaps than any other branch of the whole enterprise.

For our purposes this completes the picture of the past and present of the American dye industry. What about the future?

THE FUTURE WORLD MARKET.

First. At what rate can we expect the world's market requirements for coal-tar dyes to expand? Careful study of the export figures of the German coal-tar dye industry, year by year, for the years 1880 to 1913, both inclusive,

leads me to believe that under normal conditions its annual growth from 1913 to and including 1920, or seven elapsed years, would have been for each year as follows:

	Tons.
Indigo, 20 per cent paste.....	4,000
Alizarin and anthracene dyes.....	500
Aniline dyes.....	5,600

That is, that in 1920 the total tonnage would have risen from 119,549 tons of 1913 to 190,000 tons in 1920; assuming that this German export would then still have represented three-fourths of the non-German requirement, the total non-German requirement would then be 250,000 tons; the 190,000 tons being distributed, approximately:

	Per cent.
Indigo.....	30.7
Alizarin.....	4.5
Anthracene dyes.....	5.6
Aniline dyes.....	59.2

The added 60,000 tons can not be even remotely distributed except to say that the very largest part, say, nine-tenths, would have been dyes other than indigo, alizarin, or anthracene dyes.

With present abnormal conditions no one can tell what the actual expansion can reasonably be expected to be. Shrinkage, in the near future, in opportunities for the consumption of coal-tar dyes must not be left wholly out of consideration, even if for a short time only, due to stimulation of the production of vegetable dyes with cheap labor in cheap districts.

CHANGES IN WORLD COMPETITION.

Second. To what extent, and in what manner, has the world's competition changed? In 1914 Germany made almost all the intermediates used in the world and made a substantial fraction of all the dyes used in non-German countries, approximately three-fourths. Since the war began at least five other countries have developed this industry, almost as a new enterprise, both in intermediates and dyes, to a greater or lesser extent; namely, England, France, Italy, Japan, and the United States, while Switzerland, which led all countries outside of Germany before the war, is said greatly to have increased her prewar manufacturing capacity and diversity, and indeed to such an extent as to be three times greater and stronger than before the war; for intermediates she now is wholly supplied by non-German sources—a condition which should never be relinquished. With seven countries bidding for what was previously substantially a one-country enterprise and of relatively slow and uncertain expansive power, there can hardly be room for doubt but that this business—as a world business—viewed strictly as a business proposition offers less and less attraction. Add to this the Government-subsidized Japanese industry with dividends of 8 per cent guaranteed by the Japanese Government, with the British Government an actual partner in British dye-making enterprises and the Governments of France and Italy actively and financially supporting their domestic dye industries, competition for the world's business much become more acute than ever.

Then the closing of Great Britain and her dominions to all but a limited number of foreign-made dyes, of whatever origin, practically takes or promises to take that considerable market away from all non-British makers. France and Italy may follow Britain's example and the United States is now aggressively preparing for a similar move.

The British Empire, France, and Italy combined, in 1913, took 26.5 per cent of Germany's total dye export tonnage: this represented 32 per cent of the whole of Germany's aniline dye export tonnage, 67 per cent of her alizarin export, 34 per cent of her anthracene dye export, and 8.5 per cent of her indigo export. In the same year the United States took 21.6 per cent of the whole of Germany's aniline dye export tonnage, 8 per cent of her alizarin export, 44.1 per cent of her anthracene dye export, and 10.4 per cent of her indigo exports, or, on the whole, 18.8 per cent of her total dye export tonnage.

This means closing, at least potentially, to German dyes of a total of 45.3 per cent of Germany's 1913 export market. The distribution of this German

lost export market over the four classes of dyes of her 1913 export tonnage is as follows:

	Anilino dyes.	Allizarin.	Anthra- cenedyes.	Indigo.
Great Britain, Dominions; Italy; and France.....	<i>Per cent.</i> 32	<i>Per cent.</i> 66	<i>Per cent.</i> 34	<i>Per cent.</i> 8.5
United States.....	21.6	8	44	10.4
Total.....	53.6	74	78	18.9

Theoretically, it means that we are shut out of 26.5 per cent of that market and we shut the rest of the world off from 18.8 per cent of that market. But Germany's and our potential lost or closed market is greater than that because Germans made dyes in their French, Russian, and Austrian factories from intermediates, which in turn were made in Germany. Germany's exports of intermediates in 1913 was 18,000 tons; this, too, will be substantially lost to her and will have to be made up by those who formerly bought them from Germany. In 1918 France imported a total of about 30,000 tons of synthetic, i. e., coal-tar dyes, of all kinds.

Increased import duties on these goods are bound to be levied in the United States and other countries can hardly be expected not to follow that example or to employ some effective substitute for it.

Finally, the consolidation of practically all the German dye factories into one large combination makes that country better placed than before the war to pursue this business all over so much of the world to which its products may have access. The circumstance that the factories of most of the big members of that combine are in occupied territory and the obligations which all members of that trust have definitely assumed under the peace treaty, to place specified quotas of their output at stated intervals at the disposal of the reparations commission, may make that organization far less powerful as a competitor in non-German territory than it otherwise would have been. In England, too, consolidation and merger among dye makers with Government sanction and participation are proceeding. These consolidations and mergers are each and all openly avowed to be for the purpose of increasing competitive ability by reducing production costs, including quality and quantity of output, eliminating destructive internal competition, and exchanging within such mergers information and experience in research, manufacturing, operating, and in technical service. Alliances between some of these mergers is within the range of possibilities. With the greater introduction than heretofore of labor-saving devices in this industry in Europe which is bound to ensue, it is not unreasonable to expect that the annual output per person engaged may rise from the 5 tons of prewar times to as high as 8 tons. In 1918 the corresponding figure for the United States industry was just over 1 ton. That is, the competitive markets can be expected to shrink, entry into some markets made more difficult by increased import tariffs; there is a decided increase in the number of countries and concerns competing for this contracted market and annual outputs in other countries per person engaged can be expected to increase rather than decrease.

COLLATERAL COMPETITIVE CHANCES.

Third. What collateral competitive changes may reasonably be expected? Ultimately consolidated merchandising organizations within the competing manufacturing countries for domestic and for foreign business which would reduce distributing costs. A diminution in the amount of information published in trade and scientific journals and in patents where such publication is not of protective or defensive value to the originator of that information. There can be no question that the Germans under their present concentrated organization, and to which further German competition will probably not be permitted, will no longer publish or make possible the publication of such comprehensive books of information on this subject as have heretofore been published, and which contributed very heavily to the great expansion of this industry in non-German countries since 1914. A decrease in the amount of dyes sold or exported as such in the usual containers, such as tins, kegs, or

barrels, resulting in an increase in the amount of dyes sold and exported in the shape of dyed wool, cotton, silk, and the like, as stock, yarns, or woven goods, or as concentrated ink, paint, and lacquer compositions and a host of other similar stages of manufacture advanced beyond the state of commercial dyes may be looked for. In that event protection by existing United States patents now in the hands of the Chemical Foundation (Inc.) may be reduced, for it is an undecided question if a United States patent on a dye is or would be infringed by the dyeing of fabric in another country with that patented dye, importing that result into the United States, and there selling and using such dyed material. In some few of the patents of the Chemical Foundation the dyed fabric is claimed, and generally in a patent separate from that covering the dye, and this circumstance merely adds to and does not take away from the doubts just expressed. Furthermore, to identify a new dye when on fabric or like material is a far more difficult problem than when that dye can be had in barrel lots; in fact, such identification on the fiber may be impossible. That is, we may look for reduced distributing costs, reduced published information, making intensive independent research on our part all the more imperative and important; changes in the form in which dyes enter international commerce, which may result in a lessening of the defensive effect of our own protective tariffs and the patents of the Chemical Foundation, and may increase our difficulties in following up and duplicating foreign progress if it does not make that impossible in many cases.

THE FUTURE AND OUR DYE INDUSTRY.

The probable dye requirements of dye users outside of Germany for 1920 can hardly be expected to exceed 250,000 tons of the prewar commercial strengths and kinds. In 1918 we made about one-tenth of that amount and normally we have consumed about two-tenths of the non-German requirement; seven countries will be bidding for this non-German consumption where formerly there were in reality only two bidding; some of that market will be closed to us, just as we will most likely close parts, if not all, of our market to all other competing countries; our annual labor per capita tonnage output in 1918 was one-fifth the prewar foreign figure and our 1918 figure may be as little as one-eighth of that of at least one, if not two, of our six competitive countries in 1920; foreign distributing costs may be expected to shrink; our own research must become extensive and intensive; our own dye, textile, and like markets may be invaded by foreign dyes in the shape of dyed or colored articles of manufacture, in which case novelties will be difficult, if not impossible, of identification. We produced in 1918 about nine times as many pounds of coal-tar dyes as we did in 1914, and which former comprised substantially one-third of all the different kinds of dyes we needed in 1914, and in addition we made all our own intermediates instead of buying them abroad, as we did in 1914, and had a goodly quantity of both intermediates and dyes left over for export and, of the former, for military purposes. We have a higher protective tariff than at any time since 1883. From the point of view of patent rights Germany has none here and we have all enemy-owned patent rights in existing United States patents and on all such patents as may issue upon all enemy-owned patent applications pending in the United States Patent Office, and against which patent situation there is the probable defect in some of the dye patents in which materials dyed or colored abroad with such patented dyes are not themselves within the scope of these patents. That, it seems to me, puts the main facts broadly confronting our dye maker in a nutshell.

THE PUBLIC MUST SHARE THE BURDEN.

Now the American dye maker is going to be very much occupied in increasing the number of different kinds of intermediates and dyes required in expanding his assortment of them, so that they more closely approximate to this country's own needs; and further, in so improving his operations and equipment that his annual labor per capita of tonnage output will be increased fivefold, let alone eightfold or thereabout, and in improving qualities of output as well. Obviously and self-evidently he can not properly attend to those three colossal jobs if he is to worry about having his own and his domestic customer's market invaded by outsiders or if he is to be avoidably hampered or harassed in his work by other factors. In addition to all this he must keep on exploring new fields and must watch for and duplicate or excel all new, important, and suc-

cessful efforts of his foreign competitors. He is certainly entitled to all the help he can show that he really needs if, for public benefit, it be indispensable that this country shall be free and independent in the matter of coal-tar dyes. So far as patents are concerned, the remedy is entirely in his own hands under our present laws and he needs no new patent laws whatever; all that is necessary is that he so frame his patent applications that they cover his new dyes, not only as dyes, i. e., as materials capable of imparting color, but also after they have imparted that color, inclusive of the material to which that color was imparted. The public must relieve him of foreign competition if it expects him to succeed.

THE LONGWORTH BILL.

While the war was on a great many, not by any means all, of the domestic dye users were very emphatically of the opinion that no conceivable cost could be too high to pay for a self-contained, domestic coal-tar dye industry. With the introduction of the Longworth bill, which embodies much of the nature and the amount of this cost, some, not all, of these formerly enthusiastic dye users are singing very low and a few are openly against the contemplated cost, of course, on the ground that some of the safeguards demanded by the dye makers are not necessary, and some very few are of the opinion that large domestic industries should not be taxed to make permanent the coal-tar dye industry that we now have. Sounds, in part, alarmingly like 1913 all over again!

The Longworth bill, as passed by the House of Representatives September 26, 1919, contains rates and other provisions coming originally from the dye makers, but urged and supported before the Committee on Ways and Means almost solely by dye users. The dye maker has seemingly come into his own; his views are being given heed to an extent never before accorded them. It is to be hoped that this spokesmanship by the dye users will not resolve itself into a Trojan horse.

History frequently repeats itself, but it rarely reverses itself. For 30 years men have been going from Buffalo to Washington to tell official Washington that this country should have a dye industry, and that the only way to get it was by increased tariffs, but without avail. In 1919 two Washington officials went to Buffalo, and at a public meeting told the citizens of Buffalo that this country must have a dye industry and that the only way to get it was by increased tariffs, supplemented by other cooperative measures against foreign competition—a most hopeful sign of permanent public and governmental awakening.

Now, this bill has been studied in some form or another by the Committee on Ways and Means for about six months. The Tariff Commission had previously spent over a year in preparation for a bill of this kind, and the Committee on Ways and Means had held no fewer than six public hearings on it. The record of these hearings and the relevant exhibits cover 735 printed pages and embrace the oral testimony of more than a score of witnesses and the written affirmations of several score; the majority and minority reports to the House cover 13 printed pages. The debate in the House was spread over a period of five days. This bill is now officially before the Senate.

THE EARNEST AND TOKEN BY THE PUBLIC.

The Longworth bill embodies in authoritative form the distance and length that the House of Representatives is convinced the American public can, should, and must go in cooperation with American dye makers in order to have national independence in dyes; this bill is, therefore, and in that sense, an earnest and a token given by the public to the American dye maker for cooperation in the future. If enacted, the public then stands definitely committed; the dye maker is not so committed. True, the present dye makers have their investment involved, but much of this has already been written off and they can not be compelled to make any additional effort or even to keep up their present effort.

That part of the public which would, in the first instance, pay the contemplated price for the proper kind of a domestic dye industry is in rather an unfortunate position; if, after it had made its sacrifices, no proper dye industry should result, it would have no remedy; no dye maker could be held; no legislator could be held; yet a very substantial something would have been parted with or submitted to by that part of the public but without the promised nor an adequate return. To speak of a "guarantee" by dye makers is to use a figure of speech only which is without substance; nor does there seem to be

any practical way of imparting substance to it. Therefore, there seems to be nothing else to do but to agree to the price set by the dye maker, trusting that he has made it of such size that it is attractive to him to build up the complete self-contained industry we all want, but at the same time a price that we can properly afford to pay. If the price paid should, nevertheless, turn out to be improperly high, we certainly must be able to correct that after we actually have the desired industry. It simply can not be that we are utterly helpless in such an event. It surely is better to pay too high a price and get what you want than to pay a price and not get either what you want or its satisfactory equivalent. If we fail now there is no reasonable prospect that we would succeed in some later effort.

THE COMPACT.

Our dye makers have always charged the absence of a complete and adequate domestic dye industry solely to the absence of certain controllable economic conditions; they have repeatedly asserted that given those economic conditions they can and will give us dye independence. If the Longworth bill provides those conditions we should soon after its enactment become independent.

THE PRICE AGREED TO BY THE LONGWORTH BILL.

The Longworth bill gives the dye maker:

1. A better and more precise definition of the three classes of materials embraced within this schedule of the tariff act; this should nullify many heretofore perfectly proper and lawful modes of obtaining a more favorable rate classification for certain dutiable commodities than Congress may have intended.

2. Higher tariff rates on intermediates and finished products.

3. More nearly equal tariff rates as between intermediates and finished products.

4. A higher specific tariff rate and a more drastic mode of its application to dutiable importations under this act.

5. Erases all heretofore existent tariff distinctions between indigo, alizarine of whatever origin, and all dyes from either of them or from anthracene, on the one hand, and the rest of the coal-tar dyes on the other hand, and creates an inequality in the opposite direction.

6. More drastic regulations as to labeling and invoicing importations under this act.

7. Prohibits any and all importation of any and all products falling under this act, "including mixtures and compounds of such products and other products," except under license previously obtained from the United States Tariff Commission under penalty of destruction of any commodity imported in violation thereof whenever and wherever found, and for such importing person a fine up to \$5,000, or the value of the illicit product, whichever shall be greater, or imprisonment for not more than one year, or both. Only such products can be imported, even under license, as are not made here, or if made here, can not be obtained on reasonable terms as to price, quality, and delivery, and then in limited amounts not to exceed actual current domestic manufacturing requirements.

8. The specific duties are to remain and not as in the present act, to be discontinued at the end of 1921, or then reduced by one-fifth for each succeeding year, wiping them out entirely in 1926.

These eight items, some of them improvements merely, others distinctly new and unprecedented departures, constitute the price the public through the Longworth bill and with the consent of the House of Representatives has, tentatively at least, agreed to pay and decided that it can and is willing to pay.

Is this price a price that will make it attractive to the American dye maker to give us the contemplated industry? So far the dye makers have not said so in any responsible fashion. Assuming that they were to say so in unequivocal terms, how dependable would such assumed affirmation be?

We can eliminate the first and the sixth of the foregoing eight items since they are wholly administrative and introduce nothing vital.

As to tariff rates—consider items 2, 3, 4, 5, and 8.

ITEM 2.—HIGHER RATES.

The Longworth bill, now before the Senate, provides the following rates:

For intermediates, 40 per cent ad valorem plus 6 cents per pound specific.

For finished dyes, 45 per cent ad valorem plus 7 cents per pound specific.

In 1913 the average price of all intermediates exported out of Germany was 10.1 cents per pound; for the 10,000,000 pounds of intermediates then imported into the United States the average price was 10.5 cents per pound, ranging from 5.5 cents per pound to 90 cents.

In 1913 the average price of all coal-tar dyes, including indigo, alizarin, and dyes from them, and from anthracene exported out of Germany, was 21.5 cents per pound; the average price of all of those dyes imported into the United States was 20 cents per pound, ranging from 3.1 cents to \$3.57 per pound in the condition as imported.

On the basis of 10.5 cents and 20 cents per pound as the grand average pound price, respectively, for intermediates and for finished coal-tar dyes in our international trade, the Longworth bill composite rates, expressed as ad valorem, are:

For intermediates, 97.1 per cent.

For finished dyes, 80 per cent.

In 1882, with importation not restricted by license, we had for those days a promising domestic dye industry; the composite import duty then in force was equivalent to 69 per cent ad valorem.

In January, 1916, the Hill bill provided composite rates as follows:

For intermediates, 15 per cent ad valorem plus 3½ cents per pound specific.

For finished dyes, 30 per cent ad valorem plus 7½ cents per pound specific.

On the same basis for 1913 as for the Longworth bill, as just taken, these rates, expressed as ad valorem, are:

For intermediates, 50.7 per cent.

For finished dyes, 67.5 per cent.

Dye makers personally assured the then Committee on Ways and Means in open meeting that they would then be able to make in the United States from domestic materials (Chilean nitrate excepted) all the dyes our domestic industries could use.

In May of 1916 the Hill bill rates were tentatively changed to:

For intermediates, 15 per cent ad valorem plus 2½ cents per pound specific.

For finished dyes, 30 per cent ad valorem plus 5 cents per pound specific.

In the same manner as before these composite rates, expressed as ad valorem, are:

For intermediates, 39 per cent.

For finished dyes, 55 per cent.

Even then a committee representing the dyestuff manufacturers told members of the then Committee on Ways and Means that "they would guarantee that in five years they would make 100 per cent of all the dyestuffs the American manufacturers desired in the United States."

In July of 1916 the rates just given were changed so as to exclude indigo, alizarin, dyes from them or from anthracene or carbazol, and all indigoids of whatever derivation from the 5 cents per pound specific, leaving them at 30 per cent, instead of on the free list as in the then effective act. These were enacted into law on September 8, 1916. Then the dye makers said they could not provide us with the desired industry.

On June 18, 1919, the Committee on Ways and Means began hearings on the first of what ultimately were three different Longworth bills. The rates provided were:

For intermediates, 35 per cent ad valorem plus 6 cents per pound specific.

For finished dyes, 50 per cent ad valorem plus 10 cents per pound specific.

These, on the same basis as the foregoing, amount to—

For intermediates, 92.1 per cent ad valorem.

For finished dyes, 100 per cent ad valorem.

After taking testimony which, with its exhibits, comprises 216 printed pages, the foregoing rates were reintroduced but coupled with imports prohibition in a new bill and hearings thereon begun July 14, 1919. On July 31, 1919, this bill was again modified, retaining the imports-prohibition feature, but reducing the rates which are those now before the Senate. These rates are:

For intermediates, 40 per cent ad valorem plus 6 cents per pound specific.

For finished dyes, 45 per cent ad valorem plus 7 cents per pound specific.

As before these expressed as ad valorem amount to :

For intermediates, 97.1 per cent.

For finished dyes, 80 per cent.

That is, in 1882 69 per cent duty gave us then an industry, but it raised costs to dye users too much and was therefore reduced to 35 per cent, which destroyed our then industry.

In 1916 (January) 50.7 per cent on intermediates and 67.5 per cent on finished dyes was satisfactory to our dye makers.

In 1916 (May) 39 per cent on intermediates and 55 per cent on finished dyes was likewise satisfactory to our dye makers.

In 1916 (July) 39 per cent on intermediates, 30 per cent on indigo, etc., and 55 per cent on all other dyes was not satisfactory to our dye makers.

June 18, 1919, 92.1 per cent on intermediates and 100 per cent on finished dyes was asked on behalf of our dye makers.

July 14, 1919, same as preceding plus import prohibition was asked on behalf of our dye makers.

July 31, 1919, 97.1 per cent on intermediates and 80 per cent on finished dyes plus import prohibition was asked on behalf of our dye makers.

Tabulated, this means:

	Indigo, etc.	Other dyes.	Inter- mediates.	Remarks.
	<i>Per cent.</i>	<i>Per cent.</i>	<i>Per cent.</i>	
1882.....	Free.	69	(?)	We had an industry.
January, 1916.....		67.5	50.7	Satisfactory.
May, 1916.....		55	39.0	Do.
July, 1916.....	30	55	39.0	Not satisfactory.
June 18, 1919.....		100	92.1	Satisfactory (?).
July 14, 1919 (+ imports prohibition).....		100	92.1	Do.
July 31, 1919 (+ imports prohibition).....		80	97.1	Do.

Simple inspection of this table shows conclusively a very much confused state of mind on the part of our dye makers as to the minimum rates that will make them able to stand open competition.

ITEM 3—EQUALIZED RATES BETWEEN DYES AND INTERMEDIATES.

In form the Hill bill, the tentative rates of May, 1916, and the act of September 8, 1916, assess intermediates one-half what finished dyes are assessed (excepting indigo, etc., in the act of September 8, 1916). This also was then satisfactory to our dye makers, but this relation is not at all sustained in any of the three Longworth bills. Instead of having an average rate which is, when expressed as ad valorem, 50 per cent of the corresponding dye rate, the intermediates actually had under the above calculations the following percentages of the dye rates:

	Per cent.
January, 1916.....	75
May, 1916.....	71
July, 1916.....	71
June 18, 1919.....	92
July 14, 1919.....	92
July 31, 1919.....	121

In this regard our dyemakers therefore now ask that articles in more highly manufactured state (finished dyes) and worth per pound in the condition imported almost twice as much—and on dry weight much more than twice as much—as less highly manufactured articles (intermediates) shall nevertheless be taxed at a lower rate than those lower-grade articles. Very much like asking that raw wool should be taxed higher than woolen cloth and that steel billets should be taxed at watchspring rates or higher.

ITEM 4—APPLICATION OF SPECIFIC RATES.

The specific duty is to be not less than stated; if, however, the strength of the imported material exceeds the ordinary prewar strength, then the specific

duty per pound is to be raised proportionately; of course, the ad valorem rate remains the same.

Take, for instance, indigo, for very good reasons this dye before the war was generally sold as a paste of 20 per cent true indigo and 80 per cent of water at about 13 cents per pound for that paste, or at the rate of 65 cents per pound of dry weight 100 per cent indigo; at 45 per cent and 7 cents the paste would pay 12.85 cents or 98.8 per cent duty. If a dry indigo be brought in under the Longworth bill provisions it would pay 45 per cent on 65 cents for the ad valorem and five times 7 cents per pound, or 35 cents on a 65-cent article, as an "adjustment" for having imported less water, or a total of 98.8 per cent as before; under present provisions and the Longworth rates this would pay a total of 56 per cent.

Again, take lake red C., which, as a 20 per cent paste, was imported at 3.1 cents per pound. In that condition it would pay a duty equivalent to 271 per cent. When brought in as dry powder and declared at its then value of 15.5 cents per pound the duty would then be ad valorem 45 per cent, specific, five times 7 cents, or 35 cents on a 15.5-cent article; under present provisions and the Longworth rates this dry product would pay 90 per cent duty.

It is for the purpose of proportionately raising the specific duty per pound of commodity imported that standards of prewar ordinary strengths are provided for in the Longworth bill in addition to preventing undervaluations for purpose of escaping the proper total ad valorem tax.

The act now in force certainly excludes such "boosting" of the specific rate; such exclusion was openly avowed on the floor of the House of Representatives, urged as a reason why the advance in duties would not be excessive and never protested against by our dye makers; such exclusion was made the argument why a composite tax should be created, and so far as the record goes it was with that understanding and no other that the present composite rate was finally adopted. While such strength standards may be needful to decide the unit value of imports for purposes of ascertaining the total ad valorem duty to be collected, they have nothing whatever, under our present act, to do with the application of the specific rate; under our present act we do tax water in certain dyes at 5 cents per pound, or 40 cents per gallon, but if that water be not imported it is not taxed; so long as the importer declares the true pound value of his so-concentrated goods, pays the proper total ad valorem duty and the proper specific duty on each pound of the commodity in the condition as imported, he is fully living up to the sole intent and purpose of that act.

ITEM 5—INEQUALITIES IN DYE RATES.

The Longworth bill, however, provides for a heavier tax for all such dyes as came to us in paste form than for dyes that ordinarily came to us in the highest commercial concentrations. This is probably the first time in our history, in order to create an industry, that we have agreed to tax imported water 7 cents per pound, or 56 cents per gallon, and at the same time to penalize the importer to the same extent if he does not bring that water in. That is, he is taxed if he does and taxed if he does not. If this be not the right view, then it can only be that we have agreed that for these paste dyes, e. g., indigo, the duty shall be 98 per cent, for lake red C. 271 per cent, no matter in what form or condition imported, and so on down the list. Since most of the dyes heretofore imported in paste form are of the indigo and like class, it follows that the Longworth bill now taxes these dyes at actually higher rates than the other coal-tar dyes. In those dyes where the pastes were ordinarily eleven-twelfths water, or seven-eighths water, or nine-tenths water, it is self-evident that the public has committed itself to a higher duty rate on account of the more or less accidental proportion of water usually imported than in the two cases just cited of eight-tenths water. Instead of equalizing these two classes of dyes, i. e., indigo, etc., and the other kinds, the Longworth bill not only wipes out that inequality but recreates it on the other side.

ITEM 8—CONTINUING RATES.

In 1916 our dye makers were sure that at the end of five years' protection under rates very much lower than the Longworth rates and in otherwise open-world competition for our markets, they could begin to dispense with specific rates and in another five years do entirely without them and at the same time give us dye independence. In 1919 our dye makers say that they can not ever

get along without specific rates even if for a limited time all direct competition from abroad is shut off.

DYE MAKERS CHANGED VIEWS ON RATES.

In less than three years our dye makers have undergone a very decided change in opinion, since their dye rates have advanced 40 per cent, intermediate rates have advanced 150 per cent, the relationship between these two rates has advanced 61 per cent, intermediates are taxed at a higher rate than finished dyes, the application of the specific rate has been raised in some cases to 5, 8, 10, and even 12 fold, indigo and like dyes are taxed higher than others, and finally the specific rates must always continue.

What assurance has the public that between now and 1921 our dye makers may not have further like changes of opinion, and we may even then not have our dye independence? If so, how much farther is the public now prepared to go?

ITEM 7—IMPORTS—EXCLUSION.

Not until July, 1919, did our dye makers conclude that foreign competition for dyes in this market must be shut off, even though in December, 1918, Great Britain had definitely announced (after like rumors had circulated for more than three years) that she would exclude non-British-made dyes from British territory for a period of 10 years; this went into effect April, 1919, and is now the policy of Great Britain and all her dominions. France and Italy are said to have followed, or are about to follow, Britain's example. In 1916 our dye makers did not fear any competition that could overcome the modified Hill bill rates of 55 per cent on the finished dyes and 39 per cent on intermediates; the same applies in June, 1919, when the first Longworth bill was introduced with higher rates; in July, 1919, they asked for imports prohibition for a term of 5 years and before August, 1919, were content with a 2-year period and consented to reduced rates on dyes, although Great Britain's period is for 10 years, to 1929.

WHY IMPORTS EXCLUSION IS NEEDED.

What puzzles some people very much is why this remedy or aid should be at all necessary. I offer the following explanation, limited to dyes only:

The following tabulation arranged by tonnages required of 383 dyes imported into the United States in 1913-14 shows also the number in each tonnage class made in this country at the end of 1918 and by difference the number of those dyes not then supplied from domestic sources; these data are based upon the Norton dye census of 1916 so far as quantities and values are both given and the report of the Tariff Commission for 1918.

TABLE I.—Showing points of attack on part of 1918 American dye production.

1913-14 tonnages from Norton dye census.	Number of kinds.		
	Imported.	Made in United States in 1918.	Points of attack.
(1) 500 tons and over.....	3	3	.....
(2) 300 to 400 tons.....	1	1	.....
(3) 200 to 300 tons.....	5	4	..... 1
(4) 100 to 200 tons.....	23	13	..... 10
(5) 50 to 100 tons.....	32	20	..... 12
(6) 25 to 50 tons.....	47	26	..... 21
(7) 20 to 25 tons.....	19	12	..... 7
(8) 15 to 20 tons.....	22	8	..... 14
(9) 10 to 15 tons.....	38	14	..... 24
(10) 5 to 10 tons.....	66	16	..... 50
(11) 4 to 5 tons.....	12	1	..... 11
(12) 3 to 4 tons.....	6	1	..... 5
(13) 2 to 3 tons.....	25	4	..... 21
(14) 1 to 2 tons.....	28	3	..... 25
(15) ½ to 1 ton.....	26	8	..... 18
(16) Less than ½ ton.....	30	4	..... 26
Total kinds.....	383	138	..... 245

From this it appears that of those 383 dyes only 138 were made here in 1918, leaving 245 points of attack from foreign makers. It is a chart both for offensive and defensive tactics.

With no hindrance other than tariff duties what could reasonably be expected from a foreign maker, particularly the one or ones who had been supplying each and all of these 383 dyes to this country and who presumably have their prewar plant and skill still at their disposal, especially since those particular foreign makers are now combined into one? Would he not first import the 245 or fewer dyes which we were not making and then sell in for the 138 or more that we are making? Our markets are bare of these 245, the demand for them, or most of them, still exists, and they will be sold if offered; there is no domestic offering of them, hence no domestic competition. Of course he would. Then what inducement would the domestic dye maker have to tackle the 245 dyes? Satisfactory amounts and qualities of them would be in this country or awaiting shipment to us from abroad and almost immediately available. Plainly the inducement would have constantly decreasing attraction for the domestic dye maker. The tariff rates, even under the Longworth bill, if the very recent and almost eleventh-hour confession of lack of skill by our dye makers be true, would not suffice.

As an illustration, take class 8 of Table I, comprising those dyes whose United States 1913-14 requirements were between 15 and 20 tons; of these there are 22, of which 8 were made here in 1918 and 14 not. They comprise 6 shades, of which 4 are among those made and not made here; one is not made here and the last is made here.

What tariff obstacle has to be overcome? For this, these 22 dyes are classified as to shade, price per pound and protective rate:

TABLE II.—Showing points of attack on class 8, Table I, and available protection.

	Not made here.		Made here.	
	Cents per pound.	Per cent protection.	Cents per pound.	Per cent protection.
Black.....	23.3	75.0		
Blue.....	17.2	85.7	22.9	75.6
	25.1	72.9	29.8	68.5
	39.8	62.6		
	39.9	62.5		
Brown.....	18.6	82.6		
	25.9	72.0		
Green.....			42.8	61.4
Red.....	7.4	139.6	11.6	105.3
	15.8	89.3	12.7	100.1
	24.6	73.5	15.2	91.1
	49.6	59.1	58.2	57.0
Yellow.....	15.9	89.0	17.5	85.0
	30.6	67.9		
	55.8	57.5		

INFERIOR AMERICAN MANUFACTURING TECHNIC.

Quite late in the 1910 hearings before the Committee on Ways and Means it was urged that our dyemakers are still a very long way from being the efficient makers of both intermediates and dyes they very well knew that they should be and that the Germans and the Swiss had long been, and that is why they must have increased tariff rates over the present; that they should get twice and perhaps three times as much in weight of finished intermediates and of dyes out of the same weight of coal tar and other materials as they are now getting, to be on a par with the Germans or the Swiss in point of skill or efficiency alone. Under those circumstances the American dyemaker's costs per pound must be twice or three times those of these foreigners; that is, it would require a 100 per cent or a 200 per cent duty to equalize this lack of technic or manufacturing skill alone, all other things, such as materials' costs, labor, overhead and the like, per equal-sized batch of raw materials being assumed equal for present purposes. If this efficiency of our dyemakers is but one-half that of the foreigners then every dye in Table II that has not 100 per cent protection

is just by that difference exposed to successful foreign attack. Of the 8 dyes of that table made here only 2 meet that requirement, and of the 14 dyes not made here only 1; in all, 3 out of the 22. If this efficiency of our dyemakers is only one-third that of the foreigners, then not a single one of these 22 dyes is effectively protected. It ought not require any argument to show that under this set of circumstances the American dyemaker could not last very long against such competitors. If these foreigners have any other advantages over the American dyemaker, such as in materials' cost, labor, overhead and the like per equal sized batch of raw materials, the degree of protection shrinks to still smaller dimensions. All the other 383 dyes and all additional dyes can be treated in the same way with substantially the same result.

SHOULD WE HAVE A DUTY OF 200 PER CENT OR 300 PER CENT?

Assuming now that the above confession of inferior skill on behalf of our American dyemakers is true, even though proof for that is lacking, what remedy shall we apply? Shall we impose a flat duty of 200 per cent ad valorem on all these products, or shall it be 300 per cent? If we do that, what real means does the public have to force our dyemakers to make up this particular lack of skill and efficiency, which calls for much time, effort, and money? If the American dyemaker is secure at his present rate of operation, why should he go to that additional expense? Will the public in the end really get dye independence? Perhaps. But in the meantime will not our domestic dye users be put to great hardship. Undoubtedly. Now, what means have we at our disposal to protect our dyemaker properly, to relieve the dye user to the greatest practicable extent and at the same time get our dye independence?

A PROPOSED ALTERNATIVE.

Supposing we said on the one hand to the dye maker under the Longworth or any other rates: "For a limited but definite period of time we will prohibit any and all importations of any and all such products as you are making or may make, so long as you make them of satisfactory quality and at reasonable terms as to price and delivery"; that we said, on the other hand, to the dye user: "For a limited but definite period of time, of any dye that you can not obtain from domestic sources in satisfactory quality and at reasonable terms as to price and delivery you may import enough for your actual current manufacturing necessities but not in excess of them because we do not want you to pile up or hoard such goods; by the time such importations are used by you American supplies may be then available; if not, we will then let you import another limited quantity." Would that help matters? Probably not. If we were to limit the criteria of selective import permission to quality and delivery alone, disregarding price entirely, it would. With price a criterion also and of equal force with quality and delivery, the whole procedure would be a complete failure. We might as well then let importations be unrestricted. So long as our dye makers, during this limited and definite period of time, can deliver satisfactory goods, we ought to buy them and pay the American price for them and not demand to have them at the foreigner's price; that is, of such goods as the American dye maker produces in satisfactory quality, only so much and no more, shall be permitted to reach this country, for this limited and definite period of time, as will make up the difference, if any, between actual current requirements for real manufacturing purposes and American deliveries. We must consume our own output of dyes of satisfactory quality before going abroad for more of them.

WHY AMERICAN DYE PRICES MUST BE IGNORED.

Some may ask, is this not special or class legislation and paternalism? Certainly, what else can you expect when you insist upon taking a one-nation business away from the only nation that actually did do it and have to divide it up among seven nations? Others may ask, will not the American dye user have to pay higher prices for his dyes than his foreign competitor? In the great majority of cases, yes; but what of it? A goodly number of dye users have informed the Committee on Ways and Means in writing and otherwise, in 1916 and again in 1919, that so long as they can get dyes of satisfactory quality in satisfactory amounts, price does not interest them to any very great extent, if

at all. Why not take them at their word for a definite and limited period of time? The dye maker says the price he gets for his goods is the central and important factor; the dye user says price is of no consequence to him. Why should not the dye maker at least be put in a position where he can get his price if, at the same time, the public be protected against the dye maker's dawdling and mere "milking" of the situation?

THE TRUE REMEDY.

Assuming the foregoing lack of efficiency to be true, then, in my opinion, dye independence can be certainly accomplished only if we make it impossible, for a limited and definite period of time, to import any more of such qualities of dyes as are made in this country than is enough to make up the difference between current actual manufacturing requirements and American deliveries; the length of that period being such as to permit American efficiency to equal the foreign. To that extent, I am convinced, the imports-exclusion feature of the Longworth bill is defective and must be corrected before we can have dye independence. During that limited and definite period of time the foreigner can not then flood our markets with the 245 dyes or the 14 dyes of the two tables preceding nor can he displace the American output of the 138 or 8 dyes of the same tables; in the meantime, the American dye maker can increase his output of these same dyes and he can start in to make the 245 or 14 dyes and his satisfactory output of those can not be displaced; in that way the American dye industry has a real chance to grow, not only as to output of qualities now made, but also as to added dyes; that is, a real expansion in the actual number of different dye individuals made, something which, if our dye makers' confession of inferior skill is correct, simply can not be done against foreign competition when hampered by the Longworth or any other rates alone. In this view the Longworth dye-imports exclusion is fully justified on its own merits and the pertinency and necessity of some such protective device is only enhanced and made the more imperative when we recall that England, France, and Italy promise to close one-fourth of Germany's former foreign markets to her, as well as to us, leaving our market all the more to be selected as a target not only by the German dye makers but all other dye makers as well, inclusive of the British, French, Italian, and Swiss. Ordinary prudence dictates some flexibly applicable self-defense measure like this imports-exclusion for the protection of this industry which is at best uniquely and seriously vulnerable in a number of very effective ways and at a large number of points.

But why this imports exclusion of the Longworth bill should extend to products on the free list and to products not related to dyes certainly needs fuller explanation by the dye makers than has come to my attention.

LET US SETTLE THE QUESTION NOW.

Some may object that even under that state of affairs the American dye maker will not be spurred into giving us dye independence. Possibly so. But how are you going to find out anything unless you try? The American dye maker says that he has never been given what he now, after a few years of actual experience, considers a fair chance to give us dye independence. He has, in a way, defined what he now considers a fair chance; the dye user says he can pay the dye price involved; why not trust the dye maker for a limited and definite period of time under terms of his own choosing? If at the end of that time the progress toward dye independence be so slight as to make it practically certain that we can not become independent, then we simply must accept that dependence because everything that could contribute to independence will then have been contributed. If, however, progress be then of such degree as to make it likely that in another similar limited and definite period of time we will have dye independence we can provide that period; if we should have achieved independence or substantial independence at or before the end of the limited and definite period of time, our object would have been accomplished. In any event, we would then have a clean-cut answer. Ought we not have such answer? Can any one conceive of a clean-cut answer being obtained when all needful conditions are not supplied? Not by any means. Do we hesitate to give the dye maker all that he says he needs because we fear a clean-cut answer? Some profess to believe we can never

be independent, others say we can. We have debated this question back and forth for almost 40 years. We can settle it definitely in a few years. Why not do it?

DEPENDABILITY OF THE DYE MAKER'S JUDGMENT.

As to rates, the dye maker has changed his mind four times in the last three years; he has taxed the formerly free dyes higher than the others; he has now boosted in wholly unprecedented fashion not only the application of the specific duty, but the relationship between the rates on semimanufactured and fully manufactured products, and he has asked for imports exclusion. There has not appeared in any of the testimony in the 1919 hearings before the Committee on Ways and Means any reason why the tariff rates should be where they now stand in the Longworth bill; no clear-cut statement by any one in a position to speak convincingly for the dye makers why these rates are proposed and what they are expected ultimately to accomplish. No production costs here or anywhere else are submitted; nothing tangible of any kind. There is the mere statement that the American dye maker gets only 1 pound of finished product where he should get 2 or 3, and no proof for it; the rates can not be aimed at curing that lack of technic, because that is an obvious impossibility and hence an absurdity. This lack of efficiency or skill could never have been news to the dye makers; it was fairly prominent in the hearings on the Hill bill in 1916; it did not show up anywhere in the Longworth bill hearings until they had gone on for more than 200 pages. The only justification for the altered relationship in the rates on intermediates and dyes appears in 23 words in the majority report of the Committee on Ways and Means. Since, in 1880, with a 65 to 70 per cent duty we did have a dye industry, successful for those days, why, in 1919, should they ask for 100 per cent? Patents can not be blamed nor credited with any part in it. The absence of clear and responsible statements by the dye makers, the patent inadequacy of the "lack of efficiency" argument made in their behalf (almost as an afterthought) for imports exclusion when it is measured by the tariff rates they were willing to accept in 1916 and in 1919 without such exclusion, these all tend to diminish faith in the dye maker's knowledge of the facts and of his ability to judge of them correctly and to decide upon an adequate remedy and further tend to create the impression that the dye maker is angling for a check signed in blank, instead of justifying an appropriation. Before going much further, the American public is entitled to know, with far more definiteness than has heretofore been forthcoming, just what are the limits to the calls upon it for defensive measures against foreign makers that the American dye maker will or may make. These limits can be determined now quite as well as later on. The American public can certainly be counted upon to face whatever it agrees to face, but it should not be asked to face things without agreement and clear understanding.

THE PUBLIC MUST NOT BE DISAPPOINTED.

As matters now stand, the dye makers are substantially in the position of saying: "In 1916 we were mistaken, and we overlooked a number of things; we can not stand open competition at any tariff rate whatever on any coal-tar product of any kind whatever for two or more years to come; thereafter we can stand open competition, but the tariff rates then needed to protect us will have to be much higher than any of those of 1916, or any we have ever had; they will have to be differently distributed and indefinitely prolonged."

The public ought not be exposed to the possibility that in two years or so the dye makers will say: "Sorry, we were again mistaken, and we again overlooked something; we still do not have the desired industry; you will have to do more and for a longer period of time, or be satisfied with what we have so far done and what it may grow into."

THE DYE MAKER MUST ANSWER.

Therefore, the dye maker has properly exposed himself to the following question from the public: "Are you now sure that you have stated everything you need in the shape of helpful legislation aimed at foreign competition to put you in a position to give us true dye independence no matter what happens in foreign countries or elsewhere?" And the dye makers must make reasoned answer.

No occurrences between January, 1916, and August, 1919, can adequately account for the changed views of the dye makers as to the amount or kind of protection they need; everything that has now been urged as a reason was practically as well known in 1916 as in 1919. The only explanation for not urging the 1919 reasons in 1916 can be lack of foresight, thoroughness, or imagination—or of all three—on the part of the dye makers, unless they then were disinclined to disclose the true and total cost of dye independence to the American public.

POSSIBLE CONTINGENCIES.

Signs are not wanting that other countries through legislation may decide not to sell us those dyes which we may permit to be imported, unless we agree to permit importation of dyes in competition with domestic products. What added remedy would the dye maker then want, if any?

In 1913, about 1,900 tons of dyes came into the United States, not in barrels, tins, or kegs, but on textiles such as carpets, rugs, tapestries, cloth, yarn, and the like. If, in 1920 or 1921, that should jump to 10,000 tons, or 15,000 tons, what added remedy would the dye maker then want, if any? Should such products also be excluded? The language of the bill passed by the House certainly does look toward such exclusion.

If importations of dyes, not as such, but in an advanced stage of manufacture, such as ground in oil, paste or like vehicle, and any of the many other commercially feasible, though not now widely practiced, modes should be intensively taken up by foreign exporters what added remedy would the dye makers then want, if any? Should these also be excluded? If these are to be excluded, why should not the dyed fabrics and the like, just referred to, also be excluded? The language of the bill very likely covers the former if it covers the latter.

What would the attitude of our domestic textile manufacturers, job dyers, importers, clothing makers, ink makers, cloth printers, lithographic and color-process printers, paint makers, and a host of others be if, in the last two cases, the dye makers should ultimately be compelled to insist upon the exclusion of those commodities from this country in order to give us dye independence? Would those industries, therefore, demand higher tariffs on their other goods?

If the dye makers are sure that they will not need such exclusion, will they consent to changing the language so as to make such exclusion impossible and define the scope of such exclusion accurately and completely?

Do the dye makers really mean "of equal quality" when they say so in this bill or will they want that interpreted in a broad manner to cover competitive goods as well?

Should such imports exclusion last as long as foreign exchange is depreciated, even though the foreign cost in coinage units abroad shall have increased? If not, when shall exchange depreciation cease as a reason for this imports exclusion, and what added help do the dye makers then want?

On the other hand, if we create conditions in this country that achieve dye independence through American efforts, will the public or the dye makers then object if foreign makers establish branch factories here and with their assumed or real superiority in manufacturing technic proceed to eliminate American effort, and thereafter slowly but surely retransplant this business or parts of it to Europe? If so, what remedy will the public or the dye maker then want? Such procedure on the part of foreign dye makers is wholly logical, and certain portions of it have been long foreshadowed in press dispatches from Europe.

These contingencies could be greatly expanded, but they are sufficient to show that there are many cases now far less remote from reality than British and other dye exclusion or lack of technic or depreciated exchange were in 1916, which could be said to help in thwarting our dye-makers' efforts. Since, however, this import exclusion of 1919 and the others are said not to have been anticipated in 1916 by our dye makers, is it so improbable that they have now also forgotten or overlooked contingencies like those just cited, that they and all others like them should not now and specifically be taken up and definitely disposed of? Not at all!

WHEN DOUBTS ARE ELIMINATED.

Assuming now that such an inquiry were to develop that none of the specified contingencies nor any other would alter the dye-maker's present conviction that the rates would have to be raised to the points and in the manner desig-

nated and that an imports-exclusion device be provided but definitely limited as to time, scope, and mode of application, and that anything less, as protection against foreign competition, would lead to failure, then the public is squarely before these two questions—rates and exclusion.

As to rates, the answer seems to be substantially unanimously in favor of them, seemingly no importance being attached to the precedent that may be created by the relationship between the duties on intermediates and finished dyes.

IMPORTS EXCLUSION SHOULD BE ENACTED.

With respect to imports exclusion, the answer is very much divided. Opposition to it ranges from entire opposition to any continuance of any so-called license system after the formal coming of peace, to details of operating such a "licensing" system, and includes objections because the scope of articles subject to the proposed import exclusion is not large enough. Under the assumption just made, the last-stated objection is eliminated from this consideration, and that leaves the question of a so-called licensing system, or not, squarely before us. There is no question about it, the opponents have many good and substantial reasons for their opposition, but I believe that in the larger interests of the greater public that this opposition not only must, but ought to, fall. The precedent that would be established by imports exclusion is not lightly to be dismissed, and the danger that, after the war, licensing may therethrough become extended or more slowly extinguished in other lines, is not at all wholly fanciful. Nevertheless, I believe that the danger of our not having dye independence through failure to create this precedent is unquestionably greater than any danger or harm that can reasonably be expected to flow out of such precedent. We have it in our own hands to control events that flow out of our precedents, but I am convinced that we can not have our dye independence without creating this particular precedent. In part, it is actually forced upon us by the action of England, France, and Italy.

HARDSHIPS UNDER IMPORT EXCLUSION.

The domestic hardships that will follow this import-exclusion policy are not fanciful, they are real, and extend over a great many—though, relatively speaking, few—individuals, and these hardships are substantial. Many are going to be hampered in their business; they will suffer delays, and they will suffer business and money losses in domestic as well as in export business. That is an unfortunate situation, but it can not be avoided and will have to be faced resolutely and with a determination to minimize the bad results to the utmost. The only effective way to do that is to cause the licensing authority to act promptly and without favor upon all applications coming before it and to have due regard to the confidential and private nature of all such applications and their ultimate disposition. So long as these conditions are effectively fulfilled, the personnel and mode of operation of the licensing commission can hardly be of any large public interest. Many proposals heretofore have been submitted, all avowedly aimed at the purposes just set forth and with the added feature of minimum burden upon the Federal Treasury; there is, therefore, every reason confidently to expect prompt and satisfactory administrative provisions when, and if, the imports-exclusion policy is adopted.

THE ADDED TASKS OF THE DYE MAKER.

Granting now that the present Longworth, or some other bill, embracing all that the dye maker will need and that the public is prepared to provide in the way of protection against foreign competition is enacted into law, what may reasonably be expected to be the course of development of our dye industry and what additional legislative help in other directions may be needed?

The total tonnage of dyes imported into and made in the United States in 1914 was 26,500 tons. In 1913, about 40,000 persons in fewer than 50 factories made not only the 200,000 tons of dyes made in the entire world but also their needful intermediates, most of the auxiliary chemicals and all the lakes, photographic developers, perfumes, flavors, and synthetic medicinals and the like

that the various coal-tar dye plants of the world produced. In 1918 the United States employed 27,000 people in 187 different factories whose efforts resulted in 29,000 tons of dyes, together with about 9,000 tons of lakes, photographic chemicals, medicinals, flavors, perfumes, tanning materials, and synthetic phenolic resins, in addition to the intermediates needful for dyes and for other purpose, largely military. With the establishment of peace the purely military part of this enterprise will disappear; how many persons this will release can not be deduced from any available figures. Based on the prewar figures, about 4,000 or 5,000 people of all kinds should turn out our 26,500 tons of total dye requirement. If so, what happens to that share of the excess of about 23,000 persons, not engaged in making military products in 1918? How many of these 187 factories will be able to go on? A goodly number of our factories have already gone out of business; how many more will follow suit? How is survival to be effected, coupled with our having dye independence? Will the situation settle down to only two or three concerns? If so, how shall the others die? Slow starvation or will merger and subsequent abandonment, if necessary, be permitted while there is still something to merge? How much of a deterrent effect on merger or integration will the Sherman and the Clayton Acts have? The total capital invested in these enterprises is very variously stated; some put it at 40 to 60 or 80 millions, others as high as 300 and some over 400 millions. How much of that unredeemed investment, if any, may be lawfully salvaged by merger, combination or integration? A few hundred pounds a year may be all we need of a particular dye, but we need that badly. How is that small amount to be distributed among 187 or fewer domestic factories? Any one of them could make that amount in a week or less. Shall competition alone settle that question or are the factories to be allowed to divide up the market on this dye? If they do not divide the market, may it not happen that nobody would make that dye here? If they may divide up the market on this dye, at what annual poundage of dye may they not lawfully divide up, but must then resort to competition to prove who is the rightful maker of that poundage? Bear in mind all the time that we want all these things made in this country and we want dye independence! In addition there is the likelihood of the establishment here of branch factories of foreign dye makers. It is very obvious that the coming of peace by no means relieves the American dye maker of all his legal and business problems—quite the contrary; he has new ones in abundance, and they are not limited to production alone, but relate to competition, distribution and purchasing as well.

THE DYE INDUSTRY ITS OWN JUSTIFICATION.

Just as though all the difficulties that I have mentioned as being in the way of the American dye maker to give us dye independence were not enough for any one set of men to bear, some of his very enthusiastic supporters have further burdened him with the responsibility of keeping us abreast of the best anywhere and ahead of it, if possible, in the industries of explosives, photographic developers, fine organic chemicals, synthetic medicinals, synthetic flavors and perfumes, poison gases and perhaps some other lines as well. He can make valuable contributions to each in time, but for the present he should not be loaded down with anything but his own particular task. We have well-developed industries devoted or closely related to each of these things and those so engaged should carry their own share of the burden. While it is true, to some extent, that in Germany these others did originally grow out of the coal-tar dye industry in the course of the past 50 years or so, yet it does not by any means follow that we, at this late date, much grow up in the same way. We have shorter cuts to success than the Germans ever had. There is no question at all but that such a dye industry as we want will have valuable and far-reaching beneficial effects in a large number of ways upon all the previously enumerated branches of industry now, and for many years past, firmly established with us. They themselves have a mighty good start; all that they have to do is to keep on growing in directions perfectly well understood by them, whereas the dye industry has new and big troubles all its own ahead of it and more are coming up each day for it to meet. I regard all such collateral effects as important and very persuasive, but second- or third-line arguments only for our having such a dye industry, and they are not at all of major dignity or power. If, and when, we get this kind of a dye industry, we

can call that a very good day's work without worrying about how much we may or should have profited otherwise. Such profit is distinctly up to other and well-established lines of our industries and not to the dye maker in any way, shape or fashion.

To particularize: In the explosives industries the coal-tar portion is very simple; the testing out of new products very complex and detailed; hence the invention, development, and manufacture of explosives from coal-tar materials is properly wholly an affair of the explosives industry so highly and efficiently productive and progressive with us and not of the still to be created dye industry; the invention, development, and distribution of photographic chemicals properly belong to the photographic industry, now and for a long time past so well developed with us, and their manufacture belongs to our well-developed organic and fine chemical industry and not to the infant dye industry. The discovery of new synthetic remedies is properly the function of the many medical institutes and schools of research in this country; they can be manufactured by our organic and fine chemical industry, helped out by our large pharmaceutical factories and distributed by the latter, synthetic flavors and perfumes have for years been successfully made here at a number of establishments and they have also conducted much of the research in this field; there is no reason, compelling or otherwise, why the struggling dye makers should share their work. In the manufacture of toxic and like gases for military purposes whose invention and development belong to the Chemical Warfare Service, the largest single material involved and at the same time the one most difficult to transport is chlorine, which in 1914 was normally made in 23 different factories in this country and in an amount approximating 65,000 tons annually, while during the war we made a total of but 12,000 tons of toxic gas war materials; their manufacture, therefore, should be linked up with our going chlorine industry. The coal-tar materials needed in any or all of these arts of peace are and have been obtainable if we only wanted them in any needful quantity and quality, without in any way calling upon the dye maker for them, their total requirement being under 300 tons per year. For each of these important collateral developments we have domestic industrial points of attachment and growth of long and firmly established competitive ability; would it not be the very height of folly to ignore them and to stake our entire future in these fields wholly upon the dye industry, whose future with us is by no means established? I am thoroughly convinced that no one can seriously or for long take any other view than the foregoing; we can surely have all of these other industries in the highest possible state of efficiency if we only will, whether we have a dye industry or not. That we should have our own supply of dyes is the only reason for having a domestic dye industry. The war itself proved that conclusively and beyond question.

THE CITIZENS' SHARE AND DUTY.

The legislative and governmental helps needful to establish dye independence have now probably all been here discussed, touched upon or foreshadowed. What, if anything, else remains to be done in order to make success certain? Naturally the dye maker must sell his products and we, the citizens of this country, are the ones who must buy them; we are his primary market, his first source of income. If we fail him, who will help him? In this industry each nation is hostile to each other nation. Each must look out for its own. We must support our dye makers and forget that grotesque fairy tale that because dyes are made in the United States they are, therefore, inferior in quality to dyes made elsewhere. For years before the war Americans did produce a dye from intermediates imported from Germany and did sell that dye to Germans in Germany at a price and of a quality that the Germans did not and could not meet. Those intermediates are now being made here as well and as cheaply as Germany ever made them. Having done that once, at least, is that any reason for believing that we can not do it again and again and yet again? Hardly! What has been done once can be done again and as often as need be. The Longworth bill asks us to stand by our dye industry, absolutely, except in a few regulatable instances. The dye makers tell us they must have our support and to that extent. Can we afford to withhold our support if and when the price has been fully and completely stated, without any reservations, mental or otherwise, on the part of our dye makers? We can not!

In my best judgment, the entire present situation can best be handled by most promptly enacting imports exclusion, clarified and limited, as here suggested purely as an emergency measure only and leaving the tariff rates of the act of September 8, 1916, in force until such time as they can be revised in order properly and effectively to meet open foreign competition and when we have sufficient light on how high those rates must then be and why.

The present of the American dye industry is a glorious achievement; the future can be made more so. No one can prevent that except the American public.

25 Broad Street, New York City, N. Y.

(Thereupon, at 5.07 o'clock p. m., the subcommittee adjourned to meet at 2 o'clock p. m. to-morrow, Friday, December 12, 1919.)

DYESTUFFS.

FRIDAY, DECEMBER 12, 1919.

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

The committee met at 2 o'clock p. m. in committee room 312, Senate Office Building, pursuant to adjournment, Senator Charles Curtis presiding.

Senator CURTIS. Mr. Demming, you may call your next witness.

Mr. DEMMING. Mr. Metz has a word he would like to say at this time.

Senator CURTIS. All right; the subcommittee will hear him.

STATEMENT OF MR. H. A. METZ—Resumed.

Mr. METZ. Mr. Chairman and gentlemen, I made a statement about salvarsan. At this time I want to file a statement giving the result of a series of tests which I think will be interesting to show how they are treated and to show the control that is exerted in these medicinals.

I also want to say, what I forgot to mention on yesterday, that hydrosulphate has been mentioned here. That is not a coal-tar product, but is used in connection with vat dyes and other products. Request was made that hydrosulphates should also be imported under license. That simply shows how far we may want to go if we once start on this matter of licensing; if that is licensed then other things will have to be licensed. So it shows right at the outset if we begin with one thing we are going to have to include many others.

Hydrosulphate was first invented in my laboratory, and the basic patent taken out by my chemist and assigned to me. It seems, however, that hydrosulphate was patented also in Russia and assigned to a German concern. Later on another German concern patented the product, and it was licensed here. All that shows what it means.

As to all these matters, our chemists know the why but the practical men know the how, and all we have to do is to get the practical man and bring him over. One man came over within the last few weeks from England, who was an assistant in a very large plant over there, and the Du Ponts got him. That man will save two years on lots of things by being in their factory. That is the way we can get help when the time comes. We have applications to come over, and these men can be had when wanted. As I have said, the factory man

knows the how about these things and the chemist knows the why; we must have these men.

I now wish to submit these tests to which I referred.

Senator CURTIS. Hand them to the reporter, who will incorporate them in the hearing.

(The report referred to is in the words and figures following, to wit:)

[Columbia University College of Physicians and Surgeons, New York City.]

PRELIMINARY REPORT TO H. A. METZ LABORATORIES (INC.), OF TESTS OF THE TOXICITY OF THE SALVARSAN PRODUCT MARKED "H. 65."

Method employed.—The procedure required by the U. S. Government for official tests, namely, intravenous injection of 2 per cent aqueous solution into five or more healthy nonpregnant albino rats (weighing 100–150 grams each).

Official acceptance of a preparation of arsphenamine tested by this method requires at least 60 per cent of survivals, for a period of not less than 48 hours after an injection of 100 mg. per kilo of body weight.

Result of the test of product H 65 by the foregoing procedure and on the specified official condition: Four of six rats survived treatment with 130 mg. per kilo of body weight (67 0/0).

General data of the test are appended (numerals for mg. that are not marked with asterisks represent rats that lived more than 48 hours after the injections were made; those marked with asterisks represent rats that did not survive for at least 48 hours after the treatment):

Test.		Amounts of the product (calculated as mg. per kilo) that were injected into the individual rats.					
No.	Date of the injection.	1	2	3	4	5	6
1	December 6.....	131	131	130*	130*	130	130
2	December 7.....	125	125	125	125	125	125*

Remarks: All the surviving rats (9) are lively and vigorous at the ends of the fourth and third days, respectively, after the injections.

(Signed) WM. J. GIES.

DECEMBER 10, 1919.

Senator CURTIS. You may call the next witness, Mr. Demming.

Mr. DEMMING. The next witness I wish to call is Mr. George B. Sanford.

Senator CURTIS. Mr. Sanford may come around and the subcommittee will be glad to hear him.

STATEMENT OF MR. GEORGE B. SANFORD, NEW YORK, ENGAGED IN THE WOOLEN BUSINESS AND PRESIDENT OF THE AMERICAN ASSOCIATION OF WOOLEN AND WORSTED MANUFACTURERS.

Mr. SANFORD. I would like to make this statement, in the first place I will speak in behalf of the American Association of Woolen and Worsted Manufacturers, and then if I may I would like to make a statement for my own concern, in the interest of my own mills.

Senator CURTIS. Go ahead and state it in your own way.

Mr. SANFORD. The question of this dyestuffs problem was first brought to the attention of the directors of the association in March of this year. The directors were asked to communicate by cable to

the President, who was then in Paris, in connection with the dyestuffs problem. It was brought up at a discussion by the directors, and was then thought, inasmuch as it was found there was a minority on the board keenly opposed to the legislation, that the matter should be further considered. The result was that no action was taken at that time by the board. At a subsequent meeting, I think in June, the subject came up again for discussion, and it was found that there had been a considerable change in opinion among members of the board, and at that time what had been a minority became at least a considerable majority of the board. In a desire to get fuller information, the subject was referred to the executive committee of the association, with instructions to look into the matter and report to the board a recommendation as to such action as seemed wise for the association to take. That was the situation at that time. In the early part of July, in their desire to get information, they arranged for a meeting of the membership of the association, which was held at the Waldorf-Astoria in New York City. Representatives of the dyestuffs industry were asked to appear at that meeting and set forth their side of the case. Dr. J. Merritt Matthews appeared and addressed that meeting, and Col. John P. Wood, a member of the association, was asked to present the other side of the question.

Senator NUGENT. About how many manufacturers make up your association?

Mr. SANFORD. I think all together there is a membership of 209 in the association.

Senator NUGENT. Do they comprise practically all of the woolen manufacturers in the United States?

Mr. SANFORD. The woolen manufacturing business is widely diversified, being composed of many classes and of different types; but it takes in a considerable portion of the mills engaged in what is more directly known as the men's wear work.

Mr. CHOATE. It and the National are the two big associations?

Mr. SANFORD. Yes, sir; and they intercross. There are two associations in the industry, and there are many members of the industry that are members of both associations.

At that meeting both sides of the question were heard. That meeting was immediately followed by a meeting of the executive committee, which committee unanimously voted to refer the matter back to the board of directors, with their recommendation that a definite position in opposition to the license system as proposed in this bill should be made. A meeting of the board of directors was called, which, I think, was held the latter part of July, as I remember it, and at that meeting a resolution was adopted setting forth the opinion of the board of directors. A copy of that resolution was sent to every member of the association. It was also sent to you gentlemen, Members of the Senate and the House at the time. If I may be permitted, I will read the resolution, which I would like to place in the record.

Senator CURTIS (presiding). You may read the resolution or just place it in the record by handing it to the reporter, as you may prefer.

Mr. SANFORD. If you will permit me, I would like to read the resolution.

Senator CURTIS. All right; you may read it.

Mr. SANFORD. The resolution is as follows:

DYESTUFFS—LICENSING.

RESOLUTION ADOPTED BY THE BOARD OF DIRECTORS OF THE AMERICAN ASSOCIATION OF WOOLEN AND WORSTED MANUFACTURERS ON AUGUST 20, 1919.

It is resolved. That the board of directors of the American Association of Woolen & Worsted Manufacturers records its appreciation of the energy and enterprise of the American dye manufacturers during the war.

The board desires that the present development of the domestic dye making industry shall be fully sustained, and that it shall continue to expand until all American color needs in qualities and quantities can be fully supplied by home production. To this end, the board favors the enactment of liberal protective tariff rates upon imported dyes; but it emphatically objects to the imposition upon the woolen and worsted industry of a licensing system governing the import of foreign dyes. There are numerous kinds of dyes essential to American textile manufacturers that are not yet produced in the United States. Until these are made here in sufficient quantities to supply domestic needs, they must be imported. A system of restrictive licensing would cause such uncertainties, delays, and complications as to seriously and needlessly embarrass the industry. The association believes that the domestic dye-making industry will be assured complete protection, much more ample than ever heretofore accorded any other industry, against foreign competition by—

1. The tariff rates proposed in the Longworth bill now pending before Congress.

2. The complete control over the prices of German dyestuffs, which has been given, by the terms of the peace treaty, to a reparation commission.

3. The control over the price of imported dyes, which the Chemical Foundation can exercise through its ownership of 4,500 American patents acquired from the Allen Property Custodian.

4. The antidumping legislation it is understood Congress will enact during its present session.

5. The authority and large powers now possessed by the Federal Trade Commission to prevent unfair competition.

Therefore, because of the complete protection that will be assured the domestic dye industry without a licensing system, and because of the injury that a licensing system would cause to the woolen and worsted industry, the board of directors of the American Association of Woolen and Worsted Manufacturers objects to the enactment of the licensing provisions in House bill No. 8078 and requests the honorable Members of the House of Representatives and Senate of the United States to eliminate from that bill the section or sections pertaining to licensing.

That, gentlemen of the committee, is the position of the American Association of Woolen and Worsted Manufacturers.

I would like now to state for myself, I am of the concern of Sanford & Russell, that we operate four mills, three in Massachusetts and one in New Hampshire. Our mills are all making medium and better grades of men's wear woolens.

As to our position, in the first place I would like to say that our attitude against the licensing system is based on our conviction that no commission, either governmental or nongovernmental, that is made up of human beings can possibly administer a licensing system without causing serious damage and detriment to the industry. You had presented to you here on yesterday some idea of the wide ramifications of the different features of this complicated question. You heard the carpet people, the hat people, the sweater people, the hoisery people, underwear and knit goods people, all of whom represent types of the industry. They all have their own problems, but not one of them has such great problems as we in the men's wear work.

You also heard from Mr. Metz on the question of dyeing cloth, and were told that it is not a question of taking a particular commodity and putting it into a tub and taking out the cloth, but that it is a complex problem. I am not an expert dyer, and not a technical manufacturer; but I have manufacturing mills and have been in the manufacturing business for a great many years and know of some of the difficulties. In one of our mills we have been making for 25 years what is considered in the market standard piece dyed fabrics, standard woolen cloth. Prior to the war we used to make many types of fancy colored goods. I might say that in this class of material the cloth remains the same a large part of the time; there is a variation only in coloring. At the present time we can get basic colors like blues, browns, and blacks without difficulty, but can get with no great satisfaction greens. Greens are doubtful, and the blues are only possible when used for the deeper and darker shades.

As soon as the war started and the old stock of the old types of dyestuffs was used up we had to stop making all fancy shades and colors of broadcloths that went originally for men's or women's wear.

We also make lines of cloth that go into uniforms, such as liveries, bell boys, car conductors, and people of that sort; and in certain phases of that business we made a great many fancy colored cloths. All that had to be dropped; we can not get any of them, as far as I have any knowledge of the matter to-day. They are not available now. The question is, should they be imported? The demand is there if anybody can come in and satisfy it, and in time no doubt it will be done, and we will be seriously injured in that direction.

The second mill we operate manufactures semistaple goods and fancy-mixture goods. They can only make now the most staple cloths. Fancy colored cloths are only reasonably good. The trade to-day is taking them because they can not get anything else, and we can not produce anything else for them. If anybody could come in and get the colors and produce those cloths it would seriously hamper our business.

The third mill which we operate is a fancy worsted mill, and goes into all the ramifications of fancy colors. During the last three years, when the dyestuffs of the old supply has been exhausted, we have been confined to the basic colors, which are the bulk of the colors marketed, and which are very successfully and satisfactorily made in this country, but with a fancy mill of that type, just as soon as we return to a competitive basis in the market, either competition from our own domestic production or otherwise, by catching up to the emergency shortage that exists, then anybody in this country or outside this country who can get colors wanted in the fancies will cause that mill to be seriously handicapped.

In a general way the dyestuffs question, as to types of mills like ours whose material is fairly high—and to-day, of course, it is extraordinarily high—the cost of dyestuffs from our standpoint, comparatively speaking, is an insignificant question. Our great problem, our very vital and essential problem, is our inability to get the proper colors; I mean, colors that will give service, colors that can be used and that will satisfy the consumer. Also the problem is

to get types and classes of colors, many of them not needed in big quantities, but absolutely essential to get diversity of production, and a fancy mill is dependent upon them in order to operate successfully.

I was at this fancy mill I speak of Tuesday of this week. Just as a matter of comparison or as an item of interest to get at relative cost in connection with this subject, I had drawn up all figures covering the year 1918. The total cost of drugs, which covers dyestuffs, acids, and all material of that kind, used in that mill in 1918 was \$54,000. That mill produced 542,000 yards of goods, and you will easily see that it means 9.96 cents per yard of cloth. The market value of that material was \$1,500,000, so that you may see that the ratio of total cost of dyestuffs to the production of the mill as marketed was about one-third of one per cent. I simply offer that as a demonstration, gentlemen of the committee, that the cost of dyestuffs, in proportion to the urgent necessity for quality of colors and diversity of colors, does not really amount to anything.

That is our position, gentlemen of the committee, and I believe in making that statement that I am covering the position of a very large percentage of the woolen manufacturing business that deals with men's wear woolen goods.

That is all I have to say, and I thank you.

Senator CURTIS. Any questions, gentlemen of the committee? [After a pause.] If not, Mr. Demming you may call your next witness.

Mr. DEMMING. I will ask to call Mr. Fred K. Nixon.

Senator CURTIS. The subcommittee will be glad to hear Mr. Nixon.

STATEMENT OF MR. FRED K. NIXON, SALES AGENT, NEW YORK.

Senator CURTIS. You may proceed to make any statement you may wish to make to the committee.

Mr. NIXON. Mr. Sanford has covered very completely, from a manufacturing standpoint, the need for colors for the trade, and I will touch upon only one other point: During the war I was trade adviser to the War Trade Board, and all applications for export of articles covering wool and other animal hairs came to our office for inspection. Therefore I feel and believe that any licensing system that is put into operation that requires research work is practically an embargo.

We had a very full and thorough Bureau of Research in the War Trade Board, and on all articles made in part from wool, which were prohibited for export, as to them we had frequently to send out questionnaires to find out what was the condition of the market, and whether we could let out any of this raw material or not. The delays that occurred were of such a nature that frequently licenses were determined upon too late to be of any use to the exporter. Many of these licenses were returned as of no benefit. I therefore feel that I can speak from my own knowledge of the question of licenses; and, from a merchandising standpoint, with the conditions prevailing, it will mean that the better end of our trade will be driven to foreign fabrics. Climatic conditions in this country are

such that the demand is made for fast colors. We must get fast colors for that reason. If goods are imported I am very much concerned as to what will happen to the materials in this country.

It is also of grave interest to the dyestuffs factory to understand what use for their experimenting in colors there will be after they have lost the market for them. It will require no persuasion on our part to sell our customers foreign merchandise. In fact, a large part of our merchandise is sold as foreign goods.

That is all I have to say, gentlemen of the committee.

Senator NUGENT. For what length of time were you connected with the War Trade Board?

Mr. NIXON. From December, 1917, until I was released to the War Industries Board, in the latter part of July, 1918, during which time I was sole trade adviser, but my office was run by my assistants.

Senator NUGENT. During that period of time were there any considerable number of licenses to export issued by you?

Mr. NIXON. Yes.

Senator NUGENT. Have you any idea as to the number?

Mr. NIXON. It is rather difficult to say. We were permitted to export up to a certain amount; that is, cloth containing wool up to an amount equal to 2,000,000 pounds, scoured wool, manufactured. We only reached about one-half of that.

Senator NUGENT. Can you state the number, approximately or roughly?

Mr. NIXON. The number of licenses?

Senator NUGENT. Yes; the number of licenses issued.

Mr. NIXON. I could not, no. They were mostly for manufactured merchandise, and, of course, not for our wool.

Senator NUGENT. You stated that on a number of occasions licenses for export were returned to you with the statement that they were too late to be of any benefit to the applicant.

Mr. NIXON. Yes, sir.

Senator NUGENT. About how many licenses were returned during the period you were connected with the War Trade Board?

Mr. NIXON. Of the articles that were concerned I have one in mind, as to which the Railroad Administration and the War Industries Board were very much concerned, journal waste. I put an inquiry in through the Bureau of Research, and after a considerable time found that their fears were warranted. I met with the representatives of the Railroad Administration and of the War Industries Board, and we decided that no licenses would go out except for journal waste having only small percentages of wool. We then offered to the exporter a license provided he would accept this substitute. Delays necessarily occurred in our research work, and by the time the exporter corresponded with the customer, and by the time the license finally reached the exporter, it was too late. I will say one-half of them were returned as being too late.

Senator NUGENT. One-half of the licenses applied for?

Mr. NIXON. On journal waste, yes. I mentioned that as one particular thing that we were concerned about. We had to offer substitutes because of the scarcity of private stock.

Senator NUGENT. Could you tell us, approximately, how many of those licenses were returned?

Mr. NIXON. Without referring to our records I could not.

Senator NUGENT. You have no idea about the number?

Mr. NIXON. No, sir; not as to the number.

Senator NUGENT. Could you place that number in the record?

Mr. NIXON. Yes; if that information is available still in the War Trade Board. Upon inquiry I find that it is and I will endeavor to get that information and put it in the record for you. (Mr. Nixon afterwards furnished for the record the number of licenses returned as being too late, that number being —.)

Senator NUGENT. Then I understand that the only licenses that were returned to you were licenses that you would issue to exporters to export a particular commodity.

Mr. NIXON. Yes.

Senator NUGENT. It did not apply generally?

Mr. NIXON. No; it did not apply generally.

Senator CALDER. That is, no licenses were returned to you except for journal waste?

Mr. NIXON. Well, principally, Senator. On other animal fibers, where we had to have the Bureau of Research inquire, to put out questionnaires, it entailed such delays that some of those were returned to me also. We found it most unsatisfactory.

Senator CALDER. You are opposed to the licensing system?

Mr. NIXON. Very much, Senator; because I believe it is an embargo.

Senator CALDER. You think you ought to have a high tariff duty?

Mr. NIXON. I believe it could be covered that way.

Senator CALDER. You think the trade could stand that?

Mr. NIXON. Yes, sir; a higher tariff on dyes would not raise the cost of cloth materially.

Mr. CHOATE. May we know what mills Mr. Nixon is connected with?

Senator CURTIS. Yes; he may answer that question.

Mr. NIXON. I am connected with Nixon, Walker & Tracy, sales agents. I am also interested in mills, but I am here as the head of the firm of Nixon, Walker & Tracy.

Mr. CHOATE. You are connected with what mills?

Mr. NIXON. The Southwark Mills of Philadelphia, of which I am vice president.

Senator CURTIS. Mr. Demming, you may call the next witness.

Mr. DEMMING. I would like to have Mr. Arthur Land next.

Senator CURTIS. He may come around, and he will be heard.

STATEMENT OF MR. ARTHUR LAND, SECRETARY OF ALEXANDER SMITH & SONS CARPET CO., YONKERS, NEW YORK.

Senator CURTIS. You may make any statement you desire.

Mr. LAND. I really have no prepared statement to make; the only thing I have to say is that I was asked to come down here by the committee and testify as to the condition of the dyestuffs industry as far as we are concerned. I might say that the only thing we are interested in at the present time is that of getting enough dyestuffs to operate our plant.

We are the largest carpet mill in the world, and have had considerable difficulty in getting enough dye material to operate successfully. There are certain colors which it is almost impossible to get, and while some of them are manufactured in a small way in this country, there is not nearly a sufficient supply to go round.

On the strength of an appeal I made two weeks ago to the War Trade Board they have granted my applications for our share of this allotment that is coming across under the terms of the Peace Treaty. At first they seemed to doubt my statement that it was not possible to get such colors as I stated were absolutely necessary to operate our plant, and until I had proved to them, through correspondence and telegrams, that that was the situation I was unable to make much progress with them. But since that time, being convinced that what I told them is pretty nearly correct, they have issued the certificates.

Senator CURTIS. Will you tell the committee what colors you are unable to get here?

Mr. LAND. Principally, blues, greens, and tartrazines, which is a yellow. I might say that when I applied to the War Trade Board they said tartrazine was made in this country by a number of concerns, and until I was able to prove to them otherwise, that it was only made by two concerns, they did not do anything, or at least I was not able to make very much progress with them.

Senator CURTIS. Do you think there is a likelihood of being able to produce these colors here later on?

Mr. LAND. I might say in regard to tartrazine, they are making tartrazine successfully at the present time in limited quantities, but there is not nearly enough to go round. For instance, I placed an order for 2,500 pounds on October 31st, and up to the present time have only received 1,000 pounds on account of that order, and we really need a thousand pounds a week.

Senator CALDER. As to these colors that you refer to, are they manufactured in Germany only?

Mr. LAND. No; I think they are manufactured in Switzerland and Great Britain.

Senator CALDER. Aren't you permitted to get colors from Switzerland and Great Britain now?

Mr. LAND. They are coming in in very small quantities. If it had not been for the importation of colors from Switzerland I think our place would have been closed long ago, which would have resulted in throwing 7,500 hands out of work.

Senator CALDER. Do you have to have a license to import colors from Switzerland?

Mr. LAND. No, sir; we get them through our broker.

Senator CALDER. The same as you always have?

Mr. LAND. Yes, sir.

Senator CALDER. And from Great Britain, too?

Mr. LAND. Yes, sir. It is the same way as to that country.

My personal opinion is that a licensing system would be so detrimental in many ways, and that it would be so slow in functioning, that we wouldn't get anywhere.

Senator CALDER. The prices of these things have been increased very materially since the war?

Mr. LAND. Yes, sir.

Senator CALDER. You would be willing to pay a high rate of duty on these things, however?

Mr. LAND. We would have to meet that condition when we came to it, but it is absolutely necessary that we have colors in order to manufacture our goods. I might say that at the present time prices have increased ten, fifteen, and twenty times on some colors. Stuff that we used to pay 15 cents a pound for you can not buy for \$6 or \$7 or \$8 a pound at the present time—it all depends upon where you can get it. One man's price might be \$4 a pound, and the next man, because he had it, might ask \$8 a pound. There is really no stable price at the present time for any particular color; it all depends on who has it. That is caused by the limited quantity of goods on hand, not enough to go around.

Senator NUGENT. Have you any information from which you can determine definitely whether or not the manufacturers of dyestuffs in Switzerland are branches of German houses manufacturing dyes?

Mr. LAND. I have not; no sir. I understand, from what I have been told, that there is no connection, but whether that is so or not I can not vouch.

Mr. CHOATE. What color is it that you used to pay 15 cents a pound for and now have to pay \$8 a pound for?

Mr. LAND. I stated some colors.

Mr. CHOATE. Can you tell us which they are?

Mr. LAND. Take tartrazine, we used to pay anywhere from 15 cents to 20 cents a pound for it, I do not think anybody can go out and buy a thousand pounds of standard type goods to-day for \$4 or \$5 a pound. I do not mean in 5 or 10 pound lots, but if anybody should place an order for a thousand pounds this afternoon I doubt if he could get it for that price.

Mr. CHOATE. What else: are there any other colors to which you referred?

Mr. LAND. Take wool green S.

Mr. CHOATE. That is one of the prime goods, of course. Outside of the question of dyes, are you able to fill your orders in carpets?

Mr. LAND. Are we able?

Mr. CHOATE. Yes.

Mr. LAND. I can answer that in this way; that during the war we stopped making carpets and manufactured goods for the Government, such as blankets. Our organization was all upset by doing that; in other words, we were making 90,000 to 95,000 yards of carpet a day, and that work for the Government reduced our output to 10,000 yards of carpet a day, in order to make blankets, and that resulted in a breaking down of our organization. We have been unable since that time to get back further than to the point of about 60 per cent of prewar production.

Mr. CHOATE. You are just in the same position of every other industry, of being behind with your orders?

Mr. LAND. No doubt.

Senator CURTIS (in the chair). Any more questions? (After a pause.) Bring on the next witness, Mr. Demming.

Mr. DEMMING. I would like for you to hear Mr. Fortner.

STATEMENT OF MR. LEWIS B. FORTNER, PRESIDENT L. B. FORTNER CO., PHILADELPHIA, PA.

Senator NUGENT. You are engaged in what business?

Mr. FORTNER. Engaged in the dyestuff business, mostly in the importing of Swiss dyes and handling some American dyes. I have been in the business for 39 years, 20 years for myself and 19 as a corporation.

Senator NUGENT. You are an importer of dyestuffs?

Mr. FORTNER. Yes, sir.

Senator NUGENT. Are you a manufacturer also?

Mr. FORTNER. No, sir.

Senator NUGENT. You are not engaged in the manufacture of any goods?

Mr. FORTNER. No, sir.

Senator NUGENT. Merely an importer?

Mr. FORTNER. Largely so. I am engaged in the importation of Swiss goods almost altogether. During the war we had Swiss goods in limited quantity, all they could give us, to help out American textile manufacturers as best we could with colors that were not made here.

Senator CURTIS. You may proceed with your statement.

Mr. FORTNER. I appear here more particularly to confirm some statements that have been made that if this licensing bill is adopted it undoubtedly—as I think has been pretty well shown—will give a few concerns practically a monopoly of the dyestuff business in this country.

Senator CURTIS. Why?

Mr. FORTNER. Well, because it amounts almost to an embargo; in fact, some of the witnesses here for the dyestuff manufacturers have expressed the opinion that it should be an embargo. I believe, as Senator Simmons said the other day, human nature is much the same everywhere, and if a few men get hold of the dyestuff business in this country, they will get all the traffic will bear. I would say that I think it has started a little that way already. Before the war one of the American manufacturers of the dyestuffs was manufacturing a color called direct black, which, I suppose, has the largest production of any color and is the largest used color in this country. They were making this color before the war, of the same strength and quality as the Germans were producing, and previous to the war they had a convention with the Germans, which resulted in raising the price from 18 cents a pound to 28 cents a pound.

Senator NUGENT. When?

Mr. FORTNER. Previous to the war; two or three years previous to the war. When the war started—

Senator NUGENT (interposing). Do you mean that the manufacturers who used direct black in this country had an understanding with the German manufacturers?

Mr. FORTNER. Not those who used it, but those who made it.

Senator NUGENT. The manufacturers of direct black in this country?

Mr. FORTNER. Yes, sir.

Senator NUGENT. They had an understanding with the German manufacturers of that same color?

Mr. FORTNER. Well, there was some convention, I think, on the use of the patent, so that they could both make the same quality of direct black.

Senator NUGENT. Was there anything, so far as that convention was concerned, with respect to prices agreed upon?

Mr. FORTNER. I do not know about that, but the prices were raised just about that time.

Senator NUGENT. How did prices compare; that is, how did prices charged by German manufacturers for that particular color compare with prices charged by American manufacturers after this convention?

Mr. FORTNER. About the same.

Senator NUGENT. Had there been any particular disparity between those prices prior to the time the convention was entered into?

Mr. FORTNER. Previous to that time, I think, it had been a seesaw between German manufacturers and American manufacturers. They had the price down, if I remember right, to 18 cents a pound.

Senator NUGENT. Do I understand that prior to this convention being entered into, first the Germans would cut and then the Americans would cut the price?

Mr. FORTNER. I do not know, but I suppose probably that was the case. I am not sure that this should be called a convention; I do not know exactly what the arrangement was.

Senator NUGENT. You do not know whether or not an agreement was arrived at?

Mr. FORTNER. That was the understanding.

Senator NUGENT. How did you arrive at that understanding?

Mr. FORTNER. By common report in the trade.

Senator NUGENT. Merely hearsay?

Mr. FORTNER. I expect you would call it that.

Senator NUGENT. Did you have any definite information upon which you could base an opinion that an agreement had been reached?

Mr. FORTNER. That was some time ago. I do not know that I did.

Senator NUGENT. The fact remains that it was rumored an arrangement had been entered into, and that prices on this particular color thereafter were about the same, both as charged by German manufacturers and as charged by American manufacturers; is that correct?

Mr. FORTNER. Yes, sir.

Senator NUGENT. All right.

Mr. CHOATE. When was all this?

Mr. FORTNER. About 1914, I think.

Mr. CHOATE. Who were the American manufacturers you are speaking of?

Mr. FORTNER. Does the committee want me to mention names?

Senator CURTIS. Certainly.

Mr. FORTNER. The Schoelkopf Co., later known as the National Aniline Co.

Mr. DEMMING. Located where?

Mr. FORTNER. Buffalo, N. Y.

Senator CALDER. Any other company?

Mr. FORTNER. No; they were the only manufacturers of direct black.

Senator NUGENT. The company mentioned was the only American manufacturer of that particular color?

Mr. FORTNER. Yes, sir.

Mr. DEMMING. Domestic manufacturer?

Mr. FORTNER. Yes, sir.

When the war came on, their plan was of medium size and they were making a color of the same strength as the Germans, direct black, a very largely used color. Therefore, of course, there was a great demand, when the supply was shut off from foreign sources, for an increase of production here. They were willing to increase their plants, as they knew how to make the color, and they went out to their customers and said they would enlarge their plant, but that they wanted contracts for a certain amount of color to take care of the investment—which was perfectly right—and contracts were made on a basis of 75 cents a pound. I can not tell you exactly the time, but either at that time or shortly afterwards the standard of strength was reduced from the standard they made previously 10 per cent. I think when the contract was mostly or partly filled, at least—and this was for a color 10 per cent less than the standard—what did they do? Now, it has been stated here that if the manufacturers had a little time on all these things, they would be prepared to get a greater yield of colors at less cost, which would allow them to compete with European manufacturers. Either the following year or the year thereafter they asked the consumers to make new contracts.

In the meantime this black had been reduced in standard of strength another 10 per cent. It is now about 20 per cent below the strength supplied before the war and which they were able to make. The new contracts were taken at 95 cents a pound instead of at a lesser price. That is one concern which has shown an inclination to get all the profit they can. Let me say that no one else in this country has made direct black in any quantity. They have no competition. At the present time there is very little being made by another concern. I have not heard of any reduction in the price.

Senator NUGENT. Then, if I understand you correctly, the company to which you refer, manufacturing this particular color prior to the war, sold it to consumers for about 18 cents a pound.

Mr. FORTNER. At least from 18 to 20 cents a pound.

Senator NUGENT. Since that time the quality of the product has depreciated 20 per cent, and yet the price has been increased from 18 cents to 95 cents a pound?

Mr. FORTNER. Not the quality, but the strength, has been reduced.

Senator NUGENT. The strength, rather, has been depreciated 20 per cent, and the price has been increased from about 18 cents to 95 cents a pound; is that correct?

Mr. FORTNER. Yes, sir. It undoubtedly cost more to make it during the war—there is no doubt about that—but during the period when the war has been going on there has been no competition, and

after the price of 75 cents was made, in which they were, perhaps, justified, they increased it to 95 cents a pound.

Senator NUGENT. The prices you refer to are by the pound?

Mr. FORTNER. Yes, sir; where there is a contract, and a higher price where there is no contract.

Gentlemen of the committee, there is one other little item that I thought might be of interest to you that will show you the tendency to take advantage of the lack of competition to secure the greatest profit. As I have said, I am an importer of Swiss dyes. There was a dye selling around about \$4 a pound that I think—

Senator NUGENT (interposing). Selling now at \$4 a pound?

Mr. FORTNER. It was at the time I mention.

Senator NUGENT. Before the war?

Mr. FORTNER. No, sir; not before the war.

Senator NUGENT. At what time was it selling at \$4 a pound?

Mr. FORTNER. I think I will be correct if I say in 1917 and 1918 that was the price at which it was being sold in this market.

Senator NUGENT. All right.

Mr. FORTNER. An American manufacturer commenced to produce this same color—

Mr. CHOMTE (interposing). What color is it?

Mr. FORTNER. Shall I give the color?

Senator CURTIS (presiding). Certainly.

Mr. FORTNER. Auramine, a color very largely used in the textile and paper trade. Up to that time it had not been made in this country. I can not tell you exactly when, but about a year and a half ago they commenced to make it and they put it on the market at about \$5 a pound. They evidently had not perfected the manufacture of this color, and they could hardly compete with the Swiss color, and finally reduced the price to \$2.50 a pound.

Senator CURTIS. When was that?

Mr. FORTNER. I think in the latter part of 1918. One of the articles required in making the color was methyl alcohol. England was supplying Switzerland with a good deal of raw material and they could not furnish them with methyl alcohol after a certain time, as it was needed in munition work, and the Swiss had to try to get it here. Our Government would not allow them at the time. For about six months the Swiss could not make auramine, and the concern here making it raised the price to \$5 a pound. After a few months the Swiss auramine was again brought over here, and the price of the American product immediately began to go down, and went down to \$2.50 a pound, and, I believe, is \$2 a pound to-day.

Senator NUGENT. What is the name of the American company manufacturing auramine?

Mr. FORTNER. Du Pont Co.

That is about all I have to say.

Mr. DEMMING. If you have the prewar prices and present prices of Swiss dyes, I think the committee would like to have them.

Senator CURTIS. Yes, sir; file it with the committee.

Mr. FORTNER. I have here a statement of the Swiss colors I was importing before the war, figured out at present prices:

Prices prevailing to-day in Swiss colors as against normal in 1914.

	Per kilo abroad.	Per pound here.	Per kilo abroad.	Per pound here.
			<i>Francs.</i>	
Trisulfone brown G G.....	4.50	\$0.511	13	\$1.69
Trisulfone brown B.....	5.00	.571	15	1.95
Chrysopentine.....	3.50	.40 ⁵ / ₆	25	3.25
Sky blue F F.....	2.50	.281	25	3.25
Chloramine violet B.....	3.75	.434	16	2.68
Direct green B.....	2.50	.281	16	2.68
Pyrozal orange G and R.....	3.50	.40 ⁵ / ₆	18	2.34
Xylene blue V S.....	8.00	.92	45	5.85
Xylene light yellow 2 G.....	4.50	.511	18	2.34
Tartrazine conc. pure.....	5.00	.571	12	1.50
Carmosine conc.....	4.50	.511	15	1.95

Mr. CHOATE. You know, do you not, that direct black to which you referred was made before the war from German intermediates?

Mr. FORTNER. Was made before the war?

Mr. CHOATE. Yes.

Mr. FORTNER. No; I do not know that.

Mr. CHOATE. It will not surprise you to know that?

Mr. FORTNER. No, sir.

Mr. CHOATE. You know that these German intermediates were furnished by the members of the direct black convention in Germany?

Mr. FORTNER. I suppose so, but I do not know.

Mr. CHOATE. Do you know that naphthalene, the basic material of which direct black is made, went up during the period you have spoken of from about \$2.15 a hundred pounds to from \$8 to \$12?

Mr. FORTNER. Probably so. For a time between the price of the black went up very high.

Mr. CHOATE. Now, as to auramine, you know, don't you, that Swiss prices also advanced after the outbreak of the war?

Mr. FORTNER. Yes; naturally.

Mr. CHOATE. And that they were not brought down to even as low as \$2.50 a pound until after the American product was brought on the market?

Mr. FORTNER. They can not be imported for that now.

Mr. CHOATE. I just want to put in the statement there that the Du Ponts have never charged more than \$2.50 a pound for auramine.

Mr. DEMMING. Mr. Fortner, are you a native-born American?

Mr. FORTNER. Yes, sir.

STATEMENT OF MR. WALTER F. SYKES, IMPORTER OF DYESTUFFS, NEW YORK.

Senator CURTIS. You might state your connection a little more fully.

Mr. SYKES. I am an importer of dyestuffs and have represented for 38 years the larger of the French dye industries; and am also president of the Dyestuffs & Chemical Importers' Association, New York.

Mr. Chairman. I am going to ask the indulgence of this committee, yourself, and your associates if the hearing has to be carried over until to-morrow, for permission to attend at that time. I am physi-

cally incapable to-day of doing that which I conceive to be my duty. I caught cold coming over here the other night, and have reached that point that every bone in my body aches, and I would like an opportunity to be heard to-morrow if that will be convenient to the committee.

Senator CURTIS (presiding). Mr. Sykes, the committee was very anxious to close the hearing to-day, but under the circumstances we will hear you to-morrow.

Mr. SYKES. In the meantime I would like, with your permission, to place before the committee the latest matter that we have prepared on the question now before you.

Senator CURTIS. I see that you have a printed document. Has that been printed before in the House hearings?

Mr. DEMMING. No, sir.

Mr. SYKES. Only a part of it—the tables, that is all.

Mr. DEMMING. No, sir; that is a statement of comparative prices of French dyes before the war and now.

Mr. SYKES. In many respects it is all new matter.

If Mr. Choate wishes a copy I will be glad to furnish it to him now. [Handing Mr. Choate a copy of the printed pamphlet.]

Senator CURTIS. This seems to be already printed and I take it you might save us the trouble and expense of having it reproduced in our record by letting us have a sufficient number of copies for our use. Can you do that?

Mr. SYKES. Suppose I withdraw my request about presenting this pamphlet to you, as I am really not able to talk about it.

Senator CURTIS. You may do so, and present it to-morrow as fully as you see fit.

Mr. SYKES. The only reason I make that suggestion is that there are things in it susceptible of explanation.

Senator CURTIS. Your request is granted, and you will be accorded an opportunity to be heard to-morrow.

Mr. SYKES. I thank you.

Senator CURTIS. I hope you may soon be better, Mr. Sykes.

Mr. SYKES. I thank you, sir, for your good wishes, and also for your kindness in permitting me to be heard to-morrow.

Senator CURTIS. Mr. Demming, you may call your next witness.

Mr. DEMMING. I would like to have you call Mr. McFarland.

Senator CURTIS. The committee will be glad to hear Mr. McFarland.

STATEMENT OF GRANVILLE S. MACFARLAND, ESQ., ATTORNEY AT LAW, BOSTON, MASS., REPRESENTING THE AMOSKEAG MILLS, OF NEW HAMPSHIRE.

Senator CURTIS. Mr. MacFarland, you may make any statement you wish.

Mr. MACFARLAND. Mr. Chairman and gentlemen of the committee. I come as a very poor substitute for my client, Mr. Dumain, treasurer of the Amoskeag Mills. He is just recovering from a long and serious illness, and can not come in person.

I would not have anything to say to-day here if it were not for the suggestion that Senator Curtis made the other day that he

assumed there were dyes that could not be adequately protected by a tariff without that tariff being so high that consumers—

Senator CURTIS (interposing). I said that was my opinion. I do not know anything about it myself.

Mr. MACFARLAND. Well, I want, if possible, to correct that as far as my own client is concerned. The Amoskeag Mills is one of the largest textile manufacturing companies in the world. It employs somewhat over 17,000 people, I think; a great deal larger, you see, than any of the German dyemakers.

I am informed by my client that there is no tariff that might be put on any dyestuffs which they use that they would not pay rather than submit to the interference and difficulties and delays incident to a licensing system, and the whims and arbitrariness, and the possible ignorance or worse of a bureau which might forbid them to use a dye of a quality very necessary for their use in competition with some foreign manufacturers.

Senator CURTIS. Then they, as users, would be perfectly willing that the bill might provide a tariff large enough to protect the dye industry?

Mr. MACFARLAND. Absolutely.

Senator CURTIS. And they would prefer such an extra high tariff to a licensing system, as I understand you?

Mr. MACFARLAND. Yes, sir; and if you will think it over you will see that this must be so because the licensing system when invoked will operate as an embargo and no high tariff can be any more than prohibitive.

I also submitted to Mr. Dumain, over the telephone, what I understood to be the suggestion of Senator Watson concerning the application of the theory of the old Washingtonian tariff. I was not quite clear, myself, what he meant by it; but deeming that I understood it, I stated that it meant that there was to be added to the value of the American product such tariff as would give the American product an advantage over the foreign product in the American market. It strikes me that if that is what he meant, it would be an effective tariff and would absolutely protect the American product. That is to say, if some constituted authority decided what the value of the American product was, what was the cost to produce it, then added to it a reasonable profit, and then added to it a little more, sufficient to give advantage over the foreign product, you would have a tariff which, of course, would absolutely protect it—unless you have to deal with dumping or what Mr. Choate loves to call selective attack, which is not at all to be feared with Germany in the condition she is in now, at least for a number of years to come.

Perhaps I do not make myself clear?

Senator CURTIS. I think we understand it. Is there anything else you want to say?

Senator NUGENT. Did your client agree with the proposition advanced by Senator Watson—that it would be satisfactory to them?

Mr. MACFARLAND. If it is as I stated. I do not know that I was clear about it.

Senator NUGENT. I apprehend you advised them that the proposition advanced by Senator Watson would be the imposition of a tariff upon the American value of the goods imported?

Mr. MACFARLAND. Yes. In any case it would be likely to be over 100 per cent duty, as it would work out, to be added. He said, "Anything rather than compel us to go to Washington and go through the trial of ascertaining what the cost of the product is abroad—and whether they have as good product here—and compel me to submit my judgment to that of others as to what I want, and then subject me to the danger of mistake on their part as to whether or not the dye I shall put into my goods is as good as the dye my competitors are using."

Senator NUGENT. Your client would be willing to have a tariff of 100 per cent, but is strongly opposed to the licensing feature?

Mr. MACFARLAND. Yes, sir; they are absolutely opposed to it. Gentlemen, I thank you.

STATEMENT OF MR. GRANVILLE E. FOSS, PRESIDENT BRIGHTWOOD MANUFACTURING CO., NORTH ANDOVER, MASS.

Senator CURTIS. You may make any statement you wish to make.

Mr. Foss. Mr. Chairman and gentlemen of the committee, we manufacture principally high-grade ladies' dress goods, and recently—that is, within the last year and a half—some men's wear, also of relatively high grade.

My function in the business, if I may explain it to the committee, is that of merchandising; I have the styling and the selling of the goods more especially under my control, and I make no pretenses to being a technical man, although having been in this particular mill for 25 years I know something about the technical side of the business.

After the very illuminating illustrations that you have listened to from those who are opposed to the licensing system, starting with Col. Wood yesterday and on up to this moment, it is rather difficult to add anything in the situation to what has been said. I mean, to add anything to what already has been stated before you. However, it has occurred to me, while sitting here, that possibly you may not have clearly in your minds the fact that the manufacturers in this country to-day are being very well taken care of indeed with an extremely high grade and satisfactory class of dyestuffs for the bulk of their production.

I can go further and say that if conditions remain in the abnormal state that they are now, and as long as they continue in that abnormal state, which you might term a commodity shortage, we can run our plants and run them full as far as dyestuffs are concerned with the dyestuffs we have available. I am speaking now, if I have not made myself clear, of the bulk of the mills, that they can run all their machinery on the kind of stuff they are running on now.

But we all feel that the time will come, just when we can not say, that in order to compete with foreign importations which will come, we must have for the extremely high-grade products we have developed in this country—which, I may say, with some modesty, is second really to none—we must have equally high-grade colors for these fancy fabrics. You understand that I am speaking for my particular line of business. I am not assuming to go into the various number of businesses that use dyestuff needed for their own peculiar

problems. They have touched upon them, I think, pretty clearly—about the necessity for certain qualities in dyestuffs that are essential in one thing and not so essential in another.

Now, gentlemen, I think running through your minds has been the thought that we are rather greedy in this idea. Well, if it is to be a 100 per cent duty, we can still surmount that. I want to impress upon you the fact that in spite of that in the case of the most of the dyestuffs the cost thereof carried into the goods is really very small per yard. I might also add that that cost of dyestuffs, great as it is in some instances, is no greater in proportion than the advance of the cost of the material. In other words, I think it is well within bounds to say that the price of the average worsted fabric, of which I am sole manufacturer—I mean by that that we manufacture no other goods except all worsted—had advanced pretty nearly four times since the spring of 1914, and the price of dyes has not increased, surely, on the average, more than that.

Another thing I would like to bring out that possibly is not real clear in your minds, because there has been so much said on these particular dyestuffs we are suffering for, and these very expensive ones we are suffering for, or are likely to suffer for, is, that the cost of the major part of the goods we all produce is comparatively small today to what it was at certain periods in the early days of the war, when we were not only held up to limited quantities but compelled to substitute such dyes as were then available, and which, when a man put them on his goods, the color was soon off, they were so poor.

But to get on the specific thing we are talking about, namely, the relative value of a licensing system as compared with the protective tariff system. Isn't it singular that this great aggregation of men, all earnestly believing in the necessity of perpetuating the dyestuffs industry in this country, should be so widely apart on the matter of principle? It is, obviously, a difference of opinion. The motive is precisely the same in the one case as in the other. If we are wrong it is for the other side to show us we are wrong; but as far as I am personally concerned I am distinctly opposed to any departure from the protective tariff system. I hope you will not conclude from this statement that I think the protective tariff system needs to be so high as to use the old hackneyed expression, to be a Chinese wall. I think we should have free opportunity to get the relatively small amount of dyestuffs we are suffering for from abroad in order to put our business on a par with business abroad, and in the easiest way, and at the least expense; at the same time protecting the existing American dyestuffs manufacturers with an adequate tariff on those particular things which they manufacture.

It was brought out here that 80 per cent to 90 per cent of the product of American dyestuff concerns can be produced here under existing conditions. That is, testimony was produced here, which I have no reason to doubt, indicating that in the opinion of the men running the dye business the tariff as proposed in the Longworth bill would assure to them 80 per cent to 90 per cent of the business in producing dyestuffs. I submit, if that be true, is there any reason why any restriction should be put on the other comparatively small amount of dyestuffs needed here—any restriction that would make it difficult and irksome for the American manufacturer to secure a supply of those much-needed dyes?

Senator CALDER. Do you mean 80 per cent in bulk, or in value also?

Mr. FOSS. Oh, no; that is very elusive and difficult to maintain. I want to make clear that matter, because dyeing the bulk of our goods to-day will not cost over 8 cents or 9 cents per pound of goods on the bulk of the goods we produce. That is true, I think I can say without any fear of contradiction, by those who know, at least, including all up-to-date and well-regulated manufacturing establishments in America.

On account of the extreme demand for merchandise, we have been able to run our mill to its utmost capacity with the dyestuffs we can secure. But, as a result of this scarcity, many things our trade would like we can not get. We are constantly narrowing up on our range of shades. There is still business enough, but that is a temporary condition. If conditions became such that it would be impossible to manufacture goods in the colors people want, and they can get them elsewhere, we would have to take a back seat or give them those colors. I contend we should not depart from a principle that has proven, on the whole, so successful—the protective tariff. By means of specific and ad valorem duties, I believe you can accomplish everything you can possibly accomplish by means of any licensing system, and do it much easier and with less friction, and at the same time not upset present conditions by establishing another plan, which, if once entered into, may have such far-reaching effects upon the industry of this country as to be appalling.

Mr. CHOATE. May I ask a question?

Senator CURTIS. Yes.

Mr. CHOATE. As I understand you, there are a great many colors made in America which are perfectly satisfactory in your business?

Mr. FOSS. Absolutely.

Mr. CHOATE. Then, I take it, your business would not be injured at all if those particularly satisfactory colors were excluded from import?

Mr. FOSS. No, I thought I made myself clear on that score. As long as conditions remain as they are it is absolutely true—

Mr. CHOATE (interposing). Wait a minute: I am only talking about those particular colors.

Mr. FOSS. Yes; as to those colors.

Mr. CHOATE. If those particular colors and no others were excluded from import, and you could buy any other color by importing it if you liked, it would not hurt your business.

Mr. FOSS. I want to be sure I understand that. I ought to be clever enough to answer your question if I understand, but I am also aware of the adroitness of lawyers. [Laughter.] My point is this: We are a group of business men down here to talk on strictly business principles.

Senator CURTIS. We appreciate that. Do you want the question repeated to you by the reporter?

Mr. CHOATE. I want to get at just what is the gist of your objection.

Mr. FOSS. The gist of my objection?

Mr. CHOATE. Yes, sir.

Senator CURTIS. Let the reporter read the question to you. [Which was done.]

Mr. CHORTE. I mean if the colors manufactured here that you are using successfully were excluded from export, and the others you were allowed to import.

Mr. FOSS. I should say then we could not be hurt at all, and that domestic manufacturers of dyestuffs would have a very considerable amount of business. I contend if they are guaranteed 80 per cent or 90 per cent of their gross production free from a ruinous foreign competition, they ought to be satisfied. I know I would be. If I wanted to bring out some difficult fabric causing me great expense, after I had perfected it I would expect to have the right kind of a market. I would say I would not want any more protection than a protection of 80 to 90 per cent of my gross production in the meantime.

Gentlemen of the committee, I believe that is all I have to say.

Senator CURTIS. Mr. Demming, you may call your next witness.

Mr. DEMMING. I believe Prof. Atkeson wishes to make a statement before the committee.

Senator CURTIS. The committee will be very glad to hear Prof. Atkeson.

STATEMENT OF MR. T. C. ATKESON, REPRESENTING THE NATIONAL GRANGE, WASHINGTON, D. C.

Senator CURTIS. Prof. Atkeson, you may make any statement you wish to make.

Mr. ATKESON. I want to say, Mr. Chairman and gentlemen of the committee, that I represent in a general way the real producing farmer people of this country, and we are interested in this particular question only as the general public may be interested. Further than that we are interested in it as a question of principle, as to the general policy of the Government in dealing with the tariff question.

It has been understood in a general way that farmer people were generally in favor of a low tariff. On this particular question we are in favor of any tariff that may be necessary to adequately protect the manufacturers of dyestuffs in this country in order to permit them to develop the industry here. But we have, somehow, failed to see why the extraordinary injection of the licensing proposition into this question should occur at this particular time, when we are trying to get down to normal conditions following the abnormal war conditions.

Perhaps I might read into the record a brief statement of the policy of our people and of our organization on the general question of tariff. This resolution was adopted at a meeting of our organization, held two or three weeks ago at Grand Rapids, Mich.:

TEXT OF RESOLUTIONS ADOPTED BY THE NATIONAL GRANGE IN ANNUAL SESSION AT GRAND RAPIDS, MICH., NOVEMBER 12-21, 1919.

We declare our opposition to Government ownership and to nationalization of business or industry in any form unless clearly required in the public interest. We favor the safeguarding and protection of every right of private property on the broad ground that only by the full development of the right of pri-

vate property can there be perpetuated the full measure of individual initiative and emulation upon which a democracy is based and by which its future is assured.

So long as a protective tariff remains the policy of the Government the grange demands that in whatever readjustment is made of tariff schedules agricultural products should be given the same degree of protection as other commodities.

That, in a general way, is the position of our organization. I am satisfied that if the matter was submitted to the wool growers of this country and they were to speak from their personal, selfish interest, they would say that no wool should be admitted into this country during the next two years, and that if a licensing system or some other scheme were adopted to prohibit the importation of wool it would go further toward developing the wool industry than anything else the American Congress could do. And it seems to me that such a position would be quite as logical as this proposition to license dyestuffs, the primary purpose of which, as I interpret the bill, is to absolutely prohibit the importation of certain dyestuffs if they can be produced in any measure in this country during the next few years.

I feel quite sure that the cotton growers of this country would like to have a monopoly of cotton production in America during the next few years; and the same thing would apply, perhaps, to the sugar producers, both beet and cane.

Now, if the protective tariff policy is to be permanent, and is to be a higher tariff than we have had in operation for a good many years, and it is a good thing, then we ought to consider other things in the way of having the good thing handed around.

The farmer people of the country are becoming more intensely interested in the tariff question than they have ever been before. They are a little skeptical about some of the recent movements to break down the tariff line between this country and Canada on the wheat question, and you people will hear from us before the end of this Congress, or some other Congress, on a general revision of the tariff law from a good many angles. So we are interested in the tariff question, in the protective tariff policy, if you will. And if this question of licensing, and a prohibition of importation of dyestuffs is to apply as provided in this bill, then you have not heard the last of this question in considering the tariff.

I imagine, too, that the people interested in this particular prohibition involved in this bill think that now is the psychological time to get that sort of legislation, on the theory that anything that might be said against it may be misconstrued into pro-Germanism. I do not know how much the psychology of that enters into that feature of this bill, into the tariff consideration at this time; but we object to interference by the Federal Government, or any other Government, in private business any further than is absolutely necessary to protect, first, the general welfare of our own country, of our own people; and, second, to develop and protect our industries; and even then, only so far as may be absolutely necessary.

To state it in another way: The farmer people are individualists. We are going it alone, as individuals, very largely. At least, the farmers that I have the pleasure to represent are opposed to any degree of governmental interference or governmental injections into

the ordinary individual conduct of business affairs. We are not internationalists or socialists or paternalists, or any other kind of "ists," that seem to be abroad in the world; and so we would eliminate from the tariff question in all its phases as far as possible the use of governmental power and governmental machinery to interfere with the normal and logical administration of business affairs of the country.

It seems to us that the licensing feature of this bill would tend to do that to a greater extent than is defensible. Opposition to it is a matter of policy with our people. We are opposed just as far as possible to licensing any kind of business if it can be avoided. There may be cases where it is defensible, but it seems to us that the machinery of the Government is now, and has been during the war, perhaps as a matter of military necessity, injected into business affairs quite as far as it ought to go, and that it ought no longer to be permitted to interfere with the normal business of the country. In fact, now that we are trying to get back to normal conditions we ought to avoid the appearance even of governmental interference with private business affairs of any and every kind.

So I am here, as I have stated, primarily interested in this question only as all consumers and other business interests of the country are interested; and even then only to oppose the licensing feature of this bill. If the tariff you have named is not high enough to develop the dye industry in this country, make it higher. I am not an expert on tariff schedules. If it should be put higher, then make it higher. If it is too high, if it is unnecessarily high, then make it lower. Protect the dye industry sufficiently to develop in America as far as we can reasonably and safely do so this great industry, and so that we will not be, in case of war, or in time of peace for that matter, at the mercy of others. I would like to see every industry in America developed as far as possible in the interest of consumers and everybody else.

Now, gentlemen of the committee, I do not care to take up any more of your time. As I have said, this is one question we have no basic interest in, but as a matter of principle we are opposed to the licensing feature of this proposition.

Senator CURTIS. If that is all you have to say, Prof. Atkeson, we thank you very much.

Mr. Demming, you may call your next witness.

Mr. DEMMING. I would like to have you call Mr. Thomas Frusher.

Senator CURTIS. We will be glad to hear him.

STATEMENT OF MR. THOMAS F. FRUSHER, REPRESENTING THE UNITED STATES WORSTED CO. AND OTHER TEXTILE MILLS OF NEW ENGLAND, NEW LONDON, CONN.

Senator CURTIS. You may make any statement you wish to make.

Mr. FRUSHER. This matter has been up since last March, and I would like to see the bill amended so that it will be satisfactory to both sides, both the dye manufacturers and the dye consumers.

Last June I was probably in favor of licensing to protect against the dumping of German colors just after the peace might be declared and the treaty signed, but I am absolutely opposed to any licensing in normal times. As my friend Mr. Longworth said,

normal times are not here and are not likely to be here for a great length of time; but as far as the textile industry is concerned, outside of the high price of wool and not being able to get certain dyestuffs, we are getting back to normal times, except high wages, and so forth. If you will give us all the wool we want and all the dyes we want we will be able to produce goods enough, and the country needs the goods.

I have one matter that has not been taken up before, and that is regarding indigo. I notice that indigo is in the dutiable list, and yet it has been coming into this country for 50 years duty free. The very party who has kept it free when there should have been a duty before is the man who is now advocating putting it on the dutiable list.

Senator NUGENT. Who is he?

Mr. FRUSHER. M. S. Poucher.

Mr. DEMMING. Who is he?

Mr. FRUSHER. One of the members of the dyes advisory committee, and also being now made a member of the Textile Alliance (Inc.), which is going to settle with the reparation committee.

Mr. A. M. PATRICK. That is not true, Mr. Chairman.

Mr. FRUSHER. At any rate, I have here bulletin No. 36 of the Textile Alliance (Inc.), which I received several days ago, which says:

As the result of certain recent negotiations between the representatives of the Allied and Associated Governments and of the German Government, a substantial portion of the amount of such dyes as may be needed to satisfy the six months' requirements of consumers has been made available to consumers in this country.

The War Trade Board section of the Department of State has designated the Textile Alliance (Inc.) as the sole official agency to import on behalf of consumers such portion of the total allocation of dyes as has been made available as the result of those negotiations.

Senator NUGENT. That is taken from the booklet which you have?

Mr. FRUSHER. Yes, sir. I only got it two days ago, and it is dated November 26, 1919.

The names of those who will have charge of matters relating to dyes and chemicals, with power from the War Trade Board, are as follows.

All matters relating to dyes and chemicals have been referred with power to a committee consisting of the following: Mr. Henry B. Thompson, chairman, Mr. Frank D. Cheney, Dr. Charles H. Herty, Mr. Franklin W. Hobbs, Mr. August Merz, Mr. M. R. Poucher, Mr. W. H. Watkins, with the following subcommittee: Mr. Frank D. Cheney, Mr. Andrew C. Imbrie, Mr. Manton B. Metcalf.

I might explain that Mr. Thompson is with the United States Finishing Co.; Mr. Cheney, of Cheney Bros.; Dr. Herty, a chemist; Mr. Hobbs, of the Arlington Mills; Mr. Merz, of Heller & Merz, dyers; Mr. Poucher, of the duPont Co., dyeing department; and Mr. Watkins, of the National Aniline Co., dyers. These gentlemen all have to do with the importing of dyes that are to come into this country. They are also now an advisory committee to the War Trade Board.

Mr. PATRICK. Does it say that Mr. Poucher is advocating a duty, or that he is a member of the committee?

Mr. FRUSHER. He is a member of the committee to handle dyes and chemicals.

Mr. PATRICK. Very well; that statement is correct.

Mr. FRUSHER. To handle the importation of dyes and chemicals for the reparations committee. I was not going to mention that question if it had not come up from our friends across the table.

Now, what I am interested in is regarding indigo. We have probably only five or six mills in the United States using indigo—woolen mills. It is impossible for me to apply for a license for indigo, if this licensing feature were to pass, yet when I go to London to buy indigo, I must buy it on the spot. I get samples, and I either take it or leave it, and the next day the other fellow gets it. I cannot wait until I get back here and ask for a license to import indigo. My friend, Mr. Choate, or Mr. Poucher if he were here, would say: "You can buy synthetic indigo in this country." Synthetic indigo is not suitable for our purposes. If synthetic indigo were cheaper than our natural indigo we would not buy it for our vats. Only six or seven dyers in this country are using that process. We can not dye without indigo until we can get alizarine or cyonal blue and green. So if the licensing feature were to go through it would shut our mill out if we could not get all the alizarine blue we needed, and we would be in a predicament regarding fast colors for our fancy trade.

Senator WATSON. Are those made in the United States?

Mr. FRUSHER. No, sir; and I do not see why we should defer to some organization for something which has never been produced here and never will be made here and that we have to buy from the London sales agent.

Senator WATSON. Do you say they never will be made here?

Mr. FRUSHER. Never will be grown here.

Senator WATSON. What do you mean by "grown here?"

Mr. FRUSHER. It is a vegetable product.

Senator WATSON. You mean it is a natural product?

Mr. FRUSHER. Yes, sir; it grows in Java, Mexico, and India. It will never be grown here; no one will cultivate indigo here.

Senator WATSON. Those colors are essential in your business?

Mr. FRUSHER. They are now and will be for a year or two, until we can get a quantity of alizarine and cyonal blues. I have asked three large concerns here for the last two years to make the colors for me. These dye manufacturers are aware and know very well how vital this bill is to me. Up to the present time, from January to December, I have purchased already over a million dollars worth of dyes and chemicals.

Senator WATSON. In the United States?

Mr. FRUSHER. Yes, sir. One concern alone has sold me nearly \$400,000 worth. They know how vital it is to me. I would like to see this bill, before it goes through, amended by the Senate so that it will be satisfactory to all and that we may all feel right about it.

Senator WATSON. What is your business?

Mr. FRUSHER. I am a chemist for the United States Worsted Co. I look after all their dye works.

Senator WATSON. You look after all the purchasing of dyes?

Mr. FRUSHER. The management of all the dye works, all the coloring that is done for all our mills, all the dyeing.

Mr. DEMMING. How large a mill is it?

Mr. FRUSHER. We have nine mills. It is about a \$16,000,000 organization.

Mr. DEMMING. How many hands do they employ?

Mr. FRUSHER. Altogether about 3,000 men in all the mills.

Mr. CHOATE. You are now buying American dyes?

Mr. FRUSHER. As I say, I have bought in this country up to the present time probably \$800,000 worth of that \$1,000,000, or even \$900,000 worth of American dyes, and I am willing to buy everything from American manufacturers. I went on record in the House hearing to say that I was willing to pay \$2 for the same thing I could buy in England for \$1.

Mr. CHOATE. Can you buy here all kinds of dyes you want?

Mr. FRUSHER. No; and that is why we are using indigo.

Mr. CHOATE. What kind can't you buy?

Mr. FRUSHER. We can not buy alizarine and cyonal colors and anthracene colors.

Senator WATSON. Do anthracene colors come from some growing plant?

Mr. FRUSHER. No; they are alcohol products.

Senator WATSON. Why can not they be made here?

Mr. FRUSHER. That is what I would like to know. I asked them that a year and a half ago. I kept saying to them: "You are driving us into an awful mess." I told the Du Pont and the Bayer people that within six months or a year after the war they would be sorry they did not go into these products. I can understand now why the Bayer Co. did not make them, but—

Senator WATSON (interposing). What did they say?

Mr. FRUSHER. They said they were experimenting with them, and making them in small quantities. I said: "Give me the first samples you have. Let me know what quantities you can get, and we will take it up and see if we can use them." I think we have had the first production of nearly all colors; I think the first barrel from the Du Ponts that they made, which is a very good color.

Senator WATSON. Is it the anthracene color?

Mr. FRUSHER. No, sir; it is a black. The barrel we got to use, if we did not use it we could use something else, only it is better than some other blacks we have. That would not stop us in our business.

Senator WATSON. Where do you get colors if you can not get them here?

Mr. FRUSHER. From England and France. I have a license to get them. In June and July I started to get a license and I have now the license to get these colors which I must get. I have to look after these colors. Really I should like to drop that indigo business but I can not drop it until I see an adequate quantity in this country. A small mill can not put up an indigo plant. When we went into the indigo business our plant cost us \$150,000. A small mill can not do that. That is the reason we have been able to get away with these fast colors and the little mills can not do it.

Senator WATSON. Up to this time you have been doing without certain colors you formerly got from Germany?

Mr. FRUSHER. No; in 1915 we bought—we had German colors up to about 18 months ago, from before the war. We bought a sufficient quantity to last us two years and half; in two months we bought

\$280,000 worth of goods, which, at present prices, would be worth a million and a half dollars. Of course they are all used up now. Then we had to go to indigo.

To mention this license business, to ask for a license on indigo, I never shall, because it would be impossible. I sail next Wednesday for London, and when I get there I am shown samples, which I can test, and then I have to buy within 48 hours, when the sales come on. I can only get samples two days ahead, and I have to bid for the goods. I can not buy \$20,000 or \$25,000 worth of indigo because I might not get the license. If you say I would get the license I call your attention to one provision, which says:

The Commission in passing upon applications for such licenses may regulate its own practice and procedure, but shall so regulate the same as to prevent all avoidable delays.

In that connection the Du Pont's or somebody else might say: He does not need to import that. He can get synthetic indigo here. I say synthetic indigo will not do for me. There are a few things which are not understood by our friends, Mr. Choate and Mr. Garvan. If this thing had been talked over properly with the woolen and cotton associations this trouble would never have occurred and this bill would have gone through satisfactorily months and months ago.

Mr. DEMMING. You testified before the Ways and Means Committee of the House in favor of licensing.

Mr. FRUSIER. At the first—not in favor of licensing. I said at the time it should die a natural death, the first time. It was already licensed before. I said that before, at the talk about standardization of colors. At the last hearing I said I was opposed to licensing. I am opposed to the intricate ways that have to be adopted. Of course something may be said, as explained to me, as the reason why I did not get my license in June and July, as the licensing board was changing from one department to another, and probably it was not all the licensing board's fault.

Senator CURTIS. Mr. Demming, you may call your next witness.

Mr. DEMMING. I would like to have Mr. Bernheim.

STATEMENT OF MR. GEORGE B. BERNHEIM, TREASURER OF R. NEUMANN & CO., TANNERS, NEW YORK.

Senator CURTIS. You may make such statement as you like.

Mr. BERNHEIM. I am here representing the Tanners' Council, as well as our own concern.

The Tanners' Council, representing about 95 per cent of the tanners in the United States, records its respect for the enterprise and achievements of the American dyestuff industry during the war. Our industry supplies the world with leather, and we have an output of approximately \$750,000,000 per annum, and more than one-fourth of our product is exported. Our members operate about 450 tanneries and employ about 55,000 people.

We compete abroad and at home (where we are unprotected) with English, French, Japanese, and German leather, and we should be enabled to compete without handicap in the cost of our raw materials. Nevertheless, we favor the encouragement of the American dyestuff industry by an adequate protective tariff. After a most careful con-

sideration, however, by a committee and then by the board of directors of the Tanners' Council we have come to the conclusion that the licensing of the importation of dyestuffs is both unnecessary and intolerable.

During the war the American dyestuff makers asked the support of tanners and other consumers in the form of long-time advance contracts at high prices, with the assurance that this would enable them to build and write off modern plants and to compete with the world. This support was freely given.

The prewar difference in production costs has presumably been reduced by the advance in labor, coal, etc., in Europe, on the one hand, and the modern amortized American plants, on the other hand. However, the dyestuff makers now ask a 50 per cent increase in the ad valorem and a 40 per cent increase in the specific duties, and the dyestuff consumers are willing to subordinate selfish interest to public spirit and do not oppose this increase.

The dyestuff makers are further protected by the control over unfair competition exercised by the Federal Trade Commission, the expected antidumping legislation, and the use in American interests of the 4,500 German dye patents sold by the alien property custodian to the Chemical Foundation (Inc.).

If all these safeguards are not sufficient to maintain in the United States the chemical industries needed for wartime emergencies, we believe the further subsidizing of these industries should be direct and specific, rather than promiscuous, haphazard, and at the expense in efficiency of other industries.

The American industry has produced profitably a great number of dyes, including those in largest and steadiest demand. Protection of these staples is protection of the industry. The development of specialties lies in the natural course of business enterprise.

In the meantime, many of these specialties are not produced here, and of those that are made, some are not equal to the imported. The consumer is the ultimate judge of quality and the consumers are in agreement on this point.

We can not make leather satisfactorily in certain colors with American dyes. Unless we can obtain, subject to the protective duty, the required foreign dyes, our leather will compare unfavorably with foreign leather, on which, by the way, the same dyes come in duty free. And when we say foreign dyes, we do not necessarily mean German dyes; England and Switzerland produce some dyes better than we produce them here and these dyes were of great assistance to us during the war.

A licensing commission is not needed to further the import of such dyes; it can serve only to restrict such import; to lay the burden of proof on the consumer; to demand that he prove to a tribunal that the specific American article is unequal to the foreign for his specific purpose; to subject him to delay, quasi judicial procedure, the expense and trouble of appearance before a tribunal at Washington, before he can so much as get a license to send an order abroad. This means simply that the dyes can not be had when they are needed. It amounts to a virtual monopoly and puts an end to American production of leather, textiles, or other products in any color which a monopolistic American dyestuff industry may not trouble itself to produce in quality equal to the foreign dyestuffs.

We are absolutely opposed to the licensing of dyestuff importations; we consider it totally unnecessary, unjust, inevitably monopolistic in effect, and a serious hindrance to American industry with no compensating advantages.

Just to get an idea of how this licensing system would work out in practice let me say that we applied for some licenses to the War Trade Board, for only a small percentage of the dyes that we use, and got about one-half allowed, with a letter of instructions how to go about getting them. As to those they did not allow they sent us a form letter in which they said:

"We beg to advise you that the committee finds that the dye for which you have applied is obtainable from United States sources on reasonable terms as to price, quality, and delivery to satisfy the requirements of consumers of that color for the six months' period November 15, 1919, to May 15, 1920."

Senator CURTIS. Didn't they give you the names of the producers?

Mr. BERNHEIM. No, sir; they did not give us the names of the producers, and did not say anything about the quantity produced, and whether that quantity was enough to go around, although they did say it was produced here. Here are the letters on which they informed us, and we claim if the dyes are made they are not good enough for our purposes.

Mr. CHOATE. What is the product?

Mr. BERNHEIM. Eosine, soluble blue (reddish), malachite green, phosphine 3R and methylene blue.

Mr. DEMMING. They were all refused?

Mr. BERNHEIM. Yes, sir. The next step is for us to try to prove that we can not get results with these colors, and that is a difficult and expensive proceeding. We do not see why an American business man should be subjected to that.

Senator WATSON. Are those colors made in this country?

Mr. BERNHEIM. The War Trade Board says so.

Senator NUGENT. Have you made any inquiry to ascertain the facts?

Mr. BERNHEIM. We have only just received these notices, dated November 26, 1919, and have not had time to inquire.

Senator NUGENT. Were the first licenses you applied for rejected?

Mr. BERNHEIM. These were the first we applied for. We were getting Swiss and English colors, which we were allowed to use during the war.

Senator NUGENT. Were all those applications made at the same time?

Mr. BERNHEIM. Yes, sir.

Senator NUGENT. When was that?

Mr. BERNHEIM. I applied at the beginning of November.

Senator CURTIS. And you are just getting your answers now?

Mr. BERNHEIM. They are dated November 26, 1919.

Senator NUGENT. As a matter of fact, you do not know whether the dyes for which you made application for license are manufactured in this country or not?

Mr. BERNHEIM. Well, I only know that our dyer has tried a great many domestic colors, and, as a matter of fact, we use from 80 per cent to 90 per cent of domestic colors—and he has told us he can not get those that are applied for satisfactorily.

Senator NUGENT. Take your application for eosine, for instance; is there but one color of that name?

Mr. BERNHEIM. I am not a dye expert, but I believe so.

Senator NUGENT. Do you know whether, as a matter of fact, eosine is manufactured in this country?

Mr. BERNHEIM. I do not know.

Senator NUGENT. You have made no inquiry to ascertain the facts?

Mr. BERNHEIM. No; not up to this time, because we have been able up to now to get what we wanted.

Senator NUGENT. If the color known as eosine is manufactured in this country would it be the same color as manufactured under that name in Germany?

Mr. BERNHEIM. We would have to find that out by test.

Senator NUGENT. Well, I am asking you, for I don't know.

Mr. BERNHEIM. Because it has the same name it would not necessarily mean it had the same quality or would answer the same purpose.

Mr. BERNHEIM. Because it may be called by the same name, or is made by the same formula, would not mean that it would give the same results. We would have to find that out by experiment.

Senator CURTIS. I would suggest that the board, in sending out these notices, should inform applicants where they can get the dyes referred to.

Mr. BERNHEIM. That would be very helpful.

Mr. FRANK D. CHENEY. Mr. Chairman, if I may interrupt right there: The advisory committee recommended to the War Trade Board that in such cases they send the name of the American producer to the inquirer. The War Trade Board took the attitude that it was improper for them to be recommending to the consumer the name of the producer, upon the ground that they might be open to criticism of forwarding the interests unfairly of some individual producer.

It would be quite a simple matter in the final framing of this legislation to adequately provide for that detail.

Senator NUGENT. The advisory committee, of which you are a member, is in receipt of information from the various dye manufacturers throughout the country relative to the dyes that each is manufacturing.

Mr. CHENEY. The War Trade Board is in possession of that information.

Senator NUGENT. What objection could possibly arise to the giving out by the War Trade Board of the names of all manufacturers manufacturing a particular dye for which a license is applied for?

Mr. CHENEY. I see none, sir.

Senator NUGENT. Wouldn't you advise that that policy be pursued hereafter?

Mr. CHENEY. Yes, sir.

Senator NUGENT. I think you should give the names of all manufacturers, so that the applicant for a license might purchase from whichever manufacturer he pleases.

Mr. CHENEY. Yes, sir.

Senator NUGENT. There could be no possible objection to that?

Mr. CHENEY. No, sir.

Mr. BERNHEIM. I have a contract made with W. Becker's Aniline & Chemical Works, just to show that they really expected to reduce the price of dyestuffs and not to raise the price when they made this contract on January 7, 1916.

Mr. DEMMING. That is a domestic corporation, is it?

Mr. BERNHEIM. Yes, sir.

Senator CURTIS. All right; you may quote the part to which you refer.

Mr. BERNHEIM. In the matter of quantities, this contract provides:

The quantities to be taken under this contract are to be arranged between the two parties during the so-called sample season preceding the regular half-year manufacturing season. While it is understood that on account of the present disturbed conditions in the dyestuff market the buyer is only too willing to buy from season to season increased quantities from the seller, and as the seller agrees to increase its manufacturing facilities as much as possible to meet the increased demands of the buyer, it is agreed between the two parties that in order to enable the seller to increase its manufacturing facilities, that the buyer, after Germany is at peace, continues for a period of two years, to purchase from the seller such quantities as he has been buying during the six months preceding the declaration of peace, or equivalent in dollars and cents of any other color.

Now, on the question of prices:

The prices to be paid by the buyer for the specified products covered by this contract are as per the list attached. It is agreed, however, that upon the termination of the present European war by the formal declaration of peace, the above-mentioned prices will, during the period of six months next following the declaration of peace, be reduced to the extent of one-eighth thereof, and that during the next succeeding period of six months the said prices will be further reduced to the extent of an additional one-eighth thereof. At the expiration of one year after the said declaration of peace the said prices will be further reduced to the extent of an additional two-eighths thereof, so that at and after the expiration of said period of one year the prices to be paid by the buyer shall be one-half of the original contract price provided for hereunder.

Now, one other paragraph:

This contract shall commence on the 7th day of January, 1916, and continue for a period of five years thereafter; it being understood, however, that either party may terminate this contract two years after the formal declaration of peace at the close of the said war by giving to the other party a three months' written notice of its intention so to do.

The parties hereto formally declare that the intention of this contract is to give the buyer, during the disturbed conditions of the dyestuff market resulting from the European war, a fair and steadily increasing supply of the said products, and at the same time of enabling the seller to realize a fair and reasonable price for the products manufactured by it under the said conditions, and further to enable the seller to make arrangements for the purchase of raw materials and to encourage the seller to increase its manufacturing facilities on a larger scale, with a view of establishing in the United States an adequate and permanent dyestuff industry.

That simply goes to show that the original idea was that the price of dyestuffs could be reduced.

Senator CURTIS. Anything further?

Mr. BERNHEIM. No; except that we think as to the fear that this country is going to be flooded with German dyestuffs, we would rather wait and see whether it is well founded or not. We would

rather have the industry try it out on the regular protective-tariff basis first, and then, if this industry needs something else, wouldn't it be time enough to apply for relief? The Senate and House will always be ready to help them out if they need help, and they are not bashful about asking for it.

Mr. DEMMING. Did you try to get these dyes in this country before you applied for a license?

Mr. BERNHEIM. We bought dyes here, not domestic but English and Swiss dyes. We were never able to get these particular dyes in this country.

Mr. DEMMING. You were satisfied you could not get them?

Mr. BERNHEIM. Yes, sir; we were satisfied of that.

Senator CURTIS. You may call your next witness.

STATEMENT OF GEORGE DEMMING, ESQ., REPRESENTING THE NATIONAL ASSOCIATION OF HOSIERY AND UNDERWEAR MANUFACTURERS, PHILADELPHIA, PA.

Mr. DEMMING. I offer in evidence the report of the Chief of Ordnance to the Secretary of War, 1919, and more particularly that portion thereof under the heading:

SOME OF THE THINGS ACCOMPLISHED.

At the cessation of hostilities the Ordnance Department, American Expeditionary Forces, had provided, among other things in France, over 4,000 cannon and 10,000 rounds of artillery ammunition through our depots; 93,326 machine guns, 75,000 automatic rifles, and 600,000 service rifles besides those brought over by the troops, who came fully equipped; 1,182,000,000 rifle cartridges, over 300,000,000 8-millimeter cartridges, and 170,000,000 pistol cartridges. Including ammunition received directly from the French in the army area, 6,128,635 rounds of 75-millimeter had been actually expended, and 1,705,000 rounds of heavier caliber (chiefly 155-millimeter G. P. F. and 155-millimeter, 8-inch and 9.2-inch howitzer), as well as 809,929 trench-mortar bombs and 695,670.451 machine-gun and small-arms cartridges. Nearly 8,400 special motor vehicles (tractors, trucks, reconnaissance cars, etc.) had been furnished for military use. The shops and depots of the department were adequate for any demands that could be foreseen or conjectured. Given the men it could meet any conditions that could arise.

I have here a confidential financial publication, entitled "Standard Corporation Service Including Unlisted and Local Securities, January-February, 1919," showing the status of the National Aniline & Chemical Co., which is an American concern, and showing they have already absorbed, according to their own statement, nine of the principal independent dye companies in this country:

NATIONAL ANILINE & CHEMICAL CO. (INC.).

History.—The National Aniline & Chemical Co., Inc., was organized on May 26, 1917, under the laws of New York, and has acquired, either directly or through stock ownership:

(1) Plant and other assets formerly of Schoelkopf Aniline & Chemical Works (Inc.), Buffalo, N. Y.

(2) Plant and other assets formerly of W. Beckers Aniline & Chemical Works (Inc.), Brooklyn, N. Y.

(3) Plant and other assets formerly of Benzol Products Co., Marcus Hook, Pa.

(4) Aniline products plant (in course of completion), formerly of General Chemical Co., Marcus Hook, Del. (plant under lease).

(5) Other assets formerly of Standard Aniline Products (Inc.), Wappinger Falls, N. Y. (site under lease).

(6) Aniline products plant (land under lease), formerly of the Barrett Co., Shadyside, N. J.

(7) Aniline products plant (land under lease), formerly of General Chemical Co., Easton, Pa.

(8) Sales facilities and other assets formerly of (old) National Aniline & Chemical Co., 100 Willam Street, New York City, including warehouse property, Brooklyn, N. Y.

(9) Sales facilities, plant, and other assets formerly of Century Colors Corporation, 182 Front Street, New York City, including plant (under lease), Nutley, N. J.

The National Aniline & Chemical Co. (Inc.), is not a holding corporation nor in any sense a trust, but is a merger of the plants specified in the foregoing to insure the national independence of the United States in the coal-tar products industry, and the aim of the management is to manufacture coal-tar dyes and intermediates which can compete successfully both in quality and variety with those heretofore manufactured. As the constituent units of the new company include manufacturers of raw materials, of intermediates, and of coal-tar dyes, the new corporation under one organization will cover the industry from raw material to the finished product.

PROPERTY.

Property.—The plants of the company are located at Buffalo, Brooklyn, Wappinger Falls, and Newburg, N. Y.; Easton, Marcus Hook, and Frankford, Pa. Branches are also located at Boston, Mass.; Providence, R. I.; Hartford, Conn.; Philadelphia, Pa.; Charlotte, N. C.; Cincinnati, Ohio; Kansas City, Mo.; Chicago, Ill.; Indianapolis, Ind.; Milwaukee, Wis., and Toronto, Ontario. The aggregate capacity of the plants is estimated at over 30,000,000 pounds per annum.

Under the provisions of certain war bills passed by the United States Congress during 1917 and 1918, certain German-owned patents, issued by the American Patent Office, were expropriated and became available for American concerns. It was stated in March, 1918, that the National Aniline & Chemical Co. (Inc.) was granted eight of these patents covering the manufacture of dyestuffs, etc. It was understood that further applications were pending and that they would soon be acted upon.

I also have a letter dated November 28, 1919, addressed to the Franklin Process Co., Providence, R. I., which throws a great deal of light upon the difficulties of getting licenses:

NEW YORK, November 28, 1919.

FRANKLIN PROCESS Co.,

Providence, R. I.

Gentlemen: I am directed to acknowledge receipt of your telegram of November 28 and to inform you that you must decide for yourselves whether the risks and disadvantages attendant upon the importation of dyestuffs through the Textile Alliance are sufficiently compensated by the advantage that you may gain thereby.

"As the Textile Alliance is acting in a quasi official capacity on behalf of the State Department, its officers do not consider themselves in a position to refuse to accept such business as you may tender on equal terms with other consumers. You may, however, accept this assurance that such business as they may be compelled to transact with you will be exceedingly distasteful to them.

Yours, respectfully,

TEXTILE ALLIANCE (INC.),

(Signed)

B. R. PRICE, Acting Secretary.

The above in response to the following telegram:

Telegram: "Can you give us a bond for your faithful performance of contract? We must have something to protect us. We will pay for the bond."

I offer a letter dated December 1, 1919, addressed to the War Trade Board, Washington, from Charles A. Foyer & Co.:

DECEMBER 1, 1919.

WAR TRADE BOARD,
Washington, D. C.

GENTLEMEN: In reply to your form 300 beg to state that we are a little surprised at the position you take regarding our application for dyes. In all probability you are in a better position to judge than we are, who have been mixing and grinding colors for 20 years.

The fact of the matter is that the color now offered for sale and manufactured by American concerns is nothing in comparison to what we can buy abroad, in spite of the fact that their prices are five times as high. If you will look over the records of manufacturers in the dye industry you will discover that they have become fabulously rich during war conditions, furnishing poor and inferior products.

The position you take is practically a subsidy to the dye industry. Another department of the Government points out the necessity of reducing costs. Your method is exactly opposite.

This company does quite a large foreign business. We would like to have you inform us how it is possible for us to compete abroad on the class of goods we manufacture made with inferior product at a much increased cost above what England, France, and other countries can supply a better product. We would also like to know what good another department of the Government is to urge American manufacturers to obtain export business at a great expense, and continually send us leads to obtain this trade when there is no possible opportunity to compete in our line of merchandise with your subsidy to the dye industry of this country. With the free and unlimited trade in this class of merchandise the American manufacturers would be able to bring their product up to the standard of their competitors and not having the packing and ocean freights to pay could undersell foreign competition. As the situation now stands they can charge practically whatever they want, with the aid of the Government to keep out or prevent American manufacturers from buying wherever they choose and to their best advantage.

Yours, truly,

CHAS. A. FOYER & Co.

I now offer an editorial from the New York World of Saturday, October 25, 1919:

ON THE ROCKS OF CLASSISM.

The error, fundamental and incurable, of the disrupted Industrial Conference was its organization by classes. Taken as a whole, the membership was admirably representative of the American people, but its arbitrary division into employer, labor, and public groups accentuated distinctions that should not have been recognized.

Every revolutionary element in the country is fairly seething with classism. It is by working upon this prejudice that agitators promote discontent and violence. The ideal of anarchists, Bolsheviks and I. W. W.'s is a populace so saturated with suspicion and hatred of others that it is willing to accept and perpetuate for itself the rank of proletarians. In a democracy where all are citizens, or may be, such a term should be as offensive as royalty or aristocracy.

But it is not the Reds alone who are guilty of this mistaken policy. The theory of classism is too readily accepted socially, industrially and politically in places where it can find no excuse. That vicious idea is at the root of much of our legislation. Most of our so-called statesmen have no higher conception of party or government than to promise something or to do something for somebody at the expense of somebody else. Our laws are full of exceptions and privileges, every one of them put there by demagogues bumping their heads in obeisance to a class.

The rights and wrongs of industry are the concern of the whole body of the people. No class can determine them. No warring class in their occasional moods of compromise can be allowed to bargain in them at public expense. If Government is to summon another conference on this or any other question its personnel should be representative only of a citizenship of equal rights and possibilities.

I next offer an editorial from the Philadelphia Inquirer, of Saturday, September 27, 1919, as follows:

SHOULD MAKE AN END OF CLASS LEGISLATION.

It is gratifying to remark the existence in both branches of Congress of a feeling that the time has come to call a halt on the making of laws at the instance and for the benefit of any particular class or organization. There can be no honest and intelligent denial of the principle that the enactment of legislation should be determined by an enlightened and exclusive regard for the general welfare, but of recent years the violations of this fundamental axiom of republican government have been alarmingly numerous and flagrant.

Congressmen have time and again been influenced in their action, not by the merits of some measure which has been proposed for their consideration, but by what they believed would be the political consequences to themselves of its acceptance or rejection. If the bill they were asked to pass was sponsored by some body which was credited with the ability to control a large number of votes they have not been careful to scrutinize its contents or to anticipate the natural results which would ensue from its enactment; and the consequence is that there is many a law upon the statute books today which, while it has advantaged some special elements, has worked injury and injustice to the community at large.

Take as a conspicuous and edifying illustration of this regrettable circumstance the law which was enacted three years ago for the express, although unavowed, purpose of increasing the wages of certain railroad employees under the pretense of instituting an eight-hour working day. That was an instance of class legislation at its worst, and it would be difficult to exaggerate the mischievous and far-reaching effect of the humiliating surrender which it involved and of the dangerous precedent which it established. Who can doubt that the railroad brotherhoods had it in mind when a few weeks ago they served notice on Congress that their members were in no mood to brook the return of the railroads to private ownership, and when the scarcely veiled threat was made that unless their demands were granted the social and industrial life of the country would be paralyzed by a general railroad strike?

The men from whom that menace proceeded were unquestionably led by their past experience to suppose that Congress would be frightened into a prompt and plenary compliance with the terms of their ultimatum, and that the intimidatory tactics which had served them so well before would be no less successful now. It is a fortunate thing for the country that their expectations were disappointed.

Sustained by the expression of a public opinion which was absolutely uncompromising and virtually unanimous, both Houses of the National Legislature assumed an attitude of resolute independence, and representative Members alike of the House and of the Senate repudiated any idea of submitting to the dictation which had been attempted. They indignantly refused to be subjected to an exterior control and let it be known that in their disposition of the railroad question judgment and conscience were to be their only guides. It must be hoped and in spite of some regrettable lapses it may be believed that Congress is more and more inclining to emancipate itself from the tyranny of special interests, and to discharge its momentous duties with a single eye to the safety and welfare of us all.

Senator WATSON. Mr. Demming, what do these editorials refer to?

Mr. DEMMING. To all this legislation being vicious in character and absolutely unnecessary.

Senator WATSON. All right; you may proceed.

Mr. DEMMING. I now offer some resolutions adopted at the Export Convention, Saturday, October 18, 1919, in which they state that it is for the world's interest to resume normal peace conditions and import and export conditions with foreign countries as quickly as possible:

RESOLUTIONS ADOPTED AT EXPORT CONVENTION.

TRADE WITH RUSSIA.

Resolved. That official support in the form of economic assistance and generous credit facilities be given to the efforts of patriotic Russians, endeavoring

to create a united and constituent country; that in that part of Russia where life and property are secure every effort should be made to supply the necessities of life; that American manufacturing and shipping interests and their bankers should at once unite to undertake the foregoing work.

TRADE WITH THE CENTRAL POWERS.

Resolved. That when our Government shall have ratified the peace treaty the peace so concluded shall be, industrially, a real peace, and that American manufacturers shall feel at liberty to resume trade with the people of the central powers in the manner that their individual interests may dictate; but that in the allocation of output and the extension of credit generous consideration should always be given by the manufacturers of the United States to the needs of those peoples with whom they have been associated in the war.

RATIFICATION OF PEACE.

Resolved. That the delay in ratifying peace has contributed to industrial hesitancy and stagnation throughout the world as well as to social unrest, and for that reason the manufacturing exporters of the Nation who have observed the effect of this delay upon their foreign business, urge upon the Senate the necessity for early action on the treaty of peace.

OUR DIPLOMATIC AND COMMERCIAL SERVICES.

Resolved. That, because our future foreign trade will be largely dependent upon satisfactory international relations, and upon the intelligent cooperation of Government services with American exporters, it is the sense of this convention that Congress should take immediate steps to attract to and hold in our diplomatic, consular, and commercial services, men of the highest caliber and attainments; that to this end we urge the enactment of legislation following the general lines of the report submitted by the association's committee.

REHABILITATION OF EUROPE.

Resolved. That every facility should be provided by our industries and our financial institutions for the exportation to Europe of raw materials and machinery, which are essential to the revival of European industries; that after supplying immediate and essential requirements for the rehabilitation of Europe our manufacturers should direct their selling efforts chiefly to the markets of those countries whose foreign exchange situation will not be still more adversely affected by the result of such selling efforts.

OUR FOREIGN TRADE POLICY.

Resolved. That American manufacturers should take advantage of their present freedom from severe competition to resume their domestic development interrupted by war, to improve the quality of American workmanship, to equip American factories with the latest and most efficient machinery, to install time and labor saving devices, to increase administrative efficiency and productivity of American labor, to stimulate research and invention, to develop facilities for greater quantity production, to improve transportation and handling systems in order that when competitive conditions return they shall be able to hold their own in the markets of the world; and that to accomplish the desired results labor, on its part, should increase its productive effort as the only possible means of maintaining the present standards of living.

IMPORT TRADE.

Resolved. That so far as may be consistent with American interests this country should encourage the importation of foreign products, especially those goods which are produced to advantage by other nations; and that the necessary machinery for improving and stabilizing foreign exchange should be immediately provided.

I now offer an editorial from the Knit Goods Bulletin of October, 1919, a monthly publication:

KICK OUT CLASS LEGISLATION.

Probably no Congress since the reconstruction period following the Civil War has had to deal with a greater variety of or more complex problems than the Sixty-sixth, whose memorable session, with still much to be done before adjournment, has been conspicuous on more than one occasion for the manifest tendency to disregard party lines in the effort to bring order out of chaos left by the recent war. The effect of this, fortunately, is to make it difficult to procure affirmative action on class legislation, of which there has been entirely too much projected, considering the momentous questions—national and international—that must be disposed of.

When the Nation, illy prepared for war, suddenly plunged into the world struggle then being fought out in France, laws were enacted with an eye single to speed, and, as has since developed, much of the legislation of that period could have been materially improved upon had it been felt there was time for proper consideration from angles that at the time were overlooked. When it was feared the fate of the Nation might be hanging in the balance, patriotism was blinded to the danger of class legislation, and probably no law of that character has caused more concern or so rapidly led the country nearer the brink of revolution than the Adamson bill, which had been thought out in a spirit of dominance for the minority over the majority.

With the evil horn of the Adamson bill brought into the spotlight in the attempt of a self-constituted monopoly of organized labor to arrogate itself rights which under the Constitution are vested in the people as a whole, there would seem small danger of further class legislation, in the present temper of Congress, with party lines practically eliminated or to a great extent ignored on subjects so momentous as the league of nations covenant and the Plumb bill for turning the railroads of the country over to irresponsible control representing not a dollar of capital investment.

Class legislation begets class. Any form of regulation or control stripped of democracy as fostered under our republican form of government—the democracy for which we were told were engaged in the European war—ignores the masses and benefits the few, by class. Control or regulation by commission can be brought about only by class legislation. During the war, there was a surfeit of commissions which were set up as an expediency for meeting an emergency which no longer exists. In the attempt to procure the establishment of a commission to regulate importations of dyestuffs no emergency could be shown, but some unnecessarily affrighted persons and others interested as a class assured Congress an emergency would arise.

Congress was not to be won over by cajolery or tomfoolery. Proponents of the commission measure found that class legislation was not to be favored, and consented to an amendment by which the Tariff Commission was substituted for what was intended to be a hand-picked body. As amended, the dyestuff regulating bill was gotten through, but an analysis of the vote by which this was accomplished leaves no doubt that had the question at issue been one of license only, the bill would have been defeated, as it should have been and as it probably will be when it comes before the Senate. It was objectionable because it savored too strongly of class legislation, and to make a show of having accomplished something, its advocates consented to the amendment.

If it were necessary to regulate imports of dyestuffs by license, the Tariff Commission would be preferable to a commission created at the best of a class. It is doubtful whether a small body of influential manufacturers backed by powerful bankers could procure the creation of a commission through class legislation and it could not be established otherwise. Thus one is brought to the conclusion that if there are other industries so fearful of their strength that they could not rely for protection on import duties such as enabled the Nation to lead the world in the manufacture and exportation of tin plate they will expect to be safeguarded by license through the Tariff Commission.

To say that American industry can not live and prosper by American brains, capital and enterprise, when buttressed by the United States tariff schedule, would seem like a confession of weakness. To say that class legislation is necessary for the perpetuation of any established American industry would be an admission that we are headed toward more and more classes. Not so

many years ago there was complaint of a monopoly in explosives. In more recent years there has been witnessed assault after assault on the meat packers' combine, the oil trust, and the organized anthracite coal barons. Since it has been regarded necessary to enact legislation to break up combinations clothed with power to regulate production and prices, I will be well to establish no law that would make new combines possible, and this can not be done except through class legislation, wrong in principle and vicious in practice.

I now offer an article on this proposed bill, published in the *Knit Goods Bulletin* of October, 1919:

DYESTUFFS AND PATRIOTISM—IMPUTATION THAT OPPOSITION TO LICENSE IS UNPatriotic IS BITTERLY RESENTED.

At a recent conference called for a discussion of reasons for and against the proposal for regulating importations of foreign dyes by license, a speaker held that it was a patriotic duty to regulate imports, even though industries consuming dyes might suffer embarrassment and inconvenience.

Several speakers who are opposed to license resented any imputation calling their patriotism into question.

Speakers representing the Silk Association of America and the National Association of Cotton Finishers were strongly in favor of licenses. Each of these associations would have had a representative on the dye licensing commission had the bill as called up in Congress been passed in the House without the amendment substituting the Tariff Commission, unless defeated in the Senate.

Benjamin Hurd, vice president of the Susquehanna Silk Mills, which is a member of the Silk Association of America, read from a prepared paper, extracts from which follow. Mr. Hurd said in part:

We are heartily in sympathy with any movement for the protection and development of the American dye industry. However, there should not be built about one industry to make doubly sure of its growth, such barriers as would stultify or fail to nourish other important American industries.

Before 1914 the United States of America developed all her important industries on the protective tariff principle. There seems no good reason why we can not continue to develop our industries along similar lines. In addition to the tariff we have, as a result of the war, further protection to American industries, and particularly to the dye industry, by:

First. A proposed anti-dumping law, to prevent the flooding and destruction of American markets with imported products.

Second. The authority of the Federal Trade Commission to prevent unfair trade practices.

Third. The power of the reparation committee to control exports from Germany.

Fourth. The Chemical Foundation (Inc.) for encouraging and cooperating with the dye industry.

Until such time as the American dyestuff manufacturers can produce and satisfy the demand of the silk manufacturers for certain dyestuffs, we feel that practical negotiations should be permitted in order to import foreign dyestuffs, and thus maintain in this country the high quality standard of the finished product of the silk industry.

To-day there are certain dyes badly needed in the silk industry that are not yet produced in this country. Until such time as they are produced we believe that manufacturers in the silk industry should be allowed to import these dyes without the war-time control of the license system.

During normal, or after-the-war or peace times, we ask why licensing should be obliged for the importation of dyestuffs, when it is not required for other commodities shielded by our protective tariff?

Of 59 colors which we used before the war, only 3 to-day are manufactured in this country, and the quality of these 3 is so inferior to foreign-made dyes that they will not produce the results of foreign-made dyes.

We have been trying to use substitutes for some of these above colors, but we find they do not yet give the brilliancy produced by the imported dyes, and the cost of converting, as the result of the use of these substitutes, has been between \$75,000 and \$100,000 more than that with the use of imported dyes. Deliveries and promises of improved conditions from American dyestuff manufacturers have also been the source of added expense. Deliveries

have been greatly delayed, and the quality of the product has not been up to that promised.

Will you permit me to quote from a letter dated October 8, just received from our converting works:

"We received a shipment of 250 pounds of ——— in keg No. —, your bill of September 24, total amount \$1,875. We have tested this material and we find that it contains a considerable quantity of insoluble dye, which at any time is likely to cause us a great deal of trouble. Our chemists find that 12 per cent of this dye is insoluble. We, therefore, kindly ask you to let us know what we shall do with this color, as we do not care to use it.

"The concentration of the dye sample of this material is fairly satisfactory, but we do not care to have any dyes which are not entirely soluble."

The licensing system which is designed to give added protection to the dye industry is unnecessary, we believe, and we feel sure that it will be a source and productive of red tape and embarrassment to the silk industry.

The license board, as is true with all regulatory boards, will oblige applicants for licenses to prove that the domestic supply is exhausted or not to be had. This proof involves time; hence delays, which may be vexatious, costly, and embarrassing. Such delays affect the finished product and will tend to encourage the importation of finished goods. Speed in getting dyes is necessary to realize on fashions.

Let us arrange our program to protect all industries, but not to overprotect one to the disadvantage of the other. We will welcome the day when all American-made dyes are the equal of and as plentiful and economical as foreign-made dyes.

I now offer an editorial from the Knit Goods Bulletin of August, 1919:

OPPOSE AUTOCRACY.

Assigning as one of its reasons for opposing H. R. 264, a bill to authorize the adoption, registration, and protection of a national trade-mark to distinguish merchandise produced in the United States and used in the commerce and foreign nations, or among the several States, or with Indian tribes, and to authorize the Secretary of Commerce to license the use of the trade-mark, the Merchants' Association of New York submits the following:—

The bill would grant too much responsibility and authority to one man—the Secretary of Commerce—in enforcing the provisions of the act.

Other reasons for antagonizing the bill are given, but this one appears to be sufficient. The objection to "granting too much responsibility and authority to one man" is the corner stone of the antagonism to the creating of a license commission to regulate the importation of dyes.

Government by commission is not in line with the idea of democracy, the policy for establishing which throughout the world cost the United States many thousands of precious lives, billions upon billions of dollars wrung from a patient and patriotic people, uncounted broken hearts and years of taxation as a legacy of the World War. Commissions, bureaus, boards, and administrative bodies by a variety of titles were tolerated while we were fighting to "make the world safe for democracy." Now that the battle is won it were well that the commissions, so far as possible, be dissolved without delay, and that no new ones be created.

It would be contrary to the country's traditions and the fundamental idea of democracy to establish a single commission the purpose of which could be attained through legitimate time-tried methods. No consumer of any commodity ought to be put in a position in which he might be compelled, while the country is at peace, to humiliate himself before a hand-picked commission in a begging plea for permission to buy that which, with adequate customs duties provided, he might acquire if he found himself warranted in paying the price.

In its investigations and findings the Merchants' Association of New York probably will be credited with taking rank with the United States Chamber of Commerce, and its voice against granting too much power to one man ought to be heard in the fight which is certain to be made against granting power to a commission to regulate dye importations when regulation may be had automatically through proper tariff protection for the United States dye industry.

I now offer a telegram from what I believe to be one of the largest if not in fact the largest bleachery in this country:

NEW YORK, N. Y., December 10, 1919.

GEORGE E. DEMMING,

Capitol Park Hotel, Washington, D. C.:

Impossible to be in Washington this week. Believe best interests of whole country require elimination of licensing feature of Longworth bill.

GARNER PRINT WORKS & BLEACHERY,
H. A. HATCH, Treasurer.

I also offer the following telegram:

LANSDOWNE, PA.

GEORGE E. DEMMING,

Representative Hosiery Association,

Care Senate Finance Committee,

Senate Office Building, Washington, D. C.:

Answering your wire, unable to be present to-day's hearing. However, please present our opposition as large users of dyestuffs operating woolen and worsted plants in two States. We emphatically protest against dye-licensing commission, which is admittedly in interest of dye manufacturers. Under terms of peace treaty the allied reparation committee controls dyestuff situation in Germany, therefore can not be any dumping upon this country. Further protection is offered by present control of German patents by Chemical Foundation backed by War Trade Board and alien enemy custodian. Domestic dyestuff industry can obtain protection through adequate tariff without granting autocratic power to a small group of individuals, which licensing system affords.

THE KENT MFG. Co.,

EVERETT L. KENT, President.

I also ask the permission of your committee to file a brief in this matter, and we rest our case with the understanding that Col. Sykes is to testify to-morrow.

(The brief referred to was subsequently furnished and is here printed in full, as follows:)

[Before the Committee on Finance of the United States Senate, Washington, D. C. In re H. R. 8078. The "Longworth bill," a bill to regulate the importation of coal-tar products, etc. Analysis of the bill and objections to the licensing and standardization provisions of said bill. George Demming, on behalf of National Association of Hosiery and Underwear Manufacturers and other consumers and users of dyes, 1112 Land Title Building, Philadelphia, Pa.]

To the honorable the chairman and gentlemen, members of the Finance Committee, United States Senate, Washington, D. C.:

H. R. 8078, known as the "Longworth bill," is a bill to regulate the importation of coal-tar products, to promote the establishment of the manufacture thereof in the United States, and, incidentally, to increase the revenue of the United States. This bill provides for the levying of a high ad valorem as well as specific tariff upon importations of coal-tar products and intermediates into this country. It also provides that there shall be absolutely no importations whatever for the period of two years, unless the same are passed upon and allowed by a dye licensing commission established by said bill, which commission shall be the present Tariff Commission.

On behalf of the textile interests, consumers and users of dyestuffs, the National Association of Hosiery and Underwear Manufacturers and other associations, mills, manufacturers, consumers, and users of dyes, as well as the general public who must eventually pay the bill and whose welfare is vitally wrapped up in this bill, we desire to protest most emphatically and unequivocally against the licensing feature and the standardization clause of this bill and the possible enactment of the same into a future law.

Without attempting to review at length or in any considerable detail the testimony adduced before your committee relating to the above bill, or to cite numerous decisions and legal precedents bearing upon the legality of the application of some of its provisions, permit us to respectfully and briefly call

your attention to the following pertinent thoughts and facts, and to do so in as untechnical language as possible:

ANALYSIS OF THE PROVISIONS OF THE BILL.

Altogether aside and apart from the licensing provision in this bill, the abnormality, unreasonableness, viciousness, and undesirability of which we will attempt to show, this bill contains other features which would seem to render it a vulnerable, uncalled for, improper, and intolerable measure at the present time, especially when it is considered in connection with the Chemical Foundation. The practical workings of this bill are so inseparably joined with those of the Chemical Foundation, that it can not be reasonably discussed or analyzed except in relation thereto.

A careful study of this bill reveals that it seeks to protect the American dye manufacturing industry by four different methods, each ingeniously dovetailing into the other, and the combined effect of which will be that, if it is enacted into law, a wall so high will be erected around the domestic industry that practically no importations of coal-tar products can ever get over it or under it. Also, the provisions of the bill are such that American dye manufacturing plants, unless they happen to be members of the little group controlling the raw products and intermediates in this country, will be unable to buy these products at reasonable prices in the open market and to successfully manufacture and compete in dyes, chemicals, medicinals, and coal-tar products generally. If this bill becomes a law it is safe to predict that within a comparatively short time all the smaller American dye manufacturing plants will either be gobbled up by the big plants or else will be forced to go out of business.

This, in the face of the now general admission that certain absolutely requisite dyes are not now manufactured in this country, and will not be for an indefinite time to come, and the rapidly rising prices of drugs, dyes, chemicals, and medicinals all over the country.

These four separate methods of protection enumerated are as follows:

(1) The placing of a tariff of 40 per cent ad valorem and 6 cents a pound specific duty on all crudes and intermediates, and 45 per cent ad valorem and 7 cents a pound specific duty on finished dyes. This tariff will cause, in the case of many of the lower-priced dyes—the so-called "poor man's dyes,"—a very large increase over the former price, due to the high specific duty, in many instances amounting to an increase of over 100 per cent, and in one instance nearly 300 per cent as shown in detail by the carefully prepared tables in Col. Walter F. Sykes's pamphlet in evidence before your committee. Surely it would appear that these tariffs alone are a sufficient protection to fully insure the coal-tar industry in the United States, especially when are recalled the reports of special committees investigating this subject only two or three years ago, recommending that the industry would prosper with much lower tariffs; the voluntary statements and reports of the domestic dye makers themselves, all in evidence before your committee; the present tariff, which was considered quite sufficient up to a very short time ago; and the rates proposed by the tariff commission in the original bill from which the bill now under consideration has sprung.

(2) The so-called "standardization clause" in section 501 of the bill, placing in the hands of the Secretary of the Treasury the power to fix the "standards" upon which the aforesaid specific tariffs shall be based will result, in very many cases, in the actual tariffs not being as above fixed, but a certain number of times the specific duty named, according as the standard fixed will divide into 100 per cent strength. The fact that the Secretary of the Treasury is directed to make these standards conform, as nearly as may be, to the commercial strengths used in the United States prior to July 1, 1914, will help boost this final tariff to be fixed.

This will undoubtedly result in very many cases in a very much higher tariff than would be caused by merely the 45 per cent ad valorem and 7 cents a pound specific duty.

The attention of this committee is carefully invited to a thorough scrutiny and study of the so-called "standardization clause." It is submitted that the practical effect will be pernicious and insidious.

Men who are thoroughly acquainted with the coal-tar business state that it is almost next to impossible to "standardize" according to strength colors,

dyes, and stains, as this bill attempts to provide. It will therefore be done necessarily in a purely empirical and arbitrary manner.

It will be noted that this clause applies to the specific dyes alone. Many dyes and colors are imported in pastes and powders, the strengths of which vary. Some classes of mills call for a 20 per cent paste (1 $\frac{1}{2}$ strength), some a 60 per cent, some a 100 per cent.

The chances are altogether in favor of the lowest strength being selected as the "standard." The result of this will be that mills needing and using the 100 per cent strength will pay therefor a specific duty of not 7 cents a pound, but as many times 7 cents as 20 goes into 100, or 35 cents a pound specific duty.

It can therefore be readily seen how ingenious a device this "standardization clause" is to really make prohibitive the importation of many dyes and colors. In all cases the practical operation and effect of this clause promises to be most vexatious, harassing, confusing, and embarrassing.

It is submitted it should be greatly modified or else removed altogether.

3. The provision for the dye-licensing commission, without whose prior hearing, determination, and consent absolutely no importations whatever, from any source, shall be permitted. Notwithstanding certain changes made in the original bill, this commission is still allowed to pass upon and decide any application largely in its own discretion. (If it were otherwise, of course, there would be no necessity for any commission whatever.)

The objections to the setting up and establishment of this commission will be taken up later.

(4) Last but by no means least, the Chemical Foundation. This private corporation, responsible to no one but itself and its officers, directors, and stockholders, owning outright 4,500 patents on coal-tar products and processes, and probably acting in conjunction with the Grassell Chemical Co., which bought the remaining 1,200 patents, is in a position to say, as it undoubtedly will, to the importer and user of every pound of dyestuff in this country which in its judgment to any extent whatever infringes upon any of its dyestuff patents, "You must pay us a tribute in the shape of royalty upon that dyestuff before you can sell or use it here." This tribute can be made large or small, permissive or prohibitive, antagonistic or friendly, according as the Chemical Foundation chooses to favor or discriminate against, promote or retard, any particular importer, domestic manufacturer, or user.

This applies equally to the granting of licenses by the Chemical Foundation to domestic companies for the manufacture of coal-tar products under its numerous patents.

And in this connection the attention of the committee is respectfully called to the fact that the Chemical Foundation owns and controls the patents on the vat dyes and other dyes which admittedly are badly needed here by domestic textile mills and are not as yet manufactured here.¹

Conceding, for the purpose of argument, the propriety and good business of forming the Chemical Foundation at all, it would occur to the unprejudiced mind that, with the idea of full equity, this should have been a Government institution solely. Its defenders—as, for instance, Mr. Garvan—state there was no existing law under which this could be done. But the answer to this is that there were no laws under which any of these things were done, except such laws as were passed at the time, dictated by necessity and the stress of attending circumstances. The Chemical Foundation surely comes within this category.

The practical result of all of these four things—i. e., the three provisions of the bill itself and the Chemical Foundation—is that it at least is going to be in the power of certain interests to absolutely prohibit any importation of coal-tar products into this country, if this now pending bill should become a law. It would even appear that because of the extreme features of this bill this result will be the same, although the third most obnoxious provision mentioned—that of the dye licensing commission—is defeated and expunged from the bill.

For these reasons it is submitted that this bill, before being reported to the Senate, should be thoroughly dissected, considered, and analyzed by your Finance Committee in all its multifarious and nefarious bearings, meanings, and purposes.

¹ Mr. Garvan testified that it was the purpose to have the Chemical Foundation exist perpetually. This will doubtless be accomplished by the Chemical Foundation, through its agents and representatives making, buying, or otherwise controlling all the improvements, modifications, embellishments, enlargements, and amplifications of the patents on these dyes, as well as the patents on other dyes, drugs, and chemicals.

BRIEF RÉSUMÉ OF THE DOMESTIC DYE SITUATION.

The testimony shows that up to the beginning of the war abroad, in 1914, our total imports averaged between nine and ten million dollars a year and scarcely if ever reached twelve, including indigo, alizarine, betanaphthol, aniline oil, and all other intermediates.

Betanaphthol, aniline oil, and similar products with a duty of 10 per cent sold here for about 8½ to 9 cents. We started producing them in the latter part of 1915, and the price was about \$1.25 for these products. Aniline oil has since come down to about 25 cents to 30 cents and betanaphthol to about 40 cents.

The domestic business was done mostly by the Schoellkopf Co., in Buffalo, which sold out to the National Aniline & Chemical Co., and probably did not amount to 10 per cent of the total. Heller & Merz and the Central Dyestuff & Chemical Co., as well as the Consolidated, made a few colors from imported raw materials.

At the present time there are a great many plants which have been established during the war, most of them primarily for making ammonium picric acid, or other explosives, or products used in connection with explosives. Many of them are making a few colors. The Du Pont plant; the National Aniline Co., which now comprises the Schoellkopf as well as the Beckers' plants (vide Record); the Central Dyestuffs & Chemical Co., of Newark; the Consolidated Color & Chemical Co., of Newark; the Newport Chemical Works, in Milwaukee; Marden, Orth, and Hastings, who also control the Calco Co., in New Jersey; and John Campbell & Co., in Newark, are about the largest plants.

The Sherwin & Williams Co., of Cleveland, and Ault & Wiborg Co., of Cincinnati, also started making colors, because as large consumers for making paints and printing inks, respectively, they had to have dyestuffs. There are others making all kinds of pretenses for but few actual colors. The Du Pont Co. has taken up indigo as a specialty and is making more or less colors. It is supposed to have the most modern synthetic indigo plant in the world, having bought the formula for the same from Levenstein, in England, and having duplicated the Levenstein plant. The National Aniline Co. is a consolidation of nine other formerly independent plants, including the Schoellkopf plant, the Beckers plant in connection with the General Chemical Co., Semet-Solvay Co., and the Benzol Products Co., which was an offshoot of the Barrett Co. (Vide Record.) A copy of the prospectus was put in evidence and shows it is capitalized for \$25,000,000 preferred and \$25,000,000 common. They were making all kinds of money according to their own statements, and seemingly did not need any higher tariff or other protection.

This company was incorporated May 29, 1917, and absorbed the nine really big previously independent chemical and dye manufacturing companies of the United States. All were taken in at what would seem to be inflated values. According to their own figures, in 18 months thereafter (January, 1919) this company earned, paid out for dividends, set aside for depreciation, obsolescence, and Federal taxes, etc., a sum equal to their entire common stock, or about \$25,000,000. Since that time this infant industry has somewhat "pussy-footed" as to its real earnings.

There would appear to be no doubt that people like the Du Ponts, the Newport Chemical Co., and Butterworth & Judson, who have now gone into the manufacture of colors, being formerly acid manufacturers and who made picric and other explosives, could do a lot of their experimental and research work out of the enormous profits they made on ammunition. In other words, reduce the profits just that much, and thus on the basis of 80 per cent for war-profit tax, allow the Government to pay for just that much of their research work.

It would appear that the Du Pont Co. undoubtedly is desirous of being able to maintain its price on indigo. The Dow Chemical Co., of Midland, Mich., also make some indigo, and the National Aniline Co. claims to be doing the same, but they have made but little stir in the market. The Du Ponts have been selling indigo at 75 cents and have made contracts running into the millions over a term of years at 70 cents.

The price before the war was 12 to 16 cents on contracts and was free of duty. Assuming that the new price will be at least four times what it was and the duty 30 per cent, the foreign product would sell at about 60 cents. But there is little reason why it should be four times the old price when things become normal.

The patents on the processes might not be sufficient to keep out foreign indigo, but the licensing commission certainly would; and the manufacturers of cheap cotton goods and others that use indigo (and that is by far the product used to the greatest extent of all colors), would have to compete with the dyers of England and Germany, who bought their indigo anywhere from 12 to possibly 40 cents per pound.

This means that whatever export business domestic textile men do on denims and other cheap goods would be lost, and it is quite possible that yarns could be dyed cheap enough in England to pay the duty and admit the dyed yarns here. English yarns dyed with the vat colors are now being imported because domestic manufacturers can not obtain vat colors from abroad and they are not being made here. Domestic dye manufacturers probably won't be able to do this for a long time to come at a price which would meet the competition of foreign-dyed articles because of the fact that anthracene is not produced in sufficient quantities at a reasonable price here which would make the production of these colors economically possible.

Shirtings and other materials dyed with the vat dyes, not procurable here, are also beginning to come into this country in increasing quantities.

Within the last few weeks several Americans have been seen in London for the purpose of purchasing shirtings dyed with fast dyes for importation into the United States. One, at least, is known to have purchased \$100,000 worth of these shirtings.

It is understood in the trade that Marshall, Field & Co. have begun the importation of yarn dyed with fast dyes, unobtainable in this country.

Other large consumers are preparing to do likewise.

PROBABLE PRACTICAL WORKING OF THE DYE LICENSING COMMISSION.

Based upon the primary purpose of the bill itself, it would seem that the proposed dye licensing commission will necessarily be controlled ab initio by a fixed policy of hostility and opposition toward anyone appearing before it for the purpose of securing permission or a license to import needed dyes. Its attitude will be that of the gentleman from Missouri.

The language of the bill is that "it shall be unlawful for any person or persons or corporation to import or bring into the United States, or any of its possessions, except under license previously obtained as hereinafter provided, from the United States Tariff Commission, any coal-tar products."

Hence the policy governing and swaying the commission—the very fundamental idea of its existence, so to speak, the preconceived and firmly established notion and predominating thought in the minds of the commissioners composing it is that it is established for the purpose of preventing importation of coal-tar products into the United States.

By the very terms of its existence, by all its rulings and decisions, the methods of procedure before it, which of course will be more or less complicated, vexatious, oppressive, embarrassing, and uncertain, this commission must, in the very nature of things, act upon the presumption that no importation of coal-tar products are necessary or should be allowed.

In order to overcome this presumption and secure a permit or license from the commission for importations of coal-tar products, by whatever rules of procedure, and however harassing and complex, the commission may promulgate (as will undoubtedly be its inherent, self-governing right, and as it is directed and authorized to do by the language of the bill itself), any petitioner for a license to import must by the rule of burden of proof, as it is legally termed, produce an overwhelming, predominating, and preponderating mass of evidence and proof to convince the minds and reason of the members of the commission of the necessity for issuing the asked-for license.

This the commission, sitting as judge and jury, hears, weighs, deliberates upon, for any length of time it chooses to take, and continues and concludes hearings; and then finally gives its decision.

By the past experiences of the shirt manufacturers, the leather manufacturers, and others, in applying for and obtaining licenses to import needed dyes from the War Trade Board and its dye advisory committee (and as Col. John P. Wood well remarked, quoting Patrick Henry, "We have but one lamp by which our feet are guided, and that is the lamp of experience; we know of no way of judging the future except by the past"), it is shown that the process of obtaining the license to import consists of at least four (4) distinct phases:

- (1) The obtaining permission to appear and the fixing of a date therefor.
- (2) The hearing, which may be continued from time to time.
- (3) The decision, which may occur some considerable time after the hearing.
- (4) The issuance of the license, probably some time after the decision, if favorable.

It must be remembered that even then, after all this lapse of time, this uncertainty, this trouble, supposing the textile man gets his desired license, he has not yet got the dyes, but must seek de novo to obtain them.

This is supposing, also, that the new commission does not act along the theory of the War Trade Board, which, instead of granting the license to the applicant, after a favorable decision, sends its own representative abroad to locate and sequester the dyes desired, and appoints its own "sole, official agent" in this country which shall import and allocate pro rata the dyes, if obtained, thus immeasurably adding to the uncertainty, the distress, the embarrassment, and the expense of all interested business men.

The bill provides that "the said United States Tariff Commission shall issue licenses to import for domestic consumption such of the products * * * as may be unobtainable from domestic sources. And also such and such only of said products as may, though obtainable from domestic sources, be unobtainable on reasonable terms as to price, quality, and delivery," etc.

Who shall determine all these things? Why, the commission, of course. Their's is the responsibility; their's is the judgment; their's is the discretion. No outsider, therefore, can properly or legally interfere with or question their deliberations, their motives, their methods, or their conclusions.

Under the terms of the bill, therefore, however convincing and conclusive to any ordinary mind and a reasonable person the presented facts may be in favor of allowing the license to issue, the commission is not bound thereby, and may believe slight evidence produced to the contrary and decide against issuing the license without risk of being legally held arbitrary or despotic.

From such a decision there is absolutely no appeal or any chance of reversal or redress whatever.

Again, the commission, when it does decide, may permit the license to issue, but surround it and qualify it with such attending harsh and impractical conditions, limitations, and restrictions as to make it practically useless and worthless.

Also, under the language of the bill, the commission, while finally granting the license to import, may delay its decision until such time that the need of the particular coal-tar products has passed or they could not be procured in time to avail the industry and the trade, although absolutely required at or about the time the petition was first made.

All these things, too, can come about in a perfectly natural, regular, legitimate way, due to the press of other duties, or illness of a commissioner or one of a dozen different happenings, without the slightest good ground for charges of negligence, indifference, bias, or malign influence.

Aside from all this, the necessity, in any action or petition before the commission, for the betrayal and disclosure of trade secrets and business plans and campaigns, for the enlightenment and benefit of business rivals and competitors, will probably be such as to act as a great deterrent and almost prohibition against any sensible, prudent business man appearing before the commission, except as a final resort to save his impending business from collapse and disaster. Likewise it is predicated upon the requirement and supposition that each and every business man, intending to appear before the commission and supplicate for its clemency, must have the mental agility and acumen of a financial and industrial wizard, and the ponderous, statesmanlike judgment of a Gladstone and a Daniel Webster, in order that he may read the business signs and omens aright many months in advance and with unerring infallibility.

In view of all these undeniably existing surrounding circumstances, conditions, and facts, can it be doubted for one moment that, neither in its attitude nor in its practical operation, is it possible for this proposed dye-licensing commission to be perfectly fair, neutral, equitable, or impartial toward the users, importers, and consumers of dyes and coal-tar products?

Can it then be successfully contended by anyone that the conception of this scheme is just, proper, businesslike, legal, constitutional, or American?

Can it be properly termed other than class legislation and an unlawful, flagrant, bold, arrogant, pernicious attempt under cover of patriotism, to be-

stow an especial privilege and overwhelming benefit and advantage upon one select, small, exclusive manufacturing interest at the expense of and to the very decided detriment and hindrance of all other manufacturing and business interests as well as those of the general public?

OBJECTIONS TO THE LICENSING PROVISION PROVIDED FOR IN THIS BILL.

It goes without saying, of course, that the American dye manufacturing industry should be fostered and fully protected. All Americans are in hearty accord on this point. While not exactly a new industry and while it was well developed and made highly profitable during the late war, its future should undoubtedly be properly cared for.

This appears to be most adequately done, however, in the tariff feature of the bill. The protective duties levied are most liberal and certainly seem sufficiently high to afford ample protection to the industry when taken in connection with the undeniable facts that (1) the industry, while a growing one, is not entirely new; (2) it has received a tremendous impetus during the war and become quite robust and lucrative; and (3) the prospectuses and reports of domestic dye manufacturing companies themselves, issued from time to time during the last three years, show the industry is exceedingly prosperous, quite self-sustaining, and, indeed, self-satisfied and well able to meet normal conditions.

It is respectfully submitted to the consideration of your committee that, in addition to this most liberal tariff, it is entirely unnecessary to place in this bill the secondary protection of the absolute prohibition of the importation of all coal-tar products for the period of two years and the creation of a dye licensing commission to decide, in its discretion, whether or not there shall be any exception to such prohibition.

Entirely aside from any political or personal reasons and without attempting to exhaustively catalogue or treat them, the main objections to this feature of this bill, briefly summarized, are as follows:

1. One may go through the very lengthy report of the hearings on this bill before your committee in the most careful manner and will utterly fail to find a single sufficient, convincing, and logical reason for the establishment of a dye licensing commission. One will find therein a most interesting, absorbing narrative of the building up of the munitions and chemical warfare industry of the country, of the former corrupt and unfair practices of the German dye importing companies as practiced before the war, of the actions taken by the Allen Property Custodian in seizing and selling German patents to Americans and the Chemical Foundation, and of reasons for nurturing the American dye manufacturing industry as compared with conditions before the war, just the same as many other infant American industries have been nurtured in the past. Everyone practically will admit all these things. But reasons compelling, irresistible, and rational for the necessity for creation and operation of a dye licensing commission are conspicuous only by their absence.

2. The crying need of the times, as everybody knows, is for the lowering of the high cost of living. The creation of a dye licensing commission is a step in just the opposite direction. To levy a very high tariff on importations of coal-tar products and then follow this up by absolutely prohibiting the importations of such products unless passed upon and allowed by a dye licensing commission is unmistakably a move toward greater expense in the business of any industry having the need of the use of those products. It not only is an open invitation to American dye manufacturers to raise the price of their products, as well as to lower their quality, but furnishes an excuse and a pretext to those who must employ dyes in their business to elevate the selling price of their goods to the public, and everyone knows that such elevation is always out of all proportion to the increase in the price of materials entering into the fabrication of such goods.

The good old public always pays the bill. While the price paid for the dye used in manufacturing an article is only a fraction of its cost to the public, and in many cases a small fraction, yet the fact remains that it is still a part of that cost; and in the case of cheaper and more commonly used articles, it is a much larger fraction than in high-priced goods and articles of luxury.

Besides, it must not be overlooked that all the expense and trouble of a complicated method of securing needed dyes are going to be added on to the cost of the dye itself.

If, ordinarily, any importations of coal-tar products ever get by the extraordinarily high tariff provided for in this bill, there surely must be some good and sufficient economic or industrial reason therefor, without the necessity of any dye licensing commission to pass on the propriety or necessity therefor.

The whole world is now girding its loins for the most intensive commercial struggle it probably has ever known, in which industrial chivalry and business competition will be most keen. The sooner we realize it, prepare for it, and get down to brass tacks the better. One thing is sure, we can not fatten off each other indefinitely. So far from coddling and favoring and protecting to the point of atrophy and self-contentment any particular industry in this country, at the expense of other industries, what we need most to-day are incentives for higher, better, broader, and sounder commercial enterprise and production.

3. Next to lowering the high cost of living, and, perhaps, just as important and closely related thereto, is the dire need to simplify in every possible way the American business man's way of doing legitimate business. There are already so many commissions, bureaus, and departments holding sway over him, together with statutes and laws regulating business, that it has actually come to the point where no one really knows what is the proper business law and rule to-day, business men are becoming more and more vexed, uncertain and confused, are virtually at sea as to what proper step to take, or if any step at all is to be taken, in regard to the laws supposedly controlling many details of business, and industrial chaos threatens as the direct result. To add still another commission, which would hold sway over an important branch of business, with all its necessary rules, regulations, red-tape and decisions, would be merely to add to this confusion and indecision. Surely the Federal Trade Commission, the Department of Labor and Commerce, the reparation commission, together with the Clayton Act, the Sherman anti-trust law, the Lever Act, the contemplated antidumping laws and other laws now in force and under consideration, are sufficient to take care of this situation. The American business man, in order to succeed, must have freedom from restraint and interference, and simplification of method and procedure.

4. Proceedings by business men before this proposed commission will necessarily be cumbersome, embarrassing, entangling, uncertain, unsatisfactory, disturbing, burdensome and probably expensive to a prohibitive degree. It will act as an artificial restraint upon legitimate business, and the ordinary American business man trying to do business in a lawful, sensible and economic way, can not fail to regard it as a millstone about his neck, entirely unjustifiable and intolerable. Action before this commission, taking into consideration the American business man's experience before other bureaus and commissions and under the laws now in force, must, of its very nature, be surrounded and engulfed by red-tape, restrictions, uncertainty, confusion, and hamperings, needless expense, loss of time and loss of business, and business precariousness of every sort and description, and it is bound to inevitably lead to endless confusion, inconvenience, deception, the betrayal of business and trade secrets and resultant dissatisfaction, bitterness, privation, and loss.

All the testimony on both sides clearly and fully show this:

Mr. Joseph H. Choate, Jr., who appeared before the committee on behalf of this bill, and who has admitted originating and writing the bill, acknowledged (p. 403 of the House hearings, before the House committee) that the commission would act as a court. As such, of course, it would exercise its inherent right to surround itself and hedge itself in with its own rules and methods of procedure, involving, undoubtedly, the necessity of petitioners appearing before it, either in person or by counsel, extensive, more or less complicated, and perhaps costly hearings, deliberations, and possibly profuse, complex, and clashing (with regard to the decisions of other commissions), decisions; to say nothing of the delay and probable ineptitude and needlessness and impracticability of the decision, when finally rendered, because of change of trade conditions, and other things. This, too, in face of the real necessity of the hour, in order to prevent industrial and economic distress and breakdown in this country, for laws which will simplify, clarify, unravel, and condense, not laws which will still further complicate, bewilder, strangle, and harass the American business man.

5. It would seem quite apparent that, in the very nature of things, this proposed dye-licensing commission will have to play favorites. However, good intentioned may be the ideas and motives of its projectors it can not well avoid doing this because of the character of its duties. Besides, it is common knowledge that all such commissions are run and dominated by one man or set of men, or certain influences behind a set of men, with a fixed policy and controlling selfish, narrow, biased, or egotistical stimulus. It is admittedly impossible to obtain for business interests an equal voice and representation before such a commission, or even when represented, a complete and unbiased presentation of their particular business interests and business requirements and with which they are most vitally concerned. This commission, therefore, must resort in the majority of instances, perhaps in all, to favoring certain interests, particularly the domestic dye manufacturers, and special members thereof, at the expense of other interests, or at least appearing to do so; and this must eventually result in the bitterest dissatisfaction and resultant grudges and reprisals, and cause the commission to be regarded in this particular corner of the business world, whether justly or not, as a vent for petty spites and prejudices and as the vehicle for the exercise of business tyranny of various kinds.

The offices and duties of this commission are clearly discretionary and are not mandatory (as contended for by some of its exponents). The very language of the bill and the purpose of the creation of the commission show this. To say that the commission can be successfully mandated is nonsense. A commission of this sort is necessarily discretionary in making and carrying out its edicts, because, if otherwise, the question at once arises, Why the necessity for the establishment of the commission at all? (Pp. 401, 402, 403, and 404 of the hearings before the House Ways and Means Committee.)

The only true ministerial commission is a straight, up and down, out and out, clean-cut tariff measure, which, in its operation and application, knows no particular interest or set of men, plays no favorites, works automatically and equitably, and which everybody affected thereby knows about and understands, and can make business plans in accordance therewith without the necessity of appearing before a commission composed of a body of human, fallible men, which, after hearing and deliberation, decides, first, (1) Whether it will allow the importation; (2) to whom it will allow it; (3) how much of an importation it will allow; (4) at what prices it will allow the importation; (5) under what conditions of use and distribution it will allow the importation; (6) what other conditions, if any, it will attach to the allowed importation.

6. Whatever the purpose, avowed or real, for the establishment of this dye-licensing commission, its effect must inevitably be to foster monopoly in the American dye-manufacturing industry. It affords every facility and inducement to this end. It is class legislation of the most vicious kind, with the sure effect, whether so purposed and acknowledged or not, of favoring and abnormally shielding and prospering one class of business at the expense of and to the detriment of other classes. It is useless for its promoters and proponents to deny this, as any good, experienced business man, by a careful analysis of such a commission's practical workings, can hardly fail to satisfactorily demonstrate. It is the inevitable result of the creation and required methods of the commission, its very essence, so to speak.

In fact, the spokesman of the real advocates of this bill practically admits this truth. We have heard much of the arrogance, the greed, the ruthlessness, and the grasping selfishness of the German, but these are more than equalled, and that in the most open and unblushing way, when we recall the testimony of Mr. Iverce Du Pont, who appeared as an advocate of this bill. He frankly stated that this bill is an embargo upon foreign importations, that it was so intended, that two years' duration is not long enough, that it should be 10 years; that, if he can have his way, it will be 10 years, and that the domestic dye manufacturer should be made exempt from the operation of the Sherman antitrust law, the Lever Act, the Clayton law, and other laws.

Surely this is the pinnacle of class feeling and class legislation!

This commission, if established, while acting as a restraint and a thorn in the side of the large manufacturer, will undoubtedly be a great hindrance and a decided menace to the very existence and business survival of the small manufacturer and the business man of little wealth and influence. It will stifle initiative, individuality, and enterprise. It will serve to put a premium upon slothfulness, carelessness, indifference, corruption, wire pulling, political deals, shoddy goods, unfair trade practices, bribery, incompleteness, lack of

skill, poor workmanship, and furnishing of substitutes, all tending toward trade repression and depression, strangulation, contraction, and cessation, in which, of course, the immediate business and industry concerned, the dye user, will suffer first, and the public be the final and largest loser.

The spectacle of Mr. Du Pont sitting continuously through the major part of the hearings at the elbow of Mr. Choate, who conducted the case for the advocates of the bill and licensing, prompting, suggesting, and commenting to Mr. Choate, is quite illuminative and instructive as to the purposes, the motives, and the influences back of this bill.

7. The establishment of such a commission as this is an absolutely new and untried venture in normal, American business and industrial life. It is an innovation, undesirable, experimental, uncalled for, hazardous, and fraught with much peril both intrinsically and as a precedent. It is apparently advocated and espoused by but two sets of people, at least actively, viz: The Alien Property Custodian's office and officers and those who have been immediately affiliated therewith, have come in contact with them to their benefit and have been more or less related to them and their activities, and certain domestic dye manufacturers. This commission, if created, marks the beginning of an entirely new order of things in the American business world, the significance of which is far reaching, and the importance of which, in its possible and potential results, can hardly be underestimated. And this without any real need therefor having been shown.

The query at once arises, if a commission for coal-tar products, why not a commission for potash, a commission for manganese ore, a commission for porcelain, a commission for rubber, a commission for wool, a commission for one and ten thousand other things, which are imported into this country, or which could be imported into this country, and which, undoubtedly, as necessities, should be allowed to be imported into this country under certain conditions, with the American manufacturer properly protected by a tariff.

If a commission to license is allowed for the dye industry, where and how is the line to be drawn in the creation of licensing commissions? Other businesses and industries have just as sound arguments for their protection by commissions.

A specious argument in favor of the establishment of this dye licensing commission has been advanced based upon the English licensing system. But widely differing and qualifying conditions in that free-trade country and ours, as has been shown and explained and are well known and understood, prevent any real analogy, and careful analysis of such argument completely destroys its cogency and applicability.

The latest advices from England show that the license system installed in that country during the war and continued for a short period thereafter has now been completely removed and repudiated as wholly improper and totally objectionable to the commercial requirements of the country.

France reports the same thing, while Belgium, the country according to all authorities that has most quickly recovered from the devastation and other dire effects of war, has removed every restriction whatever to free and unlimited trade between her own people and those of her allies as well as her former enemies.

The truth of the matter seems to be that the establishment of commissions, such as this, is only justified in war times or some such national crisis. In normal times they should be distinctly frowned upon and avoided. Even the ordinary present-day excuses and reasons given for the setting up of a commission do not exist in this instance, such as, for instance (1), causing competition; (2) prevention of hoarding, and, (3) prevention and punishment of profiteering. Rather, if anything, the present proposed commission, if established, would destroy all competition and, instead of prevention and prohibition of these other undoubted evils, would tend in the opposite way and actually encourage, if not make necessary these very things.

8. It would be palpably unfair to American textile and other business interests, dye users, to establish a commission to hold arbitrary sway over the importation of needed dyes, not manufactured here (as this bill provides), and at the same time permit without restriction, scrutiny or limitation the importation of foreign manufactured textiles and other goods, dyed with these very dyes sought by the American manufacturer, but denied him by the commission. In many instances the American manufacturer only after years of arduous effort

has at length succeeded in supplanting foreign-made goods by those of domestic make. He has only succeeded in doing this, because he has educated the public, by a tedious process, to the fact that the domestic article is just as good as the foreign one. If the American manufacturer can no longer obtain the fast and the brilliant dyes, the delicate and the varying shades and tints, his wares are not as good or as desirable or as attractive as those of the foreigner who is allowed to compete with him in the home market. The public will gradually, perhaps rapidly in some cases, become aware of this fact. Away goes the domestic market for the domestic manufacturer. The work of years is undone in a very brief time. Once lost, even when he is again afforded the opportunity to get dyes, and all the dyes, just as good as the foreigner has access to, it will take the American manufacturer many years to regain his foothold in the domestic trade.

9. Again, a very strong reason for opposition to the establishment of this proposed dye-licensing commission is the undoubted fact that it would prove a grave impediment to our expanding export trade.

American textile interests, as we all know, have for a long time been seeking to break into foreign markets. The recent war gave them their much-sought opportunity, and they are now making some headway in this direction.

For instance, the hosiery people alone state that they are now exporting dyed stockings and socks to Belgium, Norway, Denmark, Greece, Italy, and the South American countries at the rate of over 120,000,000 pairs a year.

In order to gain headway in, or even hold, this market, it is of vital importance to them that they have here, the place of manufacture, a free, open, equal facility to obtain in the public market the best dyes of every possible shade, hue, grade, and description, absolutely fast to light, water, bleaching, and washing.

If they are unable to do this—if this facility is taken away from them—they will be obliged to turn out inferior qualities of goods, their foreign competitors will outstrip them, and they will lose their foreign markets, and, in addition, with shoddy and inferior goods, dyed with poor and fugitive dyes, will be utterly unable to hold the domestic market against the importations of foreign-made goods dyed with the best and fast dyes.

It would seem quite obvious that this proposed dye-licensing commission would deprive them of this equal chance and facility, or at least render the obtaining of these requisite dyes so hazardous and cumbersome and expensive as to fatally handicap these textile people in their endeavors to obtain and retain foreign markets for their productions.

The textile people are perfectly willing to attempt to retain and build up a foreign market for their wares with a high and liberal tariff on all dye importations, in order to adequately foster and protect the American dye-manufacturing industry; but to ask them, in addition to this, to stand for a dye-licensing commission, they believe is going a step too far and making the burden too great for them, needlessly, discriminatingly, and invidiously.

10. In a true analysis the proposed licensing provision is class legislation pure and simple, and would seem clearly to be unconstitutional, illegal, ultra vires, wrong and void, because of this. This commission is an attempt by Congress to delegate discretionary and discriminatory powers to two governmental agencies which can not and will not by any means deal fairly and equally. Its one purpose is to thus protect and build up, undoubtedly to monopolistic proportions and to inordinate gain, one particular, chosen industry and the comparatively few individuals engaged and interested therein at the expense of all the other industries and citizens of the United States.

The individual citizen of the United States should not thus have his personal liberties invaded and be deprived of his inalienable right and freedom and an equal protection of all the laws and the power thereunder to purchase in his own country legitimate goods and articles, *under no ban or prohibition* (unlike alcoholic beverages), for a proper and asked price wheresoever he desires and from whomsoever he desires. (*Field v. Clarke*, 113 U. S., 649, 697; *Buttfield v. Stranahan*, 192 U. S., 470, 495; *Union Bridge Co. v. U. S.*, 204 U. S., 364, 386.)

11. However subsequent legislation may remedy this, the fact remains that the Tariff Commission can not, as at present constituted, be appointed and made a licensing commission, as is attempted under the provisions of this bill. Its powers and duties are not administrative and executive, but are purely and solely inquisitorial and advisory.

12. The provisions of this bill virtually place an embargo against the importation of certain goods from all foreign countries. These provisions, it would seem, are contrary to the treaty rights of the United States with certain foreign countries, as well as our former national methods, and, if enforced, will undoubtedly lead to retaliations and reprisals by such foreign countries against the goods, exports, articles, and citizens of this country, and occasion other international complications.

13. To read or listen to the testimony of the advocates of licensing introduced before this committee, one would imagine that the bill was directed solely against Germany, our late enemy. But this is not so. It applies equally to all foreign countries, and puts an embargo upon the importations of certain goods, viz: coal-tar products as well as other articles (natural indigo, for instance, etc.) from all countries, including England and France, our late allies, as well as Switzerland, a neutral, where these goods are made. The question at once arises: Is this right and proper? Is it a sound national policy?

14. As plainly evidenced by the demoralized conditions of our foreign exchanges and the statements of our international bankers, a great economic problem now confronts the United States because of the changed conditions brought about by the war. Not as the result of our own wish or purpose, but because of forces outside of and greater than ourselves, we have become a world power with our interests to an unprecedented degree intertwined with those of other nations. We can no longer take a narrow and isolated position and assume to view the affairs and happenings of the world from afar. We are part and parcel of the whole, great world, and economically and industrially a very great part. In this corresponding degree, therefore, we must realize that the welfare of the world is bound together, and that which adversely affects one nation, affects all.

From a debtor Nation we have changed in a very few years to a great creditor Nation. While still maintaining and standing for the great, undying, primary principles upon which America is founded, our national policy must, therefore, likewise change. We can not hope to ever secure the return of our huge credits except, at least to a degree, by encouraging trade from and with our debtor nations. As a creditor Nation we have a deep interest in promoting the prosperity and enlarging the earning capacity of those nations which owe us money in order that they may enjoy at least sufficient prosperity to enable them to pay us principal and interest. Foreign trade is essentially an exchange of commodities. One nation can not continue to sell to another without reciprocally buying from it. Continued sales without corresponding purchases would in time withdraw all the gold from the purchasing country, so that it must cease to be a purchaser, and in time national bankruptcy would ensue. Long-time credit merely means that the debtor nation has a longer period in which to pay the creditor nation in goods.

Germany, as well as France and England, are now debtor nations to us.

The question at once arises, if we are not going to allow these countries to discharge their debts to us by selling us something we require here and don't make here ourselves, where, then, are we going to begin? If we don't take from them the dyes and chemicals we must and should have, and which we have not yet learned to make ourselves, what articles of commerce do we intend to permit them to import, and how are we ever going to have our tremendous indebtedness liquidated? How are we going to provide for our foreign trade?

The latest figures on the balance of trade furnish the argument. For 11 months of 1919 there was a trade balance of \$3,500,000,000 in favor of the United States against the rest of the world. Before the war our biggest trade balance was \$666,000,000 in 1908.

At that time America was a debtor nation and our interest payments in Europe went far to cancel this balance. Now we are a creditor nation. In addition to the trade balance Europe owes us each year \$800,000,000 interest. At that rate we would soon drain the whole world of wealth.

The depreciated foreign exchange is an unerring symptom. Even Canadian money is now selling in this country at 90 cents on a dollar. American business men see that this country must buy in Europe in order that Europe may continue to buy here.

We will have to be exceedingly careful or we will produce a financial melstrom in which we will go down together with the rest of the world.

In the face of this truly terrific problem, pointing apparently for its solution in but one direction, we are met by the rancous cries of the American dye manufacturer for such astounding and radical protection to his industry as will

enable him to have his cake and eat it both. He concedes he had full sway during the war and up to the present time and made tremendous strides and extraordinary profits; that he is now making between 80 per cent and 90 per cent of all the dyes required in this country and as to which under existing laws there is no possibility of any competition with him; and that the remaining dyes required, say, 15 per cent of the total used, are not and can not be made by him.

But blindly, graspingly, selfishly he clamors that conditions be made such that the dye consumers will be completely helpless, so that he, the dye manufacturer, will be enabled to choke down his throat any spurious, meretricious, tawdry, cheap, oh, no, not cheap, so far as price is concerned, but extravagantly expensive, although spurious, nevertheless, substitutes and excuses for dyes he chooses to turn out; that the little dye importing business, that never amounted in its palmy days to more than ten or twelve millions of dollars, be wholly destroyed for the benefit of his 15 per cent of the total business.

To comply with this demand, in view of our international credit situation, would seem to be a wholly destructive policy, both inherently as a simple business proposition as well as a precedent.

From a national viewpoint it would appear to be egregious folly

15. Apparently, up to the present time, everyone has been afraid or too abashed or modest to say a kindly word on behalf of the importers of dyestuffs.

But these men are entitled, surely, to some consideration. The evidence shows to the committee that for the most part they are and have been good, loyal, true Americans. Their business was a vested interest until the war came along and abruptly ended it. They tided themselves through the war with the hope, in common with every other American business man, that they would resume business as soon as the war was over and normal conditions again prevailed. They had a perfect right to indulge in such a hope, because he it remembered they were not dealing in proscribed, prohibited, and banned goods and articles, such as alcoholic drink, narcotics, and "dope," but goods and articles used by and necessary to the pleasure, comfort, and welfare of practically every American man, woman, and child.

Moreover, as has been pointed out to this committee, the importer had an integral and important part in the regular economic chain of handling of textiles from the producer to the consumer. His was the duty and the care of bringing quantities and kinds of dyes here so that the same would be on hand for instant supply when called for by the mills, of keeping the "trade" informed of new shades, strengths, and fluctuating prices. His was likewise the care and the risk of experimenting with new and untried dyes, with dyes unusual and unknown to certain kinds of material under peculiar conditions, and of furnishing the demonstrator to satisfactorily do the work.

Above all, he and his principal were legally responsible for failures in any or all of their work.

So far as the big mills are concerned, with their own dye houses and large corps of chemists and experienced dyers, these duties may not seem momentous; but to the host of little mills, which had no facilities to do their own experimenting and not sufficient capital to carry large and varied assortments of dyes, the detail of the work done regularly for them by the importer, his agent, and his chemist was a factor of prime importance.

If certain needed dyes are not manufactured in this country and should therefore be imported, to put the importer as such out of business and out of existence would be a distinct and irreparable economic loss.

16. The proponents of licensing wound up their case, at least orally, after the opponents of licensing had closed, by a statement from Hon. Francis P. Garvan, Alien Property Custodian. When closely examined and analyzed this will be found to be simply an impassioned, fervent appeal to American patriotism. It is the stock argument of the advocates of licensing, the last trench into which they always retreat when cornered. It has been repeated in one form or another, time and again, during these proceedings.

Patriotic orations are highly commendable and rarely fail to attract undivided attention, but their pertinency and relevancy to the matter here being considered are somewhat cloudy and questionable.

Then, too, it should not be forgotten that many crimes and much folly are committed under the guise of patriotism.

The advocates of licensing insist that this "Longworth bill" is a patriotic measure, because, they say, a great domestic chemical industry is necessary to keep us prepared for time of war.

They evidently take no stock in the league of nations, but believe, as a Nation, we should remain in instant readiness for the outbreak of possible war.

Conceding this, as a patriotic duty and believing that if we err at all, we should err on the safe side, the proposition advanced by them, then resolves itself into a twofold one:

(1) That a great domestic dye industry is necessary for such instant preparedness; and

(2) That licensing alone will bring it to and maintain it at its highest efficiency.

Let us examine the first part of the proposition.

All of the evidence before this committee is unanimously to the effect that at the close of the war and up to the present time the munition industry, the explosive industry, the toxic-gas industry (if it can be called an industry), and, in fact, the entire Chemical Warfare Service, both private and Government owned, in this country is in a state of the highest possible development and efficacy. To give comparative figures would be superfluous. They are before your committee on the record.

The testimony is also by various Army and Navy officers produced as witnesses by the advocates of a licensing system that, so far from lacking chemical gases and explosives, during the war we actually had a surplus of these, and had a deficiency only in containers to hold them. It has yet to be shown by anyone that the *c. e.* industry has anything whatever to do with the explosive or munition industry. On the contrary, the positive evidence before your committee is that it has not.

Much evidence is on this subject, but we need look no further than the address delivered by Dr. Bernhard C. Hesse before the Franklin Institute on the evening of November 6, 1919. No higher or more experienced authority on dyes and dye making exists in America than Dr. Hesse. This address is in the record before your committee. Pages 37 and 38 thereof treat specifically of this branch of the subject.

Dr. Hesse therein concludes, showing that the dye industry only requires 300 tons of coal-tar products per year, by saying: "We can surely have all these other industries (explosives, photographic chemicals, synthetic remedies, flavors and perfumes, toxic gases, etc.) in the highest possible state of efficiency, if we only will, whether we have a dye industry or not. That we should have our own supply of dyes is the only reason for having a domestic dye industry. The war itself proved that conclusively and beyond question."

Emphatic and unmistakable language certainly, coming from an acknowledged eminent expert leader and friend of the domestic dye manufacturer, and should settle the question peradventure.

As to the second part of the proposition advanced, it is only necessary to say this:

Of course, if the first of the proposition falls, consideration of the second is immaterial and unnecessary, but nevertheless let us regard it on its merits, standing alone.

Other infant industries in this country, not nearly so sturdy as the dye manufacturing business, have rapidly grown to giant concerns under the protection of an adequate tariff. This protection has heretofore proved ample for this purpose. No good or sufficient reason having been shown to substantiate the claim that the dye industry is an exception, a protective tariff is bound to accomplish the same result for it. Every objection, therefore, herein enumerated against the proposed licensing system applies with full force and effect as to any application of such proposed licensing system to the domestic dye manufacturing business.

The opponents of this proposed licensing system do not yield in the earnestness and intensity of their Americanism in the minutest fraction of a degree to anyone. They do believe, however, that the time has now come when opponents of licensing should be listened to calmly and collectively and not charged with being pro-German and anti-American merely because they are guilty of the heinous offense of objecting to the principle of licensing proposed by the Alien Property Custodian's office, certain friends thereof and interests connected therewith, and certain domestic dye manufacturers.

They protest that the time has now come when all these matters should be discussed and debated and argued, and determined coolly, dispassionately, and in the light of unadorned, plain, hard, unescapable, persistent fact and reason.

If the war is not yet over, it soon will be and must be, and everybody and everything will get down to the "hard pan" of normality and old-time work-a-day routine. It is no more the industrial and economic axiom than it is the Biblical that one must perpetually hate his enemies and bear malice and rancor. Espe-

cially should the other adage be recalled that "it is not wise to bite off one's nose to spite his face."

There is a persistent attempt being made by certain interests in this country to build up a powerful "cult of Germanophobia." Some sage observers and thinkers believe it merely serves as a cloak behind which to develop and fasten on the American people elaborate, selfish, and predatory schemes and exploitations. However this may be, it would clearly and positively appear that such a cult is diametrically opposed to our national principles, our traditions, and our achievements in the war, as well as our material interests.

History shows that it has never heretofore been the policy or the principle of the American Nation to bear enmity continuously after the cause of the enmity has been removed. We went into the war avowedly to put down autocracy, as well as actually to protect and preserve our national interests. We entirely succeeded in both purposes. Presumably, therefore, the defeated and regenerated German people are entitled to our respectful and fullest national consideration. For us to do otherwise would be to put ourselves in the unenviable position occupied by our late enemies. We are bound to accept the new German republic at its face value until it proves its spuriousness.

Materially, Germany is our debtor. From this standpoint alone we should see to it that she be allowed to develop a certain amount of industrial leeway and prosperity, and reciprocity on the part of our own merchants in the goods we require but do not make, and the new Germany does, should surely enter into this.

The things referred to by Mr. Garvan, as to former improper trade practices,¹ are probably true—let us suppose they are—but they undoubtedly occurred several years ago when conditions were vitally different, and more as the result of the indifference, the overconfidence, the carelessness, the smug complacency, the former absurd self-satisfaction, the almost gross negligence, if you please, of the American business man and certain governmental agencies. They happened, too, when, outside of the much neglected Sherman antitrust law, neither the Federal Trade Commission, the Clayton Act, the Lever Act, the anti-dumping laws, nor any of these other modern and projected laws were in existence.

They are interesting and should be borne in mind by business men, but they really have no important bearing on the present issue.

The committee therefore should decide this question outside and apart from them and with sole regard to existing laws, the present condition and prospective development of the American dye-manufacturing business considered by itself alone, and the future demands and needs of the American Nation as a whole and the American business man as an important factor thereof.

Mr. Garvan found it impossible to conclude his testimony without his customary sneer at the inducements, the intentions and the patriotism of all those who dared to appear before your committee to register their opposition to the idea and the theory of licensing. He is not content with giving them no credit for sound reasoning, good sense, or pure motives. He brands them as Germans and German sympathizers solely.

He says that the German dye agents in this country are most powerful and sinister in their machinations, and that it is an easy matter for them to go about and work on the sympathy (if not worse) of their friends and persuade them to come to Washington and appear in opposition to this bill.

He thereby wishes this committee, as well as everybody else, to draw the direct implication that all those who came and testified before the committee against this bill and its provisions did so simply because they were influenced by sympathy with Germany and German citizens and German interests.

In other words, all the 800 owners of mills and individual operators of the National Association of Hosiery and Underwear Manufacturers, all the mills and members of the American Association of Woolen and Worsted Manufacturers, the entire 90 per cent of leather manufacturers, the hat men, the dyeing men, the carpet men, and other textile men and manufacturers, and the farmers, who appeared before this committee to speak in opposition to certain features of this bill, are disloyal, unpatriotic, discredited, and not to be believed.

¹ In this connection it must be remembered that any man can prove any case by selecting and picking out evidence and particular letters from a great mass of testimony pertaining to the subject without revealing the nature or contents of the rest of the testimony. This is precisely what Mr. Garvan does. But let us suppose that his deductions are correct.

And why? Merely because they dare to hold views contrary to those of Mr. Garvan and his associates!

There is not a scintilla of testimony before your committee upon which to base such charges, but a little thing like that does not feaze the complacent Mr. Garvan. These things exist in the imagination of Mr. Garvan, his allies, and his compeers—they are requisite in promulgating and enforcing and emphasizing his views, ideas, and fancies, and therefore they must be true, and everybody must accept them as verity, because he says so.

Aside from the fact that this is a gratuitous insult to patriotic, efficient, and reputable business men and all opponents of licensing, and wholly unfounded; aside from the utter absurdity of such an argument and the pathetic, egotistical picture presented by anyone who advances it, thereby revealing his narrow mentality and absolute dearth of good, sound, sensible, forcible, and logical arguments and reasons, it assuredly comes at the present time with very bad grace from a Government official, when it is a matter of notorious knowledge that other Government officials and Government bureaus are dealing with a most tender, mild, and sympathetic hand with the real "reds," radicals, and anarchists of the country. It would appear to be the policy that the decent, conscientious, hard-working, straight-thinking business man is insulted, maltreated, pilloried, and held up to public scorn and ridicule because he dares to stand for a principle, while the real criminal and criminally inclined go scot free, unrestrained, unfertilized and ignored.

In conclusion, therefore, it is respectfully called to the attention of this committee that the whole tendency of modern, real progress is toward laws which work automatically, openly, fairly, and equally. A protective tariff, even if too high, or unjust in other respects, does this, because it treats everyone alike; and every business man throughout the country knows about the law, knows where he stands under it, and can make his business plans and work out his ideas accordingly, or else know definitely he can not do certain business under it. There is no possibility of favoritism or sectionalism, or class distinction or discrimination or privilege or uncertainty in its enforcement and practical workings.

A commission by its very nature, no matter how wisely planned or beautifully inspired or wonderfully adjusted, can not and will not do this.

The experiences of the leather men and the shirt manufacturers and others, as shown by the testimony taken by this committee, plainly reveals this.

The proposition would seem to be self-apparent.

The general consensus of opinion is that the American business man has already had too much of commission, board, and bureau working. He has learned by sad experience.

The autocracy of bureaucracy never was an American idea, never can be an American idea, and only is justified in abnormal times.

The war is now over, practically, and soon will be technically. Let us have peace in business as well as in Europe.

Give us an American protective tariff, fully sufficient to properly protect and nurture the American dye manufacturing industry, but let us have it without any extra and unrequired frills and fringes and hangers-on.

We want no little board of business kaisers in this country, having it within their power and discretion, as provided in this bill, in connection with the Secretary of the Treasury, to hold absolute sway over a certain important branch of American business.

We fail to see a single economic, business, practical, sensible, necessary excuse for the creation of this dye-licensing commission, while on the other hand its dangers and evils, if created, both certain and potential, are manifold and portentous.

Therefore we respectfully ask you and your committee to decline to favorably report the provision in this bill for the establishment of a dye-licensing commission and to materially modify the clause relating to standardization.

GEORGE DEMMING,

*For National Association of Hosiery and Underwear
Manufacturers and Other Consumers and Users of
Dyes, Coal-Tar Products, and Dyed Articles.*

Senator CURTIS. Is there anyone else who wishes to be heard in the time allowed for those appearing against the licensing system?

Mr. HOLLANDER. I would like to say a word or two, if I may be permitted.

Senator CURTIS. All right; come around and give your name.

STATEMENT OF MR. CHARLES S. HOLLANDER, OF THE ROHM & HAAS CO., PHILADELPHIA, PA.

Mr. HOLLANDER. Mr. Metz said, or it was my impression that he said, that we were trying to have an amendment put into this bill on our products, hydrosulphates, on account of the licensing system, with a view to licensing protection we would get. I would like to say that that was not our motive. Our motive was to get it into this bill because it organically belongs there; and whatever the dye manufacturers will get as protection we are willing to accept, too.

I would like to say that Mr. Metz was the importer of these goods before the war as made by German manufacturers of dyestuffs.

Now, from a purely chemical point of view, the classification in the bill is very admirably drawn, to include as far as I can see all dyestuffs that belong to the coal tars; and all those other things are there, heterogeneous indeed, including dyes, medicinals, flavors, and perfumes if they contain coal-tar ring; if they do not they are excluded. In many cases they cut a certain portion of each of these groups; in the case of dyes it cuts out all natural dyes. In the matter of the medicinals it may be similar, although I can not recall any specific instance right now. And with the flavors and perfumes I believe it is absolutely proved that it is that way.

Now, I would only plead for having that classification as they have very admirably drawn it up, to include also some small practical ramifications in order to make one organic practical whole out of it.

Senator CURTIS. Have you anything else to say?

Mr. HOLLANDER. That is all.

Senator CURTIS. Is there anything in rebuttal?

Mr. CHOATE. Yes, sir; if you please.

Senator CURTIS. Does anyone else wish to say anything else before Mr. Choate closes?

Mr. THOMPSON. I am chairman of the committee advisory to the War Trade Board. I feel that on yesterday in Col. Wood's statement there were a number of statements which were made which reflect upon the integrity of the board, and, appearing for the committee to-day, I should like an opportunity to answer, in part, the statements made by Col. Wood?

Senator CURTIS. On behalf of the War Trade Board?

Mr. THOMPSON. I mean the committee that is advisory to the War Trade Board. I suppose it is not in order now, because, perhaps it is too late, but I would say that I am a manufacturer as well.

Senator CURTIS. We will hear you, but would like to have as little time consumed as possible.

Mr. THOMPSON. All right; I will be brief.

I have this matter in the form of a report signed by the entire committee, rather in the form of two reports, and I will not take up the time of the committee to read the whole report but will simply take certain parts indicating our attitude.

Senator CURTIS. You will please state your name and position.

**STATEMENT OF MR. HENRY B. THOMPSON, GRANVILLE, DEL.,
PRESIDENT OF THE UNITED STATES FINISHING CO., NEW YORK,
AND CHAIRMAN OF THE ADVISORY COMMITTEE ON DYES OF
THE WAR TRADE BOARD SECTION OF THE DEPARTMENT OF
STATE.**

Senator CURTIS. How large a company is yours?

Mr. THOMPSON. Our company consists of five plants in New England—two in Connecticut, and three in Rhode Island. Our capitalization is \$6,000,000. We do work on commission for the converters and handle products worth about \$75,000,000 a year.

I have been chairman of this committee advisory to the War Trade Board since May, and I wanted to appear here as a witness in favor of the licensing bill, but I suppose the time for that appearance has passed. However, I feel, in justice to our committee, inasmuch as a number of statements which were made on yesterday are absolutely false, as we think, that we should rebut the testimony offered by Col. Wood, and with your permission I will make a statement which we have prepared:

The advisory committee on dyes of the War Trade Board section of the Department of State desires to reply to some of the statements which were made by Col. Wood in his testimony of December 11, for the purpose of correcting some misstatements and making some explanations.

In spite of disclaimers to the contrary, the committee is quite clear that Col. Wood's testimony contains insinuations and inferences the intent of which is to convey the impression that the members of the advisory committee have used their official position for the unfair advantage of private interests. We are willing to allow the personal reputation of the members of the committee and of the companies they represent to stand as a refutation of the insinuation.

In reply to the statement that the consumer members were not representative of their trades, an inquiry into the standing of the companies which they represent and the nature of the products which they produce will be a sufficient answer to the inaccuracies of the statement.

Col. Wood stated that consumers advocating the license who were satisfied with the American product which they were using should not attempt to say that other industries not thus satisfied should not receive what they need. No consumers propose any such limitation, and the license plan specifically provides that they should be allowed to import what they need, provided it is not made in this country, satisfactory as to terms of price, quality, and delivery.

The committee has been charged with negligence, inefficiency, ignorance, and delay. The following brief history of the facts in the case since the appointment of the committee will be of interest in this connection:

On May 20, the President sent a message to Congress recommending that the dye industry receive the necessary protection for its preservation, and on this same date the War Trade Board announced the appointment of the committee.

Prior to the appointment of the committee, the War Trade Board had adopted the policy of permitting importations of commodities

from the occupied parts of Germany only when such importations would be of benefit to the United States as a whole. Dyes and dyestuffs, in the opinion of the War Trade Board, partook of the nature of those commodities the importation of which would not benefit the United States as a whole. No importations of commodities from the unoccupied parts of Germany were authorized until July 14, 1919, because it was not until that date that allied and associated Governments decided to lift the blockade.

In order to determine whether, conditions having changed, dyes and dyestuffs might partake of the nature of those commodities the importation of which would benefit the United States as a whole, the advisory committee recommended to the War Trade Board the issuance of questionnaires to consumers and producers of dyes.

Accordingly, on June 9, a questionnaire was sent to producers of dyes for the purpose of ascertaining their production. On June 16 and 30 a similar questionnaire was sent to 4,000 consumers.

As a result of this investigation the decision was reached and an announcement sent to the effect that "having due regard to all existing conditions, there appears to be no such need for German dyestuffs in the United States as to warrant the issuance of licenses for the importation of any of these articles." The committee recommended to the Department of State that these existing conditions be explained to the consumers. The following is our letter of recommendation:

JULY 24, 1919.

The honorable the SECRETARY OF STATE,

Washington, D. C.

SIR: It is desirable to make plain to the consumers of dyestuffs the exact status of the present temporary control exercised by the Department of State over the importation of dyestuffs of German origin. For the present no licenses whatsoever are being granted for dyes produced or manufactured in Germany, and it is the opinion of this committee that this policy should be adhered to for this reason. Upon the ratification of the peace treaty, under Annex VI, paragraphs 1 to 5, inclusive, of that treaty, there will become immediately available to American consumers needed dyestuffs in adequate quantities at prices and under safeguards to be fixed by the reparation commission.

The need is not so urgent to-day, due to the available Swiss and English dyes which are being freely admitted, as to warrant this committee recommending the importation of German dyes, because under present conditions they would in all probability be brought in through the old German agencies, who are using every effort to regain Germany's hold on the dyestuff industry in this country. We believe the disadvantages of importing through these agencies outweighs the present needs of the American consumers. Any course which admits, without control, German dyes into this country between the present time and the final action of Congress would, in our judgment, seriously endanger the future of our growing American dyestuff and chemical industry, which is so vital to our industrial and national welfare by flooding our market with a mass of German dyestuff which would anticipate our requirements for years to come.

We recommend that paragraphs 1 to 5, inclusive, of Annex VI, of the peace treaty, be made public and that public announcement be made immediately of the above policy.

This statement has been read and approved by the War Trade Board Section.

Very respectfully,

ADVISORY COMMITTEE ON DYES,
WAR TRADE BOARD SECTION,
DEPARTMENT OF STATE.

HENRY B. THOMPSON,
FRANKLIN W. HOBBS,
FRANK D. CHENLY,
AUGUST MEIZ,
CHAS. H. HERLY.

ADVISORY COMMITTEE ON DYES TO THE WAR TRADE BOARD.

We suppose that this letter is the basis of the charge that it was the intention of the advisory committee and the War Trade Board that importers of dyestuffs, American citizens, should be driven out of business. A thoughtful glance at its contents will show the exact contrary and that the intention of the committee was to avoid allowing the German manufacturers to consolidate their position for an attack upon our American dye industry and to avoid anticipating the action of Congress. If further evidence of the fairness of the committee upon this point is needed, it will be found in the fact that the War Trade Board made a ruling recommended by the committee permitting the importers to import through the textile alliance for their customers upon an equal footing with their customers, except in the one particular that consumers' requirements placed with the textile alliance direct were given preference in the order of their allocation over those placed through the importers as to the pro rata distribution of the reparation dyes only.

The conditions referred to above were:

1. The prospects of an early signing of the peace treaty which would make the reparation dyes available for distribution among the Allies and the United States.

2. A supply of dyes from Switzerland and England was coming in and alleviating the situation.

3. With a very limited number of exceptions, no urgent widespread needs had yet been emphatically manifested.

4. At that time the foreign goods containing German vat dyes were not coming into the country, so far as we were informed, in competition with American made goods colored with nonvat dyes.

5. We interpreted public opinion as expressed through the daily press and in numerous trade journals and resolutions of users of dyes bearing many hundred signatures as practically a mandate to us to not to break down the barrier against the importation of German dyes until it could be done without danger to our industry, as Congress might decide.

On August 12, the shirt manufacturers requested a hearing which took place on August 26, and was not managed by the president of the Chemical Foundation and a representative of one of the dye manufacturers, as stated by Col. Wood, but by the chief of section of the War Trade Board. The shirt manufacturers were given an opportunity to state their difficulties. They met with the fullest frankness and cooperation, evidence of which is found in the letter of their secretary, a copy of which follows:

AUGUST 27, 1919.

MR. LAWRENCE BENNETT,

War Trade Board Section, Department of State,

Washington, D. C.

DEAR SIR: In behalf of the National Association of Shirt Manufacturers I beg to thank the members of the War Trade Board advisory committee and Mr. Garvan as well as yourself for the cooperation given us yesterday and the courtesies extended to us.

We feel that the solution of the difficulties arrived at by your board will not only be of most valuable assistance to the shirt industry at this critical time, but also to the entire textile industry and the consuming public.

Our members in attendance yesterday surely are enthused over the progress made by the American dye manufacturers, and take this opportunity of saying that we shall support them to the limit and will give all the publicity that we can offer to the consuming public when their vat colors are available.

Yours, very truly,

(Signed) RALPH HUNTER,
Chairman Dyes Committee.

It was agreed that six months' requirements should be licensed and that the advisory committee on dyes and the War Trade Board would make every effort to see that all obstacles were removed which limited their ability to secure the needed dyes. The only part which the president of the chemical foundation took in the meeting was to assure the shirt manufacturers that he would make every effort to have a representative sent to France and to persuade the consumers to form an importing organization which would be ready to receive German dyes by the time they were ready to arrive in this country. Accordingly, Dr. Herty sailed for France September 3 as the representative of the chemical foundation. The only part of prominence taken by the representative of a dye manufacturer was to explain to the meeting, upon the request of one of the shirt manufacturers, what progress the company which he represented had made toward producing the needed dyes.

Col. Wood stated that licenses would not have been granted as the result of the hearing of the shirt manufacturers if the committee had not been forced to do so through the pressure of their protest. The facts are that in the conference the shirt manufacturers convinced the committee and the War Trade Board by presenting their fear that English goods would be brought in dyed with German vat dyes, which would destroy the market for their goods dyed with nonvat dyes, that the time had arrived when the need for German dyestuffs in this country outweighed the disadvantage previously referred to above.

The explanation of the allocation of alizarin black B to the Princeton Worsted Mills and the refusal of an allocation to the Pequea Mills is as follows: The Princeton Worsted Mills applied for alizarin black B, Schultz No. 77B, whereas the Pequea Mills applied for an allocation certificate for alizarin black B, Schultz No. 862. The Schultz numbers here mentioned refer to dyes of different chemical composition.

An explanation of negotiations from this time on will be given by the representative of the textile alliance and others, whose testimony will demonstrate to you where to assign the responsibility for recent delays.

I think we were entirely justified in the position we took at that time, due to the fact that we only received answers from 4 per cent of the 4,000 questionnaires sent out, that there was any need for the importation of German dyestuffs. Shortly after that the shirt makers applied to the War Trade Board, stating their needs. Their needs were for a very small amount of dyestuff, and under the circumstances we felt that it would be wise for the War Trade Board to grant those licenses. But in order to find out the exact condition of the stuff that was in the hands of the reparation committee, Dr. Herty was sent abroad in order to find out the amounts for the means of importation.

The accusation has been made over and over again that there was delay, and I think the intention of the testimony in criticism of our committee has been that this method of our handling of this whole question of importation would be a sample of the handling of a licensing board which would come under this bill. In answer to that we simply say this:

That no member of the advisory committee on dyes pretends for a moment that the temporary arrangement which has been in existence was an ideal one. It was an emergency measure, designed as a temporary expedient to meet extraordinary conditions, and because of its very nature and of necessity, with the limited authority of the committee, it operated slowly. They looked upon their part in it as a public duty which they attempted to discharge conscientiously and to the best of their ability at considerable personal inconvenience. This, however, must not be accepted as proof that a permanent organization operating with the authority of a government department, with a sufficient force of men devoting their entire time to the subject, with experts at their call, and with fully tabulated and constantly revised estimates of requirements and production, can not function properly.

I should like to file with the reply of our committee a memorandum which has been issued privately, or at least it has been mailed in envelopes without any card thereon indicating the person or place of mailing, bearing the signature of six manufacturers.

This statement, prepared in writing, has appended to it:

MEMORANDUM IN OPPOSITION TO THE PURCHASE BY THE GOVERNMENT THROUGH THE TEXTILE ALLIANCE, OR OTHER OFFICIAL AGENCY, OF DYES DIRECTLY FROM THE FOREIGN MANUFACTURERS.

The War Trade Board (by Executive order of the President now the War Trade Board Section of the Department of State), so far as the control of imports is concerned, derives its authority from Section II of the trading with the enemy act, which was admittedly enacted purely as a war measure. During the period of active prosecution of the war the War Trade Board functioned solely as a war agency and, through its Bureau of Imports, restricted and controlled the importation of various commodities in its efforts to conserve tonnage and to divert it to war usages. In administering its regulations it caused serious hardship and heavy financial losses to the numerous importing concerns and other industries dependent upon importations, but it was met on all sides with the fullest cooperation and whole-hearted support of the very men whom its regulations affected most seriously.

The necessity for the import restrictions disappeared, however, after the signing of the armistice of November 11, 1918, and within two months thereafter few of these restrictions remained in force, and the various departments of the War Trade Board were rapidly dissolving. Notwithstanding many impressive requests for the continuance of some of the import restrictions in order to protect industries or to stabilize prices, it was only the control over the importation of dyes, dyestuffs, and related chemicals of German origin that was maintained. This action was an exception to the policy of the State Department that such protective measures appeared to be the exclusive prerogative of Congress, and that to impose or maintain restrictions for such purposes would be a clear case of supererogation on the part of the War Trade Board.

An advisory committee on dyes, on which consumers and manufacturers were intended to have equal expert representation, had been appointed by the War Trade Board.

An advisory committee on dyes, on which consumers and manufacturers were intended to have equal expert representation, had been appointed by the War Trade Board. From a membership of seven, at least two were officers of the largest and most powerful dye manufacturing companies whose interest it is to stamp out competition in the dye industry and to create a monopoly under its own control, which would be nothing short of an unlawful restraint of trade. One of these two men assumed to act as the official representative of the Government, assumed to dictate the policies to be followed, and assumed to limit the attendance at various hearings that were held, to those only whose interests were friendly to the dye manufacturer. This same committee, which was intended to have fair representation from consumer as well as manufacturer early in the summer of 1919, submitted a report to the War Trade Board, upon which the latter on July 26, 1919, made an announcement (W. T. B. R. 819) in which it was said:

"As the result of a careful survey of the present situation in the dye-consuming industry and the unanimous opinion of the advisory committee on dyes, and having due regard to all existing conditions, there appears to be no such need for German dyestuffs in the United States as to warrant the issuance of licenses for the importation of any of these articles."

This brought forth violent protests from the consumers, and they made it clear to the War Trade Board Section that unless they could receive a quantity of German dyes to meet their immediate requirements they would be put to unnecessary hardship, trouble, and expense and would be at a disadvantage in competition with foreign textiles.

Toward the end of August there was a meeting in Washington, at the War Trade Board Section of the State Department, of consumers, particularly those in the shirt trade. Although the press announced this to be an open meeting, admission was granted only to a selected few. The "Oil, Paint and Drug Reporter," of October 20, 1919, page 25, evidently referring to this meeting, said:

"But, more than that, they protested that recent activities in Washington in regard to the dyestuff industry had become involved in a most mysterious maze. Stories became rife that when consumers sought to lay the facts of their needs before Government officials they had been met by representatives of American manufacturers and, after being entertained, sent on their way without having accomplished what they came for, and carrying away with them little reminders to 'patronize home industries.'"

In the same issue it is also said, at page 27:

"Some of the consumers say that when they came here or sought to get the facts about their needs before Government officials, they were taken in charge practically by representatives of one of the big dye manufacturers, entertained at luncheon and otherwise, and conducted on a tour of inspection through the company's plant, near here, being urged to patronize home industries."

One of the chief hosts of this tour was none other than a member of the dye advisory committee to whom reference has already been made.

Promise was made to the consumers at this meeting that action would be taken within 48 hours to furnish them with six months' supply of vat dyes of German origin, and which the American manufacturers admitted they could not furnish. The consumers heard nothing further until the appearance of a circular letter dated October 1, 1919, over the signature of the Bureau of Imports. Following this letter, a telegram purporting to have been sent by the War Trade Board in October was received by consumers. This telegram announced that the Textile Alliance (Inc.) had been designated as sole official agency to administer the provisions of the plan referred to in the letter of October 1. Following this telegram, another circular letter, dated October 10, 1919, was sent out by the Bureau of Imports of the War Trade Board, giving further detail in regard to the agency of the Textile Alliance (Inc.).

There was much confusion caused by the telegram and subsequent letter issued over the name of the War Trade Board Section making this announcement. Neither made it clear that the Textile Alliance was to procure only those dyes under the control of the reparation commission. In response to many inquiries it was stated by the War Trade Board Section of the State

Department that consumers need not take advantage of the agency of the Textile Alliance (which was to operate at cost, and which would procure the dyes at peace-time prices considerably lower than the market prices), but that the consumer could procure his allotted supply directly from the foreign manufacturers through whatever channels the consumer cared to use. Acting in accordance with these announcements, a large number of licenses for the importation of German dyes directly from the manufacturers were issued by the War Trade Board Section of the State Department to importers upon the written request of consumers duly indorsed upon their allocation certificates.

Because the War Trade Board section had no definite information as to the amount of dyes that could be obtained through the reparation commission, nor the prices which would be charged, Dr. Herty was sent abroad in October as a representative of the State Department upon a limited mission, to make inquiries and to complete arrangements between the textile alliance and the reparation commission. Upon his arrival he found that the reparation commission could supply but 30 per cent of the six months' allotment which the War Trade Board section on August 27, 1919, had promised the consumers in this country. He then found that the remaining 70 per cent could be obtained directly from the manufacturers, although at the present market price, and it is said that an offer was made to him by a representative of the dye manufacturers to furnish him such amount. The State Department has stated that the textile alliance has been authorized to accept this offer, and it is also reported that Dr. Herty obtained a personal option. Information has been received, however, that no option was obtained for Indanthrene dyes. How the offer came to be made in the first instance is not clear. It has been reported that Dr. Herty, in his official capacity, sought this offer and obtained it upon a representation that the President of the United States desired it.

If these negotiations are consummated and the Textile Alliance becomes the sole official agency for securing both the dyes controlled by the reparation commission and the dyes purchased directly from the manufacturer, the alliance will then be in a position with which no individual private concern can compete. The current market price of dyes is approximately seven times the price quoted by the reparation commission, and, therefore, the alliance by averaging the two prices will be able to supply the consumer with dyes at a price considerably lower than that which the private concern, purchasing its dyes directly from the manufacturer, could do. Apparently the manufacturers of dyes do not oppose this, although at the same time they vehemently express fear that the Germans, if given the opportunity, will cut prices below cost, to undersell the American dye. Evidently such practice is objectionable to them only if it works against the monopoly.

The result of this, of course, would compel consumers to effect their importations exclusively through the designated official agency. The designation of such official agency is a form of paternalism most objectionable and unnecessary, and would partake of the nature of an exclusive monopoly, and such exclusive monopoly is repugnant in that it would be a discrimination against American citizens who were engaged in the business of importing. Such action is directly contrary to the expressed policy of the State Department as stated in a letter sent in November last to the Hon. Stephen G. Porter from the office of the Foreign trade adviser of the Department of State over the signature of Van S. Merce-Smith, and also in a letter reported to have been written by Secretary of State Lansing to the Hon. M. J. Simmott.

Furthermore, it works actual injustice to those importing concerns who have been granted import licenses, and who have taken steps to procure from the manufacturers in Germany the amount of dyes covered by such licenses. They have established large credits abroad and have incurred other heavy expenses. Upon the granting of the import licenses by the War Trade Board section of the State Department, and upon assurance from the authorities that the dyes licensed could be procured from any source other than through the reparation commission, and feeling confident that the situation as explained by the department would not be further changed or complicated by additional rulings, but rather that aid would be given by

the Government to expedite shipments, the importer procured the necessary export licenses from the proper authorities abroad. Of course, such export licenses would not have been issued by the United States. When it became known that the alliance would be able to furnish a full six-months' supply at the reduced price, importers holding licenses surrendered them to their customers in order that the customer might take advantage of the lower price by purchasing through the alliance. The importers were influenced in this action by a rumor current among consumers that the textile alliance would undertake to procure for any consumer all of his allotment of dyes or none at all; in other words that the textile alliance would preclude any importer from obtaining any portion of the dyes from the reparation commission unless the consumer would empower the textile alliance, by an assignment of his license to it, to procure his full allotment.

Although it may be true that the alliance offered to furnish the importing concerns with the amount of dyes for which they held licenses, such offer is not of much worth to the importer. In fact no business could afford to accept an offer of that sort. The alliance would sell to the consumer and to the importer at the same price, and therefore the importer would have to sell to his customer at a price higher than that quoted by the alliance. The importer would become a mere conduit and serve no useful purpose whatsoever. It therefore appears that although upon the face of it an equal opportunity is given to everybody, the importer as well as the consumer, the practical effect of the textile alliance becoming the sole official agency for the purpose of procuring the entire six months' allotment of dyes is to deprive an importing concern of its business by destroying its usefulness. The functions performed by the importer are too well known to need explanation. Their usefulness to the consumer is conceded. There can be no wish anywhere to drive importers out of business. There must be some special reason for attempting to do so in this instance and the circumstances indicate all too clearly that this reason is the desire on the part of some of the American manufacturers to create and maintain a monopoly of the entire dye industry. Although the alliance has promised to do whatever it undertakes at cost, it has given no definite agreement of just what it will do. Because of the fact that it now holds nearly all the import licenses that have been issued it will have complete control of the situation, if it is now permitted to import dyes from private sources in addition to those under the control of the reparation commission. It will be in a position to discriminate between the consumer or his agent, the actual consignees appearing on each license, to the extent of the kind of dye it will allot to each licensee. In other words, it will be in a position to give one consumer or group of consumers who show friendly feeling, the dye which such consumer seeks; whereas on the other hand it could force an unfriendly consumer to take a substitute which may or may not be just as good.

There is no reason for this unusual procedure. The war is at an end, actually, if not technically. War-time emergency measures are no longer justified. So far is it from any prospect of Germany flooding the American market, that it is doubtful if the immediate needs of the American consumer can be met. This is becoming generally admitted, and definite information is from time to time disclosed. England, France, Belgium, and Italy have been procuring German dyes for some time, and have no doubt, by this time, taken most of the kind needed here. There appears to be no detailed information on these points, but when the full facts are known, it may very well be that the United States will be bending all efforts to secure all German dyes available.

Consumers have stated that they prefer to secure their supply through prewar channels, using the agencies with which they are accustomed, and upon which they have relied in the past, and from which they have procured goods of known quality. They have expressed their wish that they do not desire to procure these dyes through any Government agency, for although it may be reasonably guaranteed that the dyes will be as represented, they will not be certain of their quality; they will not know that all the dyes of the same sort will react in the same way when used by them. As a matter of course, con-

sumers prefer to deal with those with whom contract relations may be made definite and certain, and to whom they can look for prompt adjustment.

Not only is the consumer deprived of the free choice of obtaining the dyes from what sources he chooses and in the manner he chooses, but he is forced to accept dyes of different manufacture, and which may in the process to which he may put them work out, if not unsatisfactorily, at least in a way other than anticipated. Furthermore, some of the dyes from one manufacture may react differently on different goods than dyes of another manufacture. In any event, they may be compelled to use dyes with which they may not be familiar.

Some importers who had received large numbers of applications had been advised by their correspondents in Germany of the quantity and the price at which the dyes could be obtainable. This disposes of any argument to the effect that this scheme was adopted in order to facilitate and expedite the importation of the admittedly much-needed dyes. Had this scheme not been formed the importer would have been left free not only according to the regulations, but free in fact, and free from any force of circumstances. Many shipments of dyes would now be on the water, and the delay in receiving dyes, already more than three months since prompt action was promised, would not be longer protracted. There is general feeling of dissatisfaction among the consumers, which is due in no small measure to the impression created by a chain of circumstances that the so-called dye advisory committee in conjunction with Dr. Herty have not acted openly and frankly toward the public, and that the official authority and power given them has been availed of to benefit private interest.

It is thought that the situation has not been fully disclosed even to the members of the Senate Finance Committee. It is thought possible that the textile alliance has been misled into action in the interest of the American dye manufacturers without full consideration of the plight of the consumers. It is submitted that interests of consumers, upon whom are dependent about 2,000,000 laborers in the various allied industries, and who have invested capital of over \$3,500,000,000, should be considered to the extent at least of securing as speedily as possible those dyes which are not yet manufactured in this country. To this there can be no just or sound objection.

It is therefore urged that the expressed policy of the State Department should be adhered to; that the Government should not embark upon the business of procuring, importing, and distributing the dyes, nor should it act in the capacity of agent in any respect. American business should not be forced to stop by indirection. Freedom of action, while within legal bounds, must be maintained. Production must be encouraged, not hampered. Labor must be given full opportunity to earn; capital must not lie idle. Delay is fatal to the stabilizing of American business conditions.

The State Department, therefore, should evolve a plan to limit the agency of the textile alliance to secure only those German dyes which are controlled by the Reparation Commission, and to enable a consumer to procure his allotment in such manner as he may deem best—partly through the alliance, and partly or entirely directly from the foreign manufacturer.

December 1, 1919.

Respectfully submitted,

Pequea Mills Co., P. W. Andrew, treasurer, Philadelphia, Pa.; Kent Manufacturing Co., Everitt L. Kent, president, Clifton Heights, Pa.; Globe Dye Works, D. R. Greenwood, Philadelphia, Pa.; Brehm & Stehle, Wm. H. Brehm, Philadelphia, Pa.; E. L. Maupal, E. P. Maupal Dyeing Co., West New York, N. J.; Sunbury Converting Works, John J. Steller, superintendent, Sunbury, Pa.; J. H. & C. K. Eagle (Inc.), C. F. Brähler, superintendent, Dye Works, Shamokin, Pa.; Aberfoyle Manufacturing Co., W. J. Galey, jr., secretary, Chester, Pa.; G. J. Littlewood & Sons, Philadelphia, Pa.; Weiss, Wilhelm & Co., by William Wilhelm, New York City; Edward Moir, president Crown Mills, Auburn, N. Y.

The first signature, Pequea Mills Co., is Col. Wood's company, and is signed by 10 other manufacturers.

I would like to file with it a letter from the owners of the Sunbury Converting Works asking that they be allowed to withdraw their

name, as they say their signature was obtained by an agent of Kuttroff, Pickhardt Co., under a misstatement of facts:

SUNBURY CONVERTING WORKS.

Sunbury, Pa., December 4, 1919.

S. S. M. *New York:*

Attention of Mr. Hurd.

Referring to the petition which the writer signed in regard to the importation of dyestuffs, I wish to state that I signed this article on Monday, December 1. Within my recollection, this was a petition that asked for the importation of dyestuffs through the former agencies and it would have no interference whatsoever with any orders which we recently placed with the textile alliance; in other words, it has nothing to do with the orders that we have placed through the textile alliance, either for vat or any other colors.

I told the man who represents the Kuttroff, Pickhardt Co. that we had placed our orders with the textile alliance, and he said "that part of it was all right," and he asked whether we would in future be in favor of getting the colors again through their agencies, the same as we did before the war; he stated that they would keep the colors in stock for us and we could draw on these colors the same as we did heretofore.

As far as the writer recalls, this is not being done with the intention of interfering with any efforts of the textile alliance on those orders which we have placed with them, but that it is only for future orders which we might need in these respective colors.

If this in any way interferes with any arrangements that you have made, I am very sorry that I did it, but I signed this petition with good intentions and for the above stated reasons. In the future, should any such matters come up before me, I shall call you on the phone and consult with you before signing any such petitions.

SUNBURY CONVERTING WORKS.

JOHN J. STELLER, *Superintendent.*

Senator WATSON. How does that throw any light on the question of the manufacture of dyes in this country or the necessity for a tariff or a license system?

Mr. THOMPSON. It is simply this: If you will read this statement which we have prepared and which I will not take up your time to read, you will find that argument is attempted all through the testimony to prove inefficiency on the part of our committee, and that that should be used against any permanent licensing plan. Of course it is a matter of opinion, and I will not burden you as the time is short with reading this statement, but I think we can prove very conclusively by absolute facts and records on file at the State Department, that the statements in that paper sent out by Col. Wood are false, and we so state in this statement. The inference is, as I read it, that the inefficiency of our committee must be a guide for you gentlemen to decide upon the policy of a licensing committee for the future. In the testimony here as I have listened to it this afternoon, I have heard a good deal that surprises me, as it is absolutely contrary to my own personal experience. We are large users of dyestuffs and are naturally interested in the matter; in fact, we have to get dyestuffs in order to keep our mills running.

Senator CURTIS. You may go on with your statement, Mr. Thompson.

Mr. THOMPSON. The attention of the advisory committee on dyes of the War Trade Board section of the Department of State has been directed to a statement dated December 1, 1919, signed by some eleven consumers of dyestuffs in the United States, and entitled: "Memorandum in opposition to the purchase by the Government, through the textile alliance, or other official agency, of dyes directly from the

foreign manufacturer." The advisory committee is informed that this memorandum has been circulated in pamphlet form among users of dyes in this country.

The memorandum contains so many misleading, untrue, and malicious statements that the advisory committee feels constrained to express its comments thereon in order to dispel the false impression it may have created.

On page 2, in paragraph 2, of the memorandum the following statement appears: "An advisory committee on dyes, on which consumers and manufacturers were intended to have equal expert representation, have been appointed by the War Trade Board." The obvious purpose of this statement is to create the impression that consumers and manufacturers did not have equal representation on the committee. The personnel of the committee consists of three consumers, three manufacturers, and one representative of the American Chemical Society, who is neither a consumer nor a manufacturer.

Paragraph 2, page 2, contains the following additional statement: "Of the committee membership of seven, at least two were officers of the largest and most powerful dye manufacturing companies, whose interest it is to stamp out competition in the dye industry and to create a monopoly under its own control which would be nothing short of unlawful restraint of trade." The functions of the committee were such as to require the representation and expression of the viewpoint of manufacturers for the purpose, not only of making recommendations concerning the extent to which the needs of consumers might be satisfied from domestic sources, but also for the purpose of making recommendations in relation to the protection of the industry. The committee denies that any one of its members was ever influenced or swayed in his official functions by any consideration of individual private interest. The statement herein above last quoted fails also to take into account the fact that, even if any member of the committee had attempted to function for its own particular private interests and not for the benefit of the industry and of the consumers as a whole—which is emphatically denied—the decisions of the committee in every case were unanimous. In addition, such decisions were never final and were never intended to be final. The committee has always functioned, and now functions, solely in an advisory capacity to the War Trade Board and to the War Trade Board section of the Department of State, with whom the ultimate decision has rested, and now rests, in every case. In this particular, the committee takes occasion to state that several of its unanimous recommendations, which were agreed upon in the belief that they would benefit manufacturers and consumers as a whole, were not accepted by the War Trade Board section of the Department of State because they might tend to operate to the prejudice of importers.

The committee challenges those whose names are signed to the memorandum to point out a single case in which the committee has sought to further individual private interests. The committee has sought to protect the industry as a whole, with due regard to the rights and interests of consumers. This policy did not originate with the committee, but had been definitely decided upon by the War Trade Board long before the committee was appointed.

Paragraph 2, page 2, also contains the following statement: "One of those two men assumed to act as the official representative of the Government, assumed to dictate the policies to be followed, and assumed to limit the attendance at various hearings that were held to those only whose interests were friendly to the dye manufacturer." These statements are absolutely untrue. No member of the committee, except Dr. Herty, who is neither manufacturer nor consumer, "assumed to act as the official representative of the Government" and any such attempt would have failed for lack of authority. The statement that one of the members of the committee "assumed to dictate the policies to be followed" is untrue. The policies were invariably formulated by the War Trade Board section upon the unanimous recommendation of the committee and a representative of the War Trade Board section attended personally all the meetings of the advisory committee.

Nor did any member of the committee ever "assume to limit the attendance at the various hearings that were held to those only whose interests were friendly to the dye manufacturer." Only one hearing was ever arranged for. On August 26, the shirt manufacturers appeared before the representatives of the War Trade Board in its building in Washington, which meeting was attended by the committee. No shirt manufacturer nor other individual who had any real interest in the matters which were to be discussed at that meeting was denied admission. The only persons to whom admission was denied were importers or representatives of importers, whose presence was unnecessary either for their own interests or for that of the shirt manufacturers, and they were excluded, not by any member of the committee, but by a representative of the War Trade Board.

On Page 2, paragraph 2, of the memorandum the following statement appears:

This same committee, which was intended to have fair representation from consumer as well as manufacturer, in the early summer of 1919, submitted a report to the War Trade Board Section, upon which the latter, on July 26, 1919, made an announcement in which it was said:

"As the result of a careful survey of the present situation in the dye-consuming industries and the unanimous opinion of the Advisory Committee on Dyes, and having due regard to all existing conditions, there appears to be no such need for German dyestuffs in the United States as to warrant the issuance of licenses for the importation of any of these articles."

This brought forth violent protests from consumers, and they made it clear to the War Trade Board section that unless they could receive a quantity of German dyes to meet their requirements they would be put to unnecessary hardships, trouble, and expense and would be at a disadvantage with foreign textiles.

In view of the statement in the memorandum to the effect that the announcement "brought forth violent protests from consumers," the statements in relation to War Trade Board ruling 819 are evidently intended to imply either that in the opinion of the committee there was no need in this country for German dyes or that, realizing the need, the committee refused to admit it and had gone on record for saying that there was no such need. On June 26 five important shirt manufacturers directed a letter to the War Trade Board recommending the importation of certain quantities of vat colors to satisfy the requirements of consumers. On June 16, prior to the receipt of

the letter, the War Trade Board, on the recommendation of its committee, had caused a questionnaire to be directed to consumers requesting them to advise of the extent to which they were unable to obtain dyes from United States sources. After receipt of the letter from the shirt manufacturers, an additional questionnaire was directed to consumers on June 30. Replies to these questionnaires would reflect the general opinion of the great majority of consumers with relation to the need for German dyes.

Of the 4,000 consumers to whom the questionnaires were sent only 4 per cent reported that they were in need of German dyes. Accordingly, War Trade Board ruling 819 was issued July 26, 1919. The policy announced therein was, therefore, advocated and approved by the representatives of a very large majority of the dye-using industries. Besides, the ruling does not state that there was no need whatsoever for German dyes, but that "there was no such need * * * as to warrant the issuance of licenses for the importation" thereof. The purpose of the statement was that, even though admittedly German dyestuffs could well be used in our domestic industries, those German dyestuffs would, under the conditions which then prevailed, if obtainable at all, necessarily be imported through the old German agencies, who were using every effort to regain Germany's monopolistic hold on the dyestuff industries of this country. Such efforts on the part of an enemy industry could not be tolerated. It was, therefore, felt that the disadvantages of importing through those undesirable agencies outweighed any needs of American consumers as manifested at that time, and, therefore, it was believed best to await the opportunity afforded by the reparation clauses of the treaty of peace and thus withhold any opportunity for the old German importing agencies to reassert destructive domination by enemy interest over the American dyestuff industries. Besides, licenses were being issued freely at that time, as they are being issued now, for the importation of dyes from Switzerland, Great Britain and other sources. Accordingly, it was felt that the needs of consumers, which at that time had not been strongly manifested, could be relieved, in substantial measure, by importations of dyes of non-enemy origin.

On August 26 the shirt manufacturers emphasized to the committee and to the War Trade Board section the need for the immediate importation of vat dyes of German origin. The committee having also conducted further investigations of its own, and having discovered that importations of dyes of nonenemy origin would not be sufficient to satisfy the requirements of consumers of dyes, and having reached the conclusion that dyes under the reparation clauses of the treaty would not be made available except after considerable delay, recommended to the War Trade Board section the issuance of licenses authorizing the importation of an amount of vat dyes of German origin sufficient to satisfy the requirements of consumers for a six months' period. On October 1, or in less than five weeks thereafter, the allocation was made.

On page 4 of the memorandum a transcription appears of a statement alleged to have been made in the Oil, Paint & Drug Reporter of November 20, 1919 (p. 27), as follows:

Some of the consumers say that when they came here or sought to get the facts about their needs before the Government officials, they were taken in

charge practically by representatives of one of the big dye manufacturers, entertained at luncheon and otherwise, and conducted on a tour of inspection through the company's plant near here, being urged to patronize home industries.

The committee can not hold itself responsible for announcements of the press. In so far as the above-quoted press statement relates to the entertainment which was alleged to have been accorded by members of the committee to consumers, it is scurrilous and will be accorded no further consideration. In so far as it relates to the fact that consumers "were taken in charge practically by representatives of one of the big dye manufacturers and conducted on a tour of inspection through the company's plant near here, being urged to patronize home industries," it is a slanderous distortion of the correct inference which should be derived from the facts. At the hearing which was accorded to the shirt manufacturers, on August 26, one or more of the consumers manifested considerable interest in the progress of the domestic industry and requested to be advised of the extent thereof; whereupon the member of the committee to whom reference is made in the reprint from the Oil, Paint & Drug Reporter, undertook to explain the progress, and at the end of his remarks invited any of the consumers who were present to visit the plant he represented, which was conveniently situated, in order that the consumers might have an opportunity to judge for themselves of the progress of the industry. The fact that consumers who may have visited the plant in question—and who, by the way, were not accompanied on their "tour of inspection" by any member of the committee—may have been urged "to patronize home industries," far from being reprehensible, was praiseworthy, as was admitted by the National Association of Shirt Manufacturers in the following letter, which was directed by them to the War Trade Board section on August 27, the day after the Washington meeting:

THE NATIONAL ASSOCIATION OF SHIRT MANUFACTURERS,
320 Broadway, New York, N. Y., August 27, 1919.

MR. LAWRENCE BENNETT,

War Trade Board Section, Department of State, Washington, D. C.

DEAR SIR: In behalf of the National Association of Shirt Manufacturers I beg to thank the members of the War Trade Board Advisory Committee and Mr. Garvan as well as yourself for the cooperation given us yesterday and the courtesies extended to us.

We feel that the solution of the difficulties arrived at by your board will not only be of most valuable assistance to the shirt industry at this critical time but also to the entire textile industry and the consuming public.

Our members in attendance yesterday surely are enthused over the progress made by the American dye manufacturers and take this opportunity of saying that we shall support them to the limit and will give all the publicity that we can offer to the consuming public when their vat colors are available.

Yours, very truly,

RALPH HUNTER,
Chairman Dyes Committee.

Admittedly, not only the committee itself, but the War Trade Board section of the Department of State, to whom the committee is responsible, agreed that the protection of the industry, because of its relation to the important problem of national defense, was desirable and expedient.

The implication contained in the statement that consumers were prevented from presenting their facts to Government officials is

icious falsification. The meeting of shirt manufacturers of August 26 was presided over by the chief of the War Trade Board section of the Department of State.

The following statement appears on page 4 of the memorandum: "Promise was made to the consumers at this meeting (of shirt manufacturers on August 26) that action would be taken within 48 hours to furnish them with six months' supply of vat dyes of German origin, and which the American manufacturers admitted they could not furnish. The consumers heard nothing further until the appearance of a circular letter dated October 1, 1919, over the signature of the Bureau of Imports." The committee denies that it undertook at that meeting to furnish consumers with dyes. The committee promised the consumers that they would recommend the removal of obstacles to the importation of vat dyes for the six months' period by recommending the issuance of the necessary import licenses. This recommendation was actually made by the committee to the War Trade Board section immediately after the meeting of August 26, and on August 30 the War Trade Board section of the Department of State, having accepted the recommendation of the committee, circulated a questionnaire among consumers of vat dyes requesting to be advised of the respective requirements of consumers for a six months' period. In the comparatively short period of approximately 30 days, and notwithstanding the administrative and technical difficulties involved in assembling the necessary information, the allocation was made by the War Trade Board section on October 1.

The president of the chemical foundation, who attended the meeting, may have promised the consumers to undertake to secure on behalf of consumers the dyes for the importation of which licenses would be issued by the War Trade Board section, but neither the advisory committee nor the War Trade Board section undertook to obtain the dyes themselves. The War Trade Board section stated that it would make every effort to make available to consumers a portion of the dyes impounded by the Allied and Associated Governments under the treaty of peace with Germany, and this promise on the part of the War Trade Board section was subsequently discharged to the fullest extent.

When Dr. Herty sailed for Paris on September 3, 1919, he did so not as the representative of the War Trade Board section of the Department of State, nor of its advisory committee, but as the representative of the president of the chemical foundation. The committee is informed that the president of the chemical foundation contemplated organizing the consumers before Dr. Herty reached Paris in order that consumers might be in a position to purchase immediately such dyes as Dr. Herty would be able to secure from the German manufacturers and to the extent to which the same might be licensed by the War Trade Board section of the Department of State. Before Dr. Herty reached Paris the chemical foundation advised the War Trade Board section of the Department of State and its advisory committee that an organization of consumers was impossible. It was then that Dr. Herty was appointed as a representative of the War Trade Board section.

The War Trade Board section of the Department of State advised its committee that the attempt of the chemical foundation to organize the consumers having failed and Dr. Herty's status having been changed from that of representative of the chemical foundation to that of a representative of the War Trade Board section, there was no way in which, under its powers and consistently with its policies, the dyes negotiated for by Dr. Herty could be restricted to one channel of importation. The War Trade Board section has authorized the committee to state that the procedure which has been established for the importation of reparation dyes and dyes from the German Cartel was decided upon by the War Trade Board section, and that the recommendations of its committee in that connection, although given consideration, were not in every instance accepted. In this connection the committee points out that Dr. Herty, having sailed for Paris on September 3, arrived in Paris on September 14, and that the negotiations with the German Government for reparation dyes and Cartel dyes were concluded on October 4.

On page 11 of the memorandum the following statement appears:

There is a general feeling of dissatisfaction among consumers, which is due in no small measure to the impression created by a chain of circumstances, that the so-called dye advisory committee, in conjunction with Dr. Herty, have not acted openly and frankly toward the public and that the official authority and power given them has been availed of to benefit private interests.

The committee denies that it has not acted openly and frankly toward the public to the fullest extent to which its oath of office authorized it to reveal to the public the information in its possession. The reiterated statement that the authority and power given to the committee has been availed of to benefit individual private interests, as contradistinguished from the interests of the industry and of consumers as a whole, is a lie, as is evidenced by the fact that any such attempt, the existence of which is denied, would have been promptly frustrated and penalized by the War Trade Board section, with whom the ultimate decision has rested in every case.

If the statement that a "general feeling of dissatisfaction (exists) among the consumers" is true, why is it that the memorandum has been signed by only 11 consumers? The reason is obvious. The advisory committee on dyes of the War Trade Board section of the Department of State has good reason to believe that the memorandum of December 1 was circulated, if not prepared, by one of the most important of the agencies of the German dye manufacturers. The committee knows definitely that at least one of the signatures inscribed on it was obtained by misrepresentation on the part of the agency referred to and the proof of the latter statement will be found in the reply of the textile alliance to the memorandum of December 1, which reply is attached hereto.

I would like to say that I have here this statement in writing, to which is appended:

The War Trade Board section of the Department of State has read this communication, which it approves:

HENRY B. THOMPSON.
FRANKLIN W. HOBBS.
FRANK D. CHENEY.
AUGUST MERZ.
CHAS. H. HERTY.

Senator WATSON. What are your mills?

Mr. THOMPSON. The United States Finishing Co. It is a Connecticut corporation. We have one print works at Norwich, another at Sterling, and one at Olneyville, R. I., and another at Pawtucket, and another at Providence. We have an output of about 300,000,000 yards of cotton goods a year. While we have suffered inconvenience we have never met the peculiar conditions I have heard stated by some of the witnesses here this afternoon. For instance, I heard one gentleman express inability to get tartrazine and that it has injured his work, and that he could only get it at \$6 a pound. On the other hand, we have been purchasing it for \$1.40 a pound.

Senator NUGENT. Manufactured in this country?

Mr. THOMPSON. Yes, sir.

In the same way it was a surprise to hear another man say he could not get methylene blue and malachite green. They have been manufactured in large quantities by half a dozen manufacturers in this country. The objection of many of these manufacturers to the licensing system is that they will be unable to secure certain colors which seem necessary for their business. This argument seems to me untenable, for, under the wording of the act, action on that matter seems to be automatic in such cases, because it says the commission shall issue a license to the applicant if he can not secure that article in this country. It is obligatory on the part of the commission to issue the license.

Senator CURTIS. Anything else you wish to say?

Mr. THOMPSON. I believe not.

Senator WATSON. Suppose he were to say it was an inferior article, cosine, for instance. Suppose a man were to say: "I can get it but it is not of good quality. I have tested it and it will not work." How about a case of that kind?

Mr. THOMPSON. That is a question of fact.

Senator WATSON. Of course it is.

Mr. THOMPSON. Which would be determined by experts in the department.

Senator WATSON. But, after all, the power would rest with the board to either grant or not grant a license?

Mr. THOMPSON. Yes; it would. But of course I want to say that as far as our board goes, and I would like to state this very emphatically, that I saw no attempt on the part of the members of that board, who are producers and manufacturers of dyestuffs, to play dog in the manger. In every instance they have said to us if we can not make this stuff issue the license. They have shown a good spirit. I think they all realize that we have got to foster American trade; and their own customers have got to be kept in business, so that it would be foolish to exclude dyestuffs not manufactured in this country. I see no attempt on the part of manufacturers of dyestuffs to pursue any such course.

Senator CURTIS. Is that all?

Mr. THOMPSON. I believe that is all.

Mr. DEMMING. Col. Wood has left the city. I would like to ask the privilege for Col. Wood to reply to Mr. Thompson's statement.

Senator CURTIS. He may reply in writing. The committee will not have an opportunity to wait for him to appear in person.

Mr. CHOATE. Mr. Chairman, the president of the textile alliance informs me he would like to put in a statement.

Mr. PATRICK. Mr. Cheney tells me that Col. Wood sent out a statement; or, I mean it was sent out by the Pequea mills. I believe that has been put in here by Mr. Thompson.

Senator CURTIS. Does anyone else wish to be heard?

Senator WATSON. I believe Senator Penrose had a letter from a Mr. Pickhardt, who wished to be heard.

Senator CURTIS. We will be glad to hear Mr. Pickhardt if he will come around.

STATEMENT OF MR. PAUL PICKHARDT, STOCKHOLDER AND DIRECTOR OF KUTTROFF, PICKHARDT & CO. (INC.), NEW YORK CITY.

Senator WATSON. You might state your business.

Mr. PICKHARDT. I am a stockholder and director in the firm of Kuttroff, Pickhardt & Co., dealers in dyestuffs.

Senator WATSON. Is it an old firm?

Mr. PICKHARDT. It is a continuation of a firm that has been dealing in dyestuffs for 40 years.

Senator WATSON. That is, importers?

Mr. PICKHARDT. Importers; also dealers in domestic products.

Senator NUGENT. Is your firm the firm that has been mentioned in the testimony in this case as representing some large German manufacturers prior to the war?

Mr. PICKHARDT. It has been mentioned that way, but that is not correct. The Badische Co., of which I was formerly a member, did represent and was the sole agent in this country for one of the large German manufacturers. We represented the Badische Anilin & Soda Fabrik, at Ludwigshafen-on-the-Rhine.

Senator CURTIS. You may go ahead and make your statement.

Mr. PICKHARDT. I found an invitation from Senator Penrose to come here and answer any questions which you gentlemen might wish to ask me. I believe I have no statement to make.

Senator WATSON. Have you been abroad?

Mr. PICKHARDT. I have just returned; I got back day before yesterday.

Senator WATSON. Where were you?

Mr. PICKHARDT. In England, Holland, Belgium, France, and Germany.

Senator WATSON. How long were you gone?

Mr. PICKHARDT. Seven months.

Senator WATSON. What did you go for?

Mr. PICKHARDT. To buy dyestuffs, and to find out about conditions in the dyestuffs market in Germany and other countries.

Senator WATSON. Tell us what you found with regard to the supply of dyestuffs manufactured.

Mr. PICKHARDT. I have a few notes here that I would like to refer to to refresh my recollection.

Senator WATSON. All right; you may use them.

Mr. PICKHARDT. In Germany I visited the Badische Anilin & Soda Fabrik, at Ludwigshafen-on-the-Rhine, in the French occupied territory, to see whether any of the dyes needed by the United States

consumers could be had and under what conditions. I found stocks surprisingly small, in contradiction of the estimates which were made in the United States. Many important products were entirely lacking and others were on hand in negligible quantities. Manufacture was practically at a standstill, except of a few colors. This was due in part to shortage of raw materials and in part to uncertainty of the future. With the exception of the shipments to France, Belgium, and Italy, little could be exported, as export licenses were not obtainable. On June 4 I succeeded in obtaining offers of vat dyes, anthracene, and alizarine dyes and a few other much-needed colors from the 50 per cent of the stock on hand which was not subject to requisition under the peace treaty.

Senator CURTIS. What did the 50 per cent amount to?

Mr. PICKHARDT. They refused to give me those figures in Germany, on the ground that they had handed the figures in to the German Government and that the German Government had handed those figures in to the Allied Governments, and that they were government figures.

Senator CURTIS. What was it, if you heard anything about it?

Mr. PICKHARDT. I was told it was, approximately, 30,000 tons.

In October arrangements were made between commissioners for the allied and associated powers and for the German Government for the fulfilling of the peace treaty requirements concerning the stocks on hand in advance of ratification and a preliminary division of the reparation lot was agreed on between the United States, French, British, Italian, and Belgian representatives. The British list was presented in a few days and included all classes of dyes with the exception of indigo. The United States list had not been presented on November 27, the day I left Germany. I am familiar with the stocks of only the Badische Anilin & Soda Fabrik, and may say that in the case of the vat dyes and most other colors of most interest to United States consumers the quantities which were available for this country are quite small. The manufacturers feel that they must make as fair a distribution as possible to consumers all over the world, and will not, therefore, favor one country at the expense of others. They are attempting to resume the manufacture of many products, but it is a slow process, and in some instances raw materials are lacking at present. Three of the German dye plants were closed down indefinitely while I was in Germany, owing to lack of coal.

I also found there serious difficulties in transportation, which means that it takes several weeks for shipments to arrive at the seaport from the works, and then, of course, after that it will take a number of weeks before they can arrive in this country.

Senator CURTIS. Did you see the Bayer & Co.'s factory over there?

Mr. PICKHARDT. No, sir; the only factory I visited was the Badische Anilin & Soda Fabrik.

Senator CURTIS. Did you go inside that factory?

Mr. PICKHARDT. Yes, sir.

Senator CURTIS. You say it was partly shut down?

Mr. PICKHARDT. They were resuming the manufacture of some colors, and a few colors they were already making. Of course, one of the largest articles of production is fixation nitrogen, which has nothing to do direct with the manufacture of dyestuffs.

Senator CURTIS. Did you represent that company before the war?

Mr. PICKHARDT. Yes, sir; that was the one company which we did represent.

Senator CURTIS. Are they interested, directly or indirectly, in the company you now represent?

Mr. PICKHARDT. No, sir.

Senator CURTIS. How long after you left their employ was it until you went with the company you are with?

Mr. PICKHARDT. I was never in their employ.

Senator CURTIS. Oh. I thought you said you were.

Mr. PICKHARDT. No, sir; Kuttroff, Pickhardt & Co. and the Badische Co. here, were American companies here, and had no connection with the Badische Anilin & Soda Fabrik of Germany.

Senator CURTIS. Was the company owned before the war by German interests?

Mr. PICKHARDT. No, sir.

Senator SUTHERLAND. You were their sales agent?

Mr. PICKHARDT. Sole agents in United States and Canada for the factory I speak of.

Senator WATSON. Was your company taken over by the Alien Property Custodian?

Mr. PICKHARDT. Yes, sir; the Badische Co. was taken over by the Alien Property Custodian.

Senator WATSON. Was your present company taken over?

Mr. PICKHARDT. No, sir.

Senator SUTHERLAND. Was the stock of the Badische Co. in this country owned by aliens?

Mr. PICKHARDT. No, sir; it was all owned by American citizens.

Senator WATSON. How much stock of dyes did the Badische Co. have on hand?

Mr. PICKHARDT. They had on hand, of dyes and intermediates, 8,126,929 kilos, which is 8,126 metric tons.

Senator WATSON. They had that on hand ready for sale?

Mr. PICKHARDT. Yes, sir.

Senator WATSON. That is, that was not taken over by the reparation commission?

Mr. PICKHARDT. No, sir; that was their total stock on hand. One-half of that may be taken over by the reparations commission. Furthermore, one-half of that is one dyestuff—synthetic indigo—which is 20 per cent dye and 80 per cent water.

Senator WATSON. Did you investigate the dyes on hand in England and France?

Mr. PICKHARDT. I went to England and made inquiries as to what they had which would be of interest to us, and I found very little which could be used and which was not already to be had here. In France the supply of dyes is very short—very, very short—on account of the embargo from Germany, and they are taking steps to get regular supplies of German dyes.

Senator WATSON. Did you buy any dyes over there?

Mr. PICKHARDT. I did not.

Senator WATSON. Did you make any arrangements to buy any?

Mr. PICKHARDT. I had these offers I referred to. We had credits established for buying colors and had arrangements made for freight,

and we had the import license and I had the export license; but then, owing to changes here, the whole matter was forced to be dropped.

Senator WATSON. Were those in character or quality dyes not made in this country?

Mr. PICKHARDT. Yes, sir.

Senator NUGENT. I understand you to say that the factories you visited in Germany were in the territory occupied by the allied forces, principally by the French Army?

Mr. PICKHARDT. All but two factories are in the occupied territory.

Senator NUGENT. Did you make any effort to find what quantity of dyes there were in other sections of Germany, other than those you visited?

Mr. PICKHARDT. I tried to find out from the Badische Anilin & Soda Fabrik, who had the figures, but they did not give me the figures for anyone but for themselves and on the ground, as I stated before, that they considered the information for the other factories having been given to the German Government, and given by the German Government to the allied governments, that information no doubt could be procured from Government officials here, or from officials here who had access to the information.

Senator NUGENT. The only information you secured in respect to the quantity of dyestuffs in Germany was such as had already been presented by the Badische Anilin & Soda Fabrik to the German Government, and by the German Government to the allied governments?

Mr. PICKHARDT. Yes, sir.

Senator NUGENT. You do not know, as a matter of fact, whether there were any other stocks of dyes owned by anybody else in any other section?

Mr. PICKHARDT. I do not know.

Senator NUGENT. Did you make any arrangements with the Badische Anilin & Soda Fabrik to represent them in this country?

Mr. PICKHARDT. I asked them for an option on all dyes available for America.

Senator NUGENT. Did you secure an option?

Mr. PICKHARDT. They told me that they thought that would be a very good way—they told me they thought we were the proper people to distribute those dyes as we had the organization and the necessary technical help for the consumers.

Senator SUTHERLAND. Did those factories practically stop making dyes during the war?

Mr. PICKHARDT. Yes, sir; almost entirely.

Senator SUTHERLAND. They were making gases?

Mr. PICKHARDT. Yes, sir; they were making intermediates for explosives and gases. They had no raw materials, practically speaking, with which to make dyes; and, furthermore, they had no outlet for the dyes if they had made them.

Senator SUTHERLAND. Do you think any large quantities of dyes have been shipped away to the interior of Germany from the factories and is ready for export?

Mr. PICKHARDT. I think it entirely improbable, and have every reason to believe nothing of the sort was done. I might add that two

factories which are in the unoccupied territory at the present time would be able to ship their entire stocks of colors away because there is no prohibition to doing so. Trade with Germany is allowed and there is no control over their stocks, but they have decided to do the same as the other factories—that is, to keep their stock intact and to work not only in the letter but in the spirit of the reparation clause in the peace treaty.

Senator NUGENT. How many factories belonging to the so-called "Big Six" did you visit.

Mr. PICKHARDT. I visited only one.

Senator NUGENT. Had that factory been injured in any way or dismantled in any way?

Mr. PICKHARDT. No. It had been bombed during the war a number of times. There were no signs visible of that bombing, except in one or two places, where they pointed out to me a wall that had been blown out and rebuilt, and I could see the new brick.

Senator NUGENT. Was it in operation in any degree?

Mr. PICKHARDT. Oh, yes; as I say, the acid plant, which is a large part of the works, is in operation, although hampered by lack of raw material. The fixation nitrogen plant is in full operation. They need it for fertilizer.

Senator NUGENT. As to the two factories which you state were closed down while you were there, had they been theretofore manufacturing dyestuffs?

Mr. PICKHARDT. They had been manufacturing some dyestuffs.

Senator NUGENT. Then they, as a matter of fact, were in condition to be successfully operated so far as you know?

Mr. PICKHARDT. Yes, sir.

Senator WATSON. You were born in the United States?

Mr. PICKHARDT. Yes; I was born in New York City.

Senator CURTIS. Is that all you have to state?

Mr. PICKHARDT. Yes, sir. I thank you, gentlemen.

Senator CURTIS. Is there anyone else who would like to be heard?

Col. REASONER. I would like to say a word or two, if you please.

Senator CURTIS. All right. Come around and give your name and position to the reporter.

**STATEMENT OF LIEUT. COL. MATTHEW A. REASONER, OFFICER
IN CHARGE OF FIELD MEDICAL SUPPLY DEPOT, WASHINGTON,
D. C.**

Col. REASONER. I was purchasing agent for all laboratory materials for the Medical Department during the war.

There has been an amendment offered to this bill covering the higher saccharides; they might be called sugars, but the term rare sugars is better.

Before the war we depended upon Germany for these items, and when the war came on we could not get them. They were very essential, and I took up with several of the best firms of the United States the question of obtaining them; and largely through my influence the Special Chemicals Co. (Inc.), of Highland Park, Ill., went into the production of these rare sugars. The Digestive Ferments Co. also made some, and Prof. Christensen, dean of the Illinois University, made some.

The Special Chemicals Co. (Inc.), of Highland Park, Ill., has done a great deal of work, and they have turned out considerable quantities of these rare sugars or higher saccharides, and at a price in a number of cases better than we were able to obtain previously from Germany, and of a standard as shown by the Bureau of Standards, or a quality, superior to the German quality.

So far as I know there is no objection from any source for protection for these rare sugars or higher saccharides.

Senator WATSON. What has that to do with the dye industry; tell us about that.

Col. REASONER. These chemicals are used by us in the same way that we would use dyes, and we thought it an opportune time and a proper place to suggest an amendment to this tariff bill in order to get protection for these saccharides.

Senator CURTIS. What is the amendment you desire?

Col. REASONER. Here it is:

As an amendment to bill H. R. 8078, we suggest the following:

On page 6, line 3, following the word "Coumarin" insert the following: Adonite, arabinose, dulcitol, galactose, inosite, inulin, levulose, mannitol, mannose, melizitose, raffinose, rhamnase, sorbitol, xylose, and other of the higher saccharides required for scientific purposes.

They are used for diagnosis and differentiation of diseases. As to typhoid and colon and dysentery diseases, it is one of the best means of differentiating these diseases. It would be used by the medical department of the Army and Navy, the Public Health Service, all medical schools, boards of health, and by physicians who do laboratory work. As stated by Col. Russell this morning, we take items upon our supply table which you can not get in the United States, and we would not want to be in a position where we could not obtain these rare sugars or higher saccharides.

Senator NUGENT. I understand the saccharides to which you refer were not manufactured in this country prior to the outbreak of the war?

Col. REASONER. No, sir.

Senator NUGENT. And in some way they are related to the dye industry?

Col. REASONER. There are materials in that dye bill no more nearly connected to the dyes than these are.

Senator NUGENT. Are saccharides in any way, shape, or form derived from coal-tar products?

Col. REASONER. No, sir.

Senator NUGENT. Then, as a matter of fact, they are separate and distinct from the matter which we are now investigating.

Col. REASONER. I think there are some items in that bill that do not come from coal tar.

Senator WATSON. Yes; and there are some of them we have not the slightest idea of where they do come from.

Col. REASONER. There are some items.

Dr. GRINNELL JONES, chemist, United States Tariff Commission. There are a few cases of natural products in the bill H. R. 8078, which are identical with the synthetic products of coal-tar origin. As an example, there is natural indigo which is identical with

synthetic indigo. With the exception of these natural products all of the articles in that bill are of coal-tar origin.

Col. REASONER. They may be of coal-tar origin.

Senator NUGENT. Give us those that are not of coal-tar origin.

Dr. JONES. Natural indigo, natural alizarin, oil of wintergreen, natural coumarin, and cymene.

Senator CURTIS. Col. Reasoner, you present this because of your position with the Army?

Col. REASONER. Yes, sir; I have no personal interest in it whatever.

Senator CURTIS. And you suggest the amendment because you believe it to be a matter of vital interest to the Army and the Navy and also to the general public?

Col. REASONER. Yes, sir; as a scientific proposition.

Senator CURTIS. Is that all you have to state?

Col. REASONER. Yes, sir.

Mr. PFANSTIEHL. I would like to say just a word.

Senator CURTIS. All right. Come around and give your name and position.

STATEMENT OF MR. CARL PFANSTIEHL, PRESIDENT AND DIRECTOR OF RESEARCH, SPECIAL CHEMICALS CO. (INC.), HIGHLAND PARK, ILL.

Mr. PFANSTIEHL. I was, until recently, president and director of research of the Pfanstiehl Products Co.; and am a member of the American Chemical Society and of the American Electro-Chemical Society. For 12 years I have been president, since this organization, of the Pfanstiehl Products Co.; and have been manufacturing a number of chemicals and electrical and electro-chemical specialties. I was born in the United States, and have been much interested in all these matters.

Col. Reasoner has told you of the uses of these very necessary chemicals. I, therefore, will be very brief, as time is short. While they are not directly dyes, the reason we want to put them in as an amendment to this bill is that they are of great importance to the Government and the people of the United States, and this dye bill covers a number of other chemicals of importance that are not coal-tar products.

I have a letter from Dr. Stieglitz I would like to read:

DECEMBER 5, 1919.

To whom it may concern:

The manufacture of rare sugars started in this country as a result of the stoppage of importations during the war. These rare sugars are of increasing importance in bacteriology and in medicine for differential diagnosis. In the purpose to establish chemical independence in this country, especially in the domain of organic chemistry including dyes, synthetic drugs and related products, these rare sugars form an item important for placing the health of our people beyond the reach of foreign influences. I would therefore urge that the manufacture of such rare sugars be adequately protected for a sufficient period of time to enable the industry to develop going methods and to compete with European concerns which have had the advantage of many years in refining their methods. I am,

JULIUS STIEGLITZ,
Chairman of the Committee on Synthetic Drugs
of the National Research Council.

I also have a letter from Col. Frederick Russell, the man who developed typhoid vaccine which saved the lives of many of our soldiers during the war:

To whom it may concern:

Many of the rare sugars are used in bacteriology in the differentiation of various disease-producing micro-organisms. It is a well established fact that certain bacteria, as for example, the bacillus of typhoid fever, use certain sugar and from them produce acids and other products which we can measure or detect if present only in small amounts; some organisms, such as the colon bacilli, produce not only acid, but gas, which is caught in a fermentation tube, measured and analyzed. The differentiation of the real from the pseudo-organisms of diphtheria and some other diseases depends on sugar fermentations and on animal experiments.

It is essential, for the normal development of American bacteriology, that these sugars be manufactured in America, for otherwise, in case of war, we would lack the necessary reagents and would be unable to compete, in scientific diagnosis and treatment with an enemy who was able to obtain these products.

The quantities used in any one test are quite small, but a large variety, and a good supply of the principle sorts is indispensable, and we should not be satisfied to rely in the future, on other countries for products of such fundamental importance, but should aid the growing industry which is now being organized in the United States.

FREDERICK RUSSELL,
Colonel, Medical Corps, United States Army.

ARMY MEDICAL SCHOOL,
Washington, D. C., December 9, 1919.

I have come before your committee to urge that the bill under consideration be amended to include a small but highly important group of organic chemicals known as the higher saccharides or the rare sugars, in order that this industry, which was very recently started on account of the war, may be saved—all for the good of our people, and particularly our Army and Navy in time of war.

These things when needed by Col. Reasoner were not obtainable at the time we entered the war, they having always been made in Germany. I started work in my private laboratory about two years ago—and I might say right here, that I could get 20 ordinary chemists to one trained in organic chemistry—and I organized the Special Chemicals Co. about one year ago. We succeeded in making some of these rare sugars, and supplied them to the Government and the medical schools. Owing to the great difficulty in manufacturing these higher saccharides, and the high purity required, experimental work must continue for a long time in order to produce new sugars, not fully developed even in Germany. For instance, I might mention sorbitol, which may prove to be important also for explosives. Our company spent \$20,000 in new money, besides profits on other products, in our efforts to develop these rare sugars—money that we do not expect for a number of years to get back.

SENATOR SUTHERLAND. How old is your company?

MR. PEANSTIEHL. As I have stated, I began this work, privately, about two years ago, and our company was organized about one year ago. Before that I had two chemists working in my laboratory in my home, at Highland Park, on the sugars. Owing to the insistent demands of Col. Reasoner and other purchasing departments of the Government, I went ahead with my money and made every effort I could to produce the saccharides called for, and am happy to say that I succeeded in making the principal ones, and in the quantities demanded by the Government.

Senator WATSON. How extensively are these sugars being used by the medical profession in diagnosis?

Mr. PFANSTIEHL. They are not being used as yet by family doctors, but we are selling them to practically all of the medical schools and hospitals. Probably this is the newest industry born in this country on account of the war. As Col. Reasoner stated, we have been able to supply him with these chemicals at a price, in some instances at least, lower than what Germany charged before the war.

I could go on and speak at length, giving specific examples of the uses and importance of the higher saccharides and the reasons why this new industry can not survive in this country unless it is given protection from Germany for a number of years, but do not care to take up more of your time. They are extremely difficult to make, and you never know whether they are going to come out right or not. We are told by such men as Dr. Kendall, dean of the Northwestern Medical School, Evanston, that by means of the higher saccharides medical men are going to learn more about bacteria and methods of preventing disease than by any other single means.

I would like to say just a word in regard to the broader aspect of this whole situation. The war just finished was the first great war in which chemistry, as a weapon, played any considerable part. It was one if not the deciding factor in the winning of this war. If we should ever have another great war the part chemistry is destined to play in it would, by comparison, make the part chemistry played in the present war look like—well, like blowing soap bubbles at a child's birthday party. If for no other reason, and there are many, the chemical industry as a whole, and particularly that of the dye or coal-tar products, should, as a matter of national policy, be fostered by every possible means and given complete protection during the present emergency and until such time as it can stand alone against the desperate and insidious attempts Germany is sure to make to destroy it. A thriving coal-tar products industry, with the extensive research laboratories that necessarily must go with it, and the vast plants and equipment all adapted to the manufacture of organic chemicals, would, without question, be the best as well as the quickest way to produce the thousands of theoretical experts in organic chemistry as well as the larger number of highly skilled laborers, that would be absolutely indispensable if we were to win another great war. Until this is done America will not have attained her chemical independence.

I have a lot of samples of these chemicals here if you would be interested in looking at them.

Senator WATSON. We have no bacteria to differentiate.

Mr. PFANSTIEHL. No, sir; but I would be very glad to have you see them and ask any questions if you wish to do so.

With these letters and statements I will leave the subject.

Senator CURTIS. As it is getting late, and we have promised to hear Mr. Sykes to-morrow, the committee will now adjourn until 2 o'clock to-morrow afternoon, as a subcommittee meets here at 10 o'clock to-morrow morning on another matter.

(And, at 4.40 p. m., the committee adjourned until to-morrow afternoon, Saturday, December 13, 1919, at 2 o'clock.)

DYESTUFFS.

SATURDAY, DECEMBER 13, 1919.

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

The subcommittee reconvened at 2 p. m. pursuant to recess of yesterday, Senator Charles Curtis (acting chairman) presiding.
Also present: Senators Watson and Nugent.

**STATEMENT OF MR. WALTER F. SYKES, PRESIDENT OF THE
UNITED STATES DYESTUFF AND CHEMICAL IMPORTERS' ASSO-
CIATION, NEW YORK, N. Y.**

Senator CURTIS. State your name, residence, and occupation.

Mr. SYKES. Walter F. Sykes, 176 William Street, New York, N. Y. I am an importer of dyestuffs and am also President of the United States Dyestuffs and Chemical Importers' Association.

Senator CURTIS. Make any statement you wish in your own way.

Mr. SYKES. I am laboring under great difficulties for the reason that I am not feeling well.

I would like to say, Mr. Chairman and gentlemen, something in regard to the composition of the association which I represent. It has been referred to in the public press as being pro-German in character and business. We have not nor could I associate myself with gentlemen having any desire to perpetuate or promote German interests.

I personally, for 38 years, have represented, one might say, the most prominent French manufacturers of dyestuffs, that is to say, colors, etc.

There is one weak spot in my case and to that extent at least I apologize for any statement that I may make or argument that I may advance in asking what I do for my association, viz, the privilege of dealing with manufacturers in allied or neutral countries. The weak spot is that in asking this privilege I unintentionally advance an argument in favor of the German, and for that I wish to apologize.

I have prepared a brief statement based upon my belief that there are really three dye-licensing commissions in this bill; that even if the dye-licensing commission be eliminated you still have a dye-licensing commission under another name in the standardization clause and again in the rates of duty which are provided in the Longworth Act.

It was my desire in coming here to protest against this bill claiming that it was "protection run riot"; that it meant prohibition of

imports. To that extent I am supported in my contention by our mutual friend, Mr. Choate, who, in his appearance before the Ways and Means Committee, stated that it was the desire of his clients to exclude dyestuffs of foreign manufacture.

I think I am right in this, but I thought at the time Mr. Choate unintentionally exaggerated his desire. This desire, though, has been amply proven in the masterly address delivered before you by Mr. Dupont, the most brilliant address that I have ever heard delivered upon dyestuffs. Mr. Dupont stated that it was the desire of the American manufacturers to have an embargo placed upon the importation of all dyestuffs, and, further, that he desired protection against any possible or probable combination of interest or of capital or something of that sort, that might be in defiance of the application of the Sherman and Clayton Acts, and this for a period of 10 years.

Mr. Dupont thus proved my contention, because without healthful competition from some sort there can be no proper regulation of trade prices.

Senator CURTIS. My understanding was that he desired competition in this country. He claimed there was competition here.

Mr. SYKES. There may be now, sir.

Senator NUGENT. What do you mean by that?

Mr. SYKES. I think an embargo placed on the importation of all foreign colors will prevent competition in America. I must think that a future combination made here will perhaps prevent competition in America.

Senator NUGENT. Has there been such a combination in the past?

Mr. SYKES. No, sir; but it has usually been the result where competition has not been offered from some source. There have been plenty of combinations in this country.

Senator NUGENT. By dyestuff manufacturers?

Mr. SYKES. No, sir; but in other lines. The dyestuff industry has never had a chance. It may have now under this act.

Senator NUGENT. As I understand the matter, there were but five of six dyestuff manufacturing establishments in this country before the outbreak of the war. Am I correct in that?

Mr. SYKES. I believe so.

Senator NUGENT. And there are about 160 dyestuff manufacturing establishments in this country now?

Mr. SYKES. Yes, sir.

Senator NUGENT. Do you mean to be understood as saying that there was a combination between the five or six establishments that existed prior to the war?

Mr. SYKES. No, sir; but I mean to offer the opinion that under this act the control of the trade in this country would be in the hands of the most powerful of that 160. As an illustration, I will take the rates alone, and in doing so I diverge from the subject for a moment only to answer your inquiry. Of course, I state my opinion as a matter of belief only.

In this act you have 40 per cent and 6 cents per pound specific duty upon intermediates, and you have 45 per cent and 7 cents per pound on the finished product. I have never manufactured dyestuffs myself and have no knowledge of chemistry. My little experience in the dyestuff industry has been gained in hard knocks while trying to sell dyestuffs to the manufacturers.

What protection is afforded the smaller manufacturer of dye-stuffs who does not manufacture intermediates when the larger manufacturer, who does, is afforded a protection of 40 per cent and 6 cents per pound upon intermediates which the small manufacturer will have in any case to buy from them, and whose protection upon the finished product, assuming that the manufacturer of intermediates take full benefit of the price afforded him by the Government, with the differential of only 5 per cent and 1 cent per pound specific in his favor?

Senator NUGENT. There is no doubt in your mind that the manufacturer will take advantage of the tariff levied and add that to the cost of his product.

Mr. SYKES. Why, do you suppose for a moment that he will not?

Senator NUGENT. I am simply asking for your opinion.

Mr. SYKES. The manufacturer is human. He is not apt to sell gold dollars at 49 cents or 75 cents.

Senator NUGENT. Then, you believe that he would do it.

Mr. SYKES. Certainly; I would probably do it myself if I was a manufacturer. I am human.

The standardization feature is also a dye-licensing feature. It has been stated before you gentlemen that there were 1,200 or 1,500 colors manufactured, of which not more than 300, 400, or 500 are made in this country.

Do you realize that perhaps there are no two manufacturers in this country making the same colors by exactly the same process? On the other side there are 12 or 15 manufacturers manufacturing the same colors and probably also under different processes.

Whose standards are to be the ones adopted? Are they to be the Badische colors, or the English, or the Swiss, or the Belgian, or the Dutch colors?

How long do you suppose it will take to put through that standardization idea? Where will you get your colors from abroad in competition with American colors until that scheme is completed? That is an embargo alone upon the importation of all colors. If it took three or four years to standardize a few colors, how long will it take 1,200 multiplied by the number of manufacturers that there are?

Senator NUGENT. If there was a desire to standardize all colors and that desire was entertained in good faith—and we will assume that it will be for the purpose of this discussion—would it take any very considerable length of time to bring about the standardization?

Mr. SYKES. I am not a chemist. I have employed a good many chemists, and I would not wish to undertake the job of guaranteeing to accomplish this satisfactorily to everybody in a few years. Theory may make it appear easy; practice will make it extremely difficult and the process require years rather than months.

Senator NUGENT. Under any circumstances?

Mr. SYKES. Under any circumstances.

Now, I will speak of the rates at the same time; and in speaking of rates I make a statement based upon a good many years of experience, that specific duties are injurious if applied to dyestuffs.

Take the case of a product costing 10 cents before the war, and I speak of the prewar values because they are the only value I have to base this on. I will refer to your attention the official figures of the

Department of Commerce as regarding prewar prices, quantities, import values per pound, and the rates of duty during the several years prior to the act of 1916.

A product costing 10 cents a pound with a 7 cents specific duty would mean that specific duty was 70 per cent ad valorem, doesn't it?

Senator CURTIS. You go on and make your argument, we want to get through.

Mr. SYKES. The standardization can best be obtained by the adoption of a proper rate of duty on the ad valorem basis; that rate should be such as will give adequate protection to the dye manufacturer. If you buy a product abroad costing 20 cents, you pay your 30, 40, or 50 per cent duty; if it is worth ten times as much you pay ten times as much duty; in such a way you can standardize your product.

Some people have advanced the claim of undervaluation. I would like those who advanced that statement to figure and find out from the Treasury Department how many cases of undervaluation have come to the notice of the department during the last forty years. How many? The man who does it is a fool. Discovery means much more to pay or much loss to him than what he could possibly gain by undervaluing his goods.

With your permission I would like to refer to a few paragraphs. It will not take long. They are from an address delivered by Dr. Bernard Hesse, of New York, whom I consider, and I believe everybody else will admit, is one of the foremost authorities in this country on the chemistry of the coal-tar products, and who is an advocate of this bill. Therefore, I think I can appropriately quote him. That address was delivered before the Franklin Institute, November 6, 1919.

That is only to show that the bill has been receiving proper consideration and has been extensively considered.

I pass over his tables, because I have much more extensive tables in the book which I will submit to you and which I shall have no occasion to read.

The book which I desire to present is entitled "The Longworth Dyestuff Bill, a Menace to Industries of the United States." This has been prepared by the United States Dyestuff and Chemical Importers' Association.

(The pamphlet submitted by Mr. Sykes is here printed in full, as follows:)

THE LONGWORTH DYESTUFF BILL (H. R. 8078) A MENACE TO INDUSTRIES OF THE UNITED STATES.

[The United States Dyestuff and Chemical Importers' Association.]

FOREWORD.

The dyestuff bill submitted by Mr. Longworth to the House of Representatives in various modified forms was finally passed by this body on September 26, 1919, and is now pending for action by the United States Senate. The drastic features of this bill are without parallel in the history of United States tariff legislation. If passed into law, this bill can not but work great and possibly irreparable injury to the industries of the United States. In the following pages we have endeavored to give a dispassionate analysis of this bill, based throughout on official or otherwise readily accessible facts, and we hope

that the criticism herein expressed will be found fully warranted, considering the menace involved.

We earnestly request careful perusal of these pages primarily by the interests consuming dyestuffs and other coal-tar products and by the public generally. The necessity for organized protest before the Senate Finance Committee, where the bill is next up for action, is great. The danger is imminent. If what we say further on of this bill is justified by the facts as given, join us in our protest, lest it become the law of the land through default on the part of those most threatened.

Respectfully,

UNITED STATES DYESTUFF AND CHEMICAL IMPORTERS' ASSOCIATION,
WALTER F. SYKES, *President*,
176 William Street, New York, N. Y.

INTRODUCTION.

Dyestuffs and other compounds derived from coal tar are products of modern times, but in spite of their comparatively recent origin they have assumed a predominating importance in the economy of national life. Their direct use by the community at large to maintain the comforts and bodily welfare of the individual amounts in the aggregate to large monetary values, but perhaps even more important than this is the fact that basic industries which form the very foundation of our productive activities, such as textiles, leather, paper, printing, etc., depend for their existence upon an uninterrupted and adequate supply of products made from coal tar, whether dyestuffs or otherwise.

Prior to the war their supply in the United States, and practically the world over, depended largely, if not exclusively, upon exports from Germany, which country, owing to circumstances repeatedly described and for this reason need not be emphasized here, had within the last 40 years built up what to all intent and purposes amounted to a world monopoly in compounds derived from coal tar.

Any legislation affecting the tariff position of these commodities was, until September, 1916, made an integral part of general tariff legislation, because only in this way could the necessary equilibrium be established and maintained.

The war and the restrictions upon world trade resulting therefrom threatened to, and for a certain time really did, seriously cripple many of the fundamental American industries using coal-tar products, and with the object of encouraging their manufacture at home and also under the pressure of a cleverly instituted and skillfully conducted agitation on behalf of some of the interests involved, Congress enacted in September, 1916, a special law putting additional duties in the form of a specific surtax on coal-tar products, including dyestuffs made from coal tar.

As far back as 1883 these compounds, with very few exceptions, owing to their great number, variety, and difference in value had been dutiable in the United States on a straight ad valorem basis.

This form of legislation alone insures just treatment and equitable distribution of the tariff burden when it is desired to deal with a great number of heterogeneous and yet industrially related commodities as a single and comprehensive unit.

Instead of increasing the ad valorem rates established in the then existing law, assuming an increase was warranted, and thus continue a uniformity of legislation, which from long experience was found to be effective without being unjust, Congress in 1916 added to the existing ad valorem rates a specific duty of 2½ cents per pound on so-called coal-tar intermediates and a specific duty of 5 cents per pound on coal-tar dyestuffs and other finished products of same origin.

It was, however, provided in the same law that these additional duties should, beginning with September, 1921, be reduced annually by 20 per cent. In other words, in September, 1926, these duties would have been entirely eliminated and the previous status reestablished.

The disturbed conditions brought about by the war, and especially the great inflation of values resulting therefrom, never really permitted these tariff changes, serious though they were, to become a factor of prime importance to the industries affected. Supply at any price was then the paramount issue.

With the hoped for return to normal conditions it may safely be said that not so much the increased rates themselves, as the method of their application, must become an object of apprehensive consideration, if not embarrassment, for those interested as consumers of dyestuffs and other coal-tar products.

Within the last few years the manufacture of coal-tar products in the United States has for various reasons developed on a tremendous scale. Capital was invested liberally, because under existing conditions profits were huge and immediate. To what extent the industry has grown the following figures will show:

During the fiscal year 1914 the imports of coal-tar intermediates into the United States were 10,166,000 pounds and those of coal-tar dyestuffs 42,500,000 pounds.

In 1918 the domestic manufacture of coal-tar intermediates was 354,808,000 pounds, the greatest part of which was used for making explosives.

That of coal-tar dyestuffs, not including lakes, was 57,155,000 pounds.

Interests so powerful naturally try to intrench themselves behind an impregnable tariff wall, and, not satisfied with the special consideration shown them in the act of 1916, they have carried on and are still carrying on persistent agitation for additional legislative advantages. By a lavish expenditure of money and playing on sentiments developed by the war they believe to have the public mind sufficiently prepared not only to insist on a perpetuation of the tariff rates enacted in the special law of 1916 but also to ask for additional substantial increases and other material changes, which, if enacted into law, will again increase substantially the cost of coal-tar products in the domestic market.

H. R. 8078, introduced by Representative Longworth, of Ohio, is the result of this agitation. It is the object of this pamphlet to show what the proposed bill really involves and how seriously it will, if made into law, affect the public at large, and especially the consumers of dyestuffs and other coal-tar products. The proposed bill, avowedly framed on the principle of prohibition, not only tends toward higher prices for these commodities but the supply of some of them at any reasonable price is made subject to arbitrary decision by means of a hitherto unheard-of radical innovation in tariff legislation, and to that extent industries consuming these products are placed in jeopardy.

TEXT OF THE LONGWORTH BILL AS PRESENTED AUGUST 2, 1919.¹

Before entering into a detailed discussion of the vital features of H. R. 8078, it is deemed advisable to give in full the text of the law as it stands to-day and the changes proposed. For this purpose, the present law is used as a skeleton, and all that the proposed bill intends to eliminate therefrom is printed in parentheses while all that the proposed bill intends as additions is printed in *italic type*.

TITLE V.—*Dyestuffs.*

SEC. 500. That on and after the day following the passage of this act, except as otherwise specially provided for in this title, there shall be levied, collected, and paid upon the articles named in this section when imported from any foreign country into the United States or into any of its possessions, except the Philippine Islands and the islands of Guam and Tutuila, the Virgin Islands, and the Canal Zone, the rates of duty which are prescribed in this title, namely:

FREE LIST.

Group I. Acenaphthene.

Anthracene having a purity of less than (twenty-five) *thirty* per centum.

Benzol.

Carbazol having a purity of less than (twenty-five) *sixty-five* per centum.

(Cresol.)

Cumol.

¹The Longworth bill passed the House of Representatives with but one essential change, namely, by providing that the United States Tariff Commission shall act as the licensing commission. This change does not affect the general character of the bill.

Group I. *Cymene.*

Fluorene.

(Metacresol having a purity of less than ninety per centum.)

Methylantracene.

Methylnaphthalene.

Naphthalene having a solidifying point less than seventy-nine degrees centigrade.

(Orthocresol having a purity of less than ninety per centum.)

Pyridin.

Quinolin.

Toluol.

Xylol.

Dead or creosote oil.

Anthracene oil.

Pitch of coal tar.

*Pitch of blast-furnace tar.**Pitch of oil-gas tar.**Pitch of water-gas tar.**Crude blast-furnace tar.**Crude oil-gas tar.**Crude water-gas tar.*

All other distillates of any of these tars which on being subjected to distillation yield in the portion distilling below (two hundred) one hundred and ninety degrees centigrade a quantity of tar acids less than 5% per centum of the original distillate.

All mixtures of any of these distillates and any of the foregoing pitches, and all other products that are found naturally in coal tar, whether produced or obtained from coal tar or other source, and not otherwise specially provided for in this title, shall be exempt from duty.

DUTIABLE LIST.

Group II. *Acetanilid not suitable for medicinal use.**Alphanaphthol.**Amidobenzoic acid.**Amidonaphthol.**Aminophenctol.**Amidophenol.**Amidosalicylic acid.**Aminoanthraquinone.**Anilin oil.**Anilin (salts) salt.**Anthraquinone.**Arsanilic acid.**Benzaldehyde not suitable for medicinal use.**Benzalchloride.**Benzanthrone.**Benzidin.**Benzidin sulphate.**Benzoic acid not suitable for medicinal use.**Benzoquinone.**Benzoylchloride.**Benzylchloride.**Betanaphthol not suitable for medicinal use.**Brombenzol.**Chorbenzol.**Chlorophthalic acid.**Cinnamic acid.**Cumidin.**Dehydrothotoluidin.**Diaminostilbene.**Dianilsidin.**Dichlorphthalic acid.**Dimethylanilin.**Dimethylamidophenol.**Dimethylphenylenediamin.*

Group II. (Binitrobenzol.)

Dinitrobenzol.
 (Binitrochlorobenzol.)
Dinitrochlorbenzol.
 (Binitronaphthalene.)
Dinitronaphthalene.
Dinitrophenol.
 (Binitrotoluol.)
Dinitrotoluol.
 Dioxynaphthalene.
 Diphenylamin.
Ethylbenzylanilin.
Hydroxyphenylarsanic acid.
 Metanilic acid.
 Methylanthraquinone.
 (Naphthol.)
 Naphthylamin.
 Naphthylendiamin.
 Nitranilin.
Nitroanthraquinone.
Nitrobenzaldehyde.
 Nitrobenzol.
 Nitronaphthalene.
Nitrophenol.
 Nitrophenylenediamin.
Nitrosodimethylanilin.
 Nitrotoluol.
 Nitroluylenediamin.
 Phenol.
 Phenylenediamin.
Phenylhydrazine.
 Phenylnaphthylamin.
Phenylglycocoll.
Phenylglycocollorthocarboxylic acid.
 Phthalic acid.
 Phthalic anhydride.
Phthalimid.
 Resorcin *not suitable for medicinal use.*
 Salicylic acid *and its salts not suitable for medicinal use.*
 Sulphanilic acid.
Thiocarbanilid.
Thiosalicylic acid.
Tetrachlorphthalic acid.
Tetramethyldiaminobenzophenone.
Tetramethyldiaminodiphenylmethane.
Toluol Sulphochloride.
Toluol Sulphamid.
Tribromphenol.
 Toluidin.
 Tollidin.
 Tolullenediamin.
 Xylidin.

or any sulphoacid or sulphoacid salt of any of the foregoing,
 or any of the products provided for in Group I;

(all similar products obtained, derived, or manufactured in whole
 or in part from the products provided for in Group I.)

*All other products by whatever name known which are employed
 in the manufacture of any of the products provided for in Group
 II or III and which are obtained, derived, or manufactured in
 whole or in part from any of the foregoing or from any of the
 products provided for in Group I;*

anthracene having a purity of (twenty-five) *thirty* per centum or
 more,

carbazol having a purity of (twenty-five) *sixty-five* per centum or
 more,

metacresol having a purity of ninety per centum or more,

Group II. Naphthalene having a solidifying point of seventy-nine degrees centigrade or above,

orthocresol having a purity of ninety per centum or more, paracresol having a purity of ninety per centum or more; all distillates of coal tar, blast-furnace tar, oil-gas tar, and water-gas tar which, on being subjected to distillation yield in the portion distilling below (two hundred) one hundred and ninety degrees centigrade a quantity of tar, acids equal to or more than five per centum of the original distillate;

all mixtures, including solution, consisting in whole or in part of any of the foregoing except sheep dip and medicinal soaps, not otherwise specially provided for in this act;

all the foregoing not colors, dyes, or stains, color acids, color bases, color lakes, leuco acids, leuco bases, indoxy, indoxy compounds, ink powders, photographic chemicals, medicinals, flavors, (synthetic) resinlike products, synthetic tanning materials, or explosives, and not otherwise specially provided for in this title (and provided for in the paragraphs of the act of October third, nineteen hundred and thirteen, which are hereinafter specially repealed by section five hundred and two, fifteen per centum), forty per centum ad valorem.

Group III. All colors, dyes, or stains, whether soluble or not in water, color acids, color bases, color lakes, leuco acids and leuco bases, whether colorless or not, indoxy and indoxy compounds; ink powders; photographic chemicals; (medicinals) acetanilid suitable for medicinal use, acetphenetidin, acetylsalicylic acid, antipyrine, benzaldehyde suitable for medicinal use, benzoic acid suitable for medicinal use, betanaphthol suitable for medicinal use, phenolphthalein, resorcin suitable for medicinal use, salicylic acid and its salts suitable for medicinal use, salol, and other medicinals; sodium benzoate; saccharin, methyl salicylate, coumarin, and other flavors; synthetic phenolic resin and resinlike products prepared from phenol, cresol, phthalic anhydrides, coumaron, indene, or from any other article or material provided for in Group I or II, all of these products, whether in a solid, semisolid, or liquid condition; synthetic tanning materials; (or explosives, not otherwise specially provided for in this title); picric acid, trinitrotoluol, and other explosives except smokeless powders; all of the foregoing when obtained, derived, (or) manufactured in whole or in part from any of the products provided for in (Groups) Group I (and) or II; natural alizarin and natural indigo, and colors, dyes, stains, color acids, color bases, (or) color lakes, leuco acids, leuco bases, indoxy, and indoxy compounds, obtained, derived, or manufactured (therefrom) in whole or in part from natural alizarin or natural indigo; natural methyl salicylate or oil of wintergreen or oil of sweet birch; natural coumarin, and all other mixtures, including solutions, consisting in whole or in part of any of the articles or materials provided for in this group, (thirty) forty-five per centum ad valorem.

SEC. 501. That on and after the day following the passage of this act, in addition to the duties provided in section five hundred, there shall be levied, collected, and paid upon all articles contained in Group II a special duty of (2½) six cents per pound, and upon all articles contained in Group III (except natural and synthetic alizarin and dyes obtained from alizarin, anthracene, and carbazol; natural and synthetic indigo and all indigoids whether or not obtained from indigo; and medicinals and flavors) a special duty of (5) seven cents per pound: Provided, That the special duties herein provided for on colors, dyes, or stains, whether soluble or not in water, color acids, color bases, color lakes, leuco-acids, leuco-bases, indoxy and indoxy compounds shall be based on standards of strength which shall be established by the Secretary of the Treasury, and that upon all importations of such articles which exceed such standards of strength the special duty of seven cents per pound shall be computed on the weight which the article would have if it were diluted to the standard strength, but in no case shall any

such articles of whatever strength pay a special duty of less than seven cents per pound: Provided further, That, beginning six months after the date of passage of this act, no package containing any such color, dye, stain, color acid, color base, color lake, leuco-acid, leuco-base, indoxyl, or indoxyl compound shall be admitted to entry into the United States unless such package and the invoice shall bear a plain, conspicuous, and truly descriptive statement of the identity and percentage, exclusive of diluents, of such color, dye, stain, color acid, color base, color lake, leuco-acid, leuco-base, indoxyl, or indoxyl compound contained therein: And provided further, That, beginning six months after the date of passage of this act, no package containing any such article shall be admitted to entry into the United States if it, or the invoice, bears any statement, design, or device regarding such article or the ingredients or substances contained therein which is false, fraudulent, or misleading in any particular. In the enforcement of this section the Secretary of the Treasury shall adopt standards of strength which shall conform as nearly as practicable to the commercial strengths in use in the United States prior to July first, nineteen hundred and fourteen.

(During the period of five years beginning five years after the passage of this act, such special duties shall be annually reduced by twenty per centum of the rate imposed by this section, so that at the end of such period such special duties shall no longer be assessed, levied, or collected, but if at the expiration of the five years from the date of the passage of this act the President shall find that there is not being manufactured or produced within the United States as much as sixty per centum in value of the domestic consumption of the articles mentioned in Groups II and III of section five hundred, he shall by proclamation so declare, whereupon the special duties imposed by this section on such articles shall no longer be assessed, levied, or collected.)

The Secretary of the Treasury is hereby authorized to make regulations for the enforcement of the provisions of this title.

SEC. 502. That paragraphs twenty, twenty-one, twenty-two, twenty-three, one hundred and seventy-nine, three hundred and ninety-four, four hundred and fifty-two, and five hundred and fourteen, and the (words "salicylic acid" in paragraph one of Schedule A of section one) provision for salicylic acid in paragraph one; and provisions for salol phenolphthalein, acetanilid, acetphenetidin, antipyrine, acetylsalicylic acid, and aspirin in paragraph eighteen; and the provisions for benzoat of soda in paragraph sixty-seven; and the (words "carbolic" and "phthalic") provisions for carbolic and phthalic acids in paragraph three hundred and eighty-seven (of the "free list" of section one of said act, and so much of said act or any existing law or parts of law as may be inconsistent with this title are hereby repealed) of any act entitled "An act to reduce tariff duties and to provide revenue for the Government, and for other purposes," approved October third, nineteen hundred and thirteen, are hereby repealed: Provided, That all articles which may come within the terms of paragraphs one, five, thirty-seven, forty-six, sixty-three, five hundred and one, and five hundred and thirty-eight of said act of October third, nineteen hundred and thirteen, as well as within the terms of Groups I, II, or III of section five hundred of this act, shall be assessed for duty or exempted from duty, as the case may be, under this act.

SEC. 503. That on and after the day when this act shall go into effect all of the foregoing goods, wares, and merchandise previously imported, for which no entry has been made, and all of the foregoing goods, wares, and merchandise previously entered without payment of duty and under bond for warehousing, transportation, or any other purpose, for which no permit of delivery to the importer or his agent has been issued, shall be subject to the duties imposed by this act and to no other duty upon the entry or the withdrawal thereof: Provided, That when duties are based upon the weight of merchandise deposited in any public or private bonded warehouse said duties shall be levied and collected upon the weight of such merchandise at the time of its entry.

SEC. 503 (a). During the period of two years after the date of the approval of this act it shall be unlawful for any person or persons or corporation to import or bring into the United States, or any of its possessions, except under license previously obtained from the dye licensing commission hereinafter created, any of the products enumerated in section 500 of this act, or any product derived

directly or indirectly from coal tar, including crude products and intermediate products, as well as dyestuffs, medicinals, and other finished products, and including mixtures and compounds of such products and other products.

SEC. 503 (b). A commission is hereby created, to be known as the dye licensing commission, which shall be composed of eleven commissioners. The said commissioners shall be designated as follows:

- "One by the National Association of Wool Manufacturers.
- "One by the American Association of Woolen and Worsted Manufacturers.
- "One by the National Council of American Cotton Manufacturers.
- "One by the National Association of Finishers of Cotton Fabrics.
- "One by the Silk Association of America.
- "One by the American Paper and Pulp Association.
- "Three by the American Dyestuffs Institute.
- "One by the American Drug Manufacturers' Association.

"The ten commissioners thus designated shall elect the remaining commissioner, who shall be a person not actively connected with any industry which manufactures or consumes products covered by this act, and shall be the chairman of the commission.

"The first commissioners, other than the chairman, shall be designated as above provided as soon as possible after the taking effect of this act and shall serve during the life of the commission. Vacancies shall be promptly filled for the unexpired term by a new designation by the association represented by the commissioner whose position has become vacant.

"Each of the said associations shall file with the Secretary of the Treasury, immediately upon the designation by it of a commissioner or commissioners under this act, a copy certified by its secretary of the resolution of the association effecting such designation.

"The chairman elected by the first commissioners shall serve permanently during the whole of said period unless and until removed by a majority vote of the commission. The chairman shall be the medium of all communications to and from the commission. The commissioners shall serve without salary, except the chairman, who shall receive a salary of \$5,000 per annum.

"To meet the reasonable expenses of the commission, including the salary of the chairman, the cost of maintenance of a suitable office at a place to be designated by the commission, and the necessary traveling expenses of the commissioners in attending meetings of the commission, the commission may charge a reasonable fee for the issue of each license. Should the moneys received from such fees in any year be less than the said expenses, the deficiency, not exceeding \$50,000, shall be paid out of the appropriation for 'expenses of collecting the revenue from customs.'

SEC. 503 (c). The said dye licensing commission shall issue licenses to import for use in domestic manufacture such of the products covered by section 503 (a) of this act, and such products only, as may be obtainable from domestic sources on reasonable terms as to price, quality, and delivery. The commission shall limit the issue of licenses to import any product as nearly as may be to the quantities required by the actual current needs of the consuming industries in the United States, having regard to the necessities of such industries as are unable to determine beforehand their requirements. Nothing herein contained shall authorize the commission to refuse a license to manufacturer, person, or agent to import for actual use by the manufacturers a foreign dye when such domestic dye of equal quality is not immediately available for his use.

SEC. 503 (d). In passing upon applications for licenses each commissioner, including the chairman, shall cast one vote. Licenses shall be issued only upon a majority vote of the commission present, except that the commission by regulation may provide for the issuance of licenses by the chairman alone, in accordance with general regulations adopted and issued by the commission. The decision of the chairman upon application for such licenses shall be subject to appeal to the commission in such manner as the commission may by general regulation provide. In other respects the commission may regulate its own practice and procedure.

SEC. 503 (e). Any product described in section 503 (a) of this act which shall be imported into the United States or any of its possessions without license as provided in section 503 (a) shall be forfeited and shall be destroyed whenever and wherever found.

SEC. 503 (f). *Any person subject to the jurisdiction of the United States who shall, either as principal or as accessory, import or attempt to import or aid in importing any product described in section 503 (a) of this act without license as therein provided shall be fined not exceeding \$5,000 or the value of such products at the time of importation, whichever shall be greater or shall be imprisoned for not more than one year, or both.*

SEC. 504. *Except as otherwise herein specially provided, this act shall take effect on the day following its passage.*

This Longworth bill, after extended hearings held thereon before the Committee on Ways and Means and after it had undergone several modifications, was finally reported to the House of Representatives early in August of this year. So drastic were some of its provisions considered and thought to constitute so radical and unacceptable a departure from the policies hitherto governing tariff legislation in the United States that three members of the majority party on the Ways and Means Committee, and by no means the least influential, refused to give the bill their consent. The minority report on the bill as submitted by them is well worth reading. It follows below:

[House Report No. 209, part 2, Sixty-sixth Congress, first session.]

IMPORTATION OF COAL-TAR PRODUCTS.

AUGUST 2, 1919.—Committed to the Committee of the Whole House on the state of the Union and ordered to be printed.

Mr. MOORE of Pennsylvania (for himself, Mr. Mott, and Mr. Young of North Dakota), from the Committee on Ways and Means, submitted the following:

VIEWS OF THE MINORITY.

[To accompany H. R. 8078.]

The bill (H. R. 8078) to regulate the importation of coal-tar products, to promote the establishment of the manufacture thereof in the United States, and, as incident thereto, to amend the act of September 8, 1916, entitled "An act to increase the revenue, and for other purposes," makes provision for a dye-licensing commission which we can not approve. The purpose of the bill is to protect the manufacture of dyestuffs in the United States, and with the tariff rates enumerated we find no fault, since they seem to be satisfactory to all parties in interest and are admitted to be sufficiently high for protective purposes; but the addition to these high tariff rates of a dye-licensing commission to keep out of the United States dyestuffs that are not manufactured here, and upon which many of our textile industries in the United States are dependent, is, as we see it, carrying the protective policy a step too far, in that the effect of it will be to foster monopoly in dye production, compel the users of dyes in the hundreds of allied industries to pay such prices for their working materials as the dye producers may see fit to impose and put the business men concerned to unnecessary inconvenience.

Although the hearings upon the dyestuffs bill disclosed that the purpose on the part of the big American dyestuffs manufacturers and the Chemical Foundation (Inc.), to whom the Allen Property Custodian, at private sale, sold 4,500 German patents for \$250,000, was to secure absolute protection against the importation of German dyes by creating a dye-licensing commission, it was manifest that the users of dyes, including manufacturers of leather, textiles—woolens and worsteds, cottons and silks—although believing in the protective principle and in favor of high tariff rates, are very much disturbed over the continuance in peace times of boards and war bureaus to whom they must go for the right to do business in their own way in conformity with law and the usual conditions that hold in the trade.

TYING UP THE DYE USER.

And that the proponents of the bill are aware of this feeling of unrest and dissatisfaction on the part of business men who desire to be relieved from the delays and annoyances of bureaucratic oversight is shown in the changes of front that have been made since the original bill, H. R. 2706,

was presented, May 23, 1919. In that original bill high protective tariff rates were included, and many manufacturers, both dyers and consumers, heartily indorsed the program. Petitions were signed up by manufacturers of wools and woolens, cottons and silks, hosiery and underwear, in sympathy with the general proposition to keep German dyestuffs from undermining the dye makers who had established themselves in the United States during the war.

They all realized that Germany had a strangle hold on the dyestuffs situation before the war and wished this country to be free as England has become free of that economic control. But when, on June 23, H. R. 6495, the forerunner of the present bill, H. R. 8078, was introduced, carrying the protective tariff rates of H. R. 2706, it was found to contain provision for a dye-licensing commission which was to be appointed by the President, who had intrusted all of the German dye business to the Alien Property Custodian, which commission, notwithstanding the high tariff rates already proposed, was to have power to prevent imports except by license, which license was to involve such disclosures of the American applicant's business as might be deemed necessary "in the judgment of the commission, having respect to reasonable terms as to price, quality, and delivery."

PLAN OF ALIEN PROPERTY CUSTODIAN.

The commission was to be given the power to limit licenses in such manner as it saw fit, so that the average business man, desiring to obtain dyes not procurable in the United States in order to prepare for the manufactured colored goods to be gotten ready for the spring trade, would be obliged to submit to "the judgment of the commission" before he could have authority to start the wheels of his mill running. This new bill, H. R. 6495, provoked considerable discussion, and those who appeared in support of it were chiefly the Alien Property Custodian, Mr. Garvan, and the general counsel for the Chemical Foundation (Inc.), Mr. Joseph H. Choate, jr., of New York, who had been associated with the Alien Property Custodian's office.

Although representatives of the National Aniline & Chemical Co., which consolidated many of the American dyestuffs industries, were in attendance upon the hearings, neither they nor the Du Ponts, who manufacture dyestuffs, nor any other large dyestuffs manufacturers, appeared before the committee to justify the bill. The argument made by Mr. Choate, Alien Property Custodian Garvan, and others who appeared on behalf of the Chemical Foundation (Inc.), was that the protective tariff rates in the bill, although much higher than in existing law, would not be sufficient to keep out German imports. On the other hand, while not opposing all reasonable restrictions upon German imports, textile manufacturers, and others protesting against the dye-license commission, contended that American manufacturers should be free from the bureaucratic limitations the bill imposed. They said there were certain dyestuffs not manufactured in the United States, but for which the Chemical Foundation (Inc.) and others in the United States held the patents, the exclusion of which would not only deprive this country of its customs revenues but would prevent the consumers of dyestuffs here from obtaining materials they had been accustomed to use, which materials and dyestuffs in the hands of their competitors in England and elsewhere would permit those competitors to obtain a great lead over American manufacturers by shipping finished products into the United States, against which finished products, including hosiery, underwear, woolens, and silk goods, they would not be able to produce because the raw materials were not available.

PROTESTS CAUSE MODIFICATIONS.

The storm of protest against the licensing commission delayed the Ways and Means Committee in coming to a conclusion upon the bill, consideration of which was held up until July 24, when certain amendments modifying the licensing commission provisions were presented in committee to be printed. These modified suggestions, still including the obnoxious new bureau, somewhat sugar-coated, but still operating under the title "Dye Licensing Commission," was preserved, and, with some additional modifications, is carried on into the present bill—H. R. 8078.

It is not our purpose to dwell extensively upon the long and somewhat sensational hearings in which Mr. Garvan, the Alien Property Custodian, and Mr.

Choate took part. They are well worth reading, though they merely skim the surface of the vast field of activity covered by the Alien Property Custodian in his search for German holdings in the United States and his efforts to "Americanize" them. That is a chapter which may well stand for further elaboration.

But pertinent to the dyestuffs bill is a brief summary of what transpired up to the point of the organization of the Chemical Foundation (Inc.). In the "trading-with-the-enemy act," authorizing the creation by the President of the Alien Property Custodian, the presumption as well as the letter of the law was that the Alien Property Custodian should be "trustee" for German property taken and that the disposal of that property should ultimately be determined by Congress. And it is interesting here to observe that Americans whose property was taken in Germany are expecting to get that property back. Let that statement stand for the present.

CUSTODIAN OBTAINS GREAT POWERS.

By Executive order, by virtue of the "trading-with-the-enemy act," the President conferred great powers upon the Alien Property Custodian; Congress did, also, by riders to appropriation bills passed while the war was on, and ultimately the Alien Property Custodian was permitted to sell German property, which he had seized, first at public sale and then at private sale. When it came to the disposal of 4,500 dyestuff patents, enemy owned, which the Alien Property Custodian seized, a plan was evolved in the office of the Alien Property Custodian to protect the dyestuff industry in the United States and to keep out German importations by utilizing these seized German patents and leasing them through the medium of the Chemical Foundation (Inc.), an organization headed by some responsible gentlemen who obtained a charter under the laws of the State of Delaware, with a capital of \$500,000. The trustees and officers and attorneys of this corporation, including the Alien Property Custodian, Francis P. Garvan, who is president, were all associated with the Alien Property Custodian's office in one capacity or another.

It is now largely through the agitation of those in control of the Chemical Foundation (Inc.) that the support comes for the creation of the dye license commission. The Chemical Foundation thus created by Government officials has been recognized to a certain extent by the War Trade Board, now attached to the State Department, and by the Federal Trade Commission, whose chairman recently circularized those who hold licenses from the Federal Trade Commission, as to the advisability of their taking licenses from the Chemical Foundation (Inc.). It is a long story and one which is not fully told, even in the lengthy hearings of the Ways and Means Committee, hearings which so far as they have been printed should be carefully perused by Members of the House.

PROTECTION UPON PROTECTION.

Now, as to the bill before us: There is little or no serious objection to the protective tariff rates on dyestuffs, as proposed in the bill. There is objection, however, to placing our extensive and widely diversified manufactories that are obliged to use dyestuffs under the control of a dye-licensing commission which is admittedly in the interest of the dye manufacturers who have sprung up, and some of them consolidated, in the United States during the war. The protective tariff provided in the existing dyestuffs law was admitted to be sufficient prior to our entering the war in Europe. The rates proposed in this bill are so much higher than existing rates as to be almost prohibitive. They apply to dyes which come out of England, France, and Switzerland, as well as to those which might come out of Germany. But, even if these barriers were not sufficient, there are other reasons why a new bureau, to be under the control of special interests at the expense and to the annoyance of legitimate business interests, should not be established.

First, The War Trade Board, which the President has covered over into the State Department by Executive order, is still in existence and has only recently issued an order opening up trade with Germany except as to dyes, dyestuffs, potash, drugs, or chemicals. How can unfair dyes or dyestuffs come into the United States under that order unless they are smuggled through England or some other country, which, if it can obtain dyestuffs from Germany, would have an advantage over the manufacturers of the United States, who can not obtain such dyestuffs?

Second. Under the terms of the peace treaty an allies' reparation committee has taken control of the dyestuff situation, so far as Germany is concerned, and as to \$20,000,000 worth of dyes which the Chemical Foundation agents feared might be dumped upon this country, has agreed upon an apportionment among themselves. That constitutes a second barrier, evidently as strong as British warships supported by the Allies can make it, against the admission into this country of materials that might permit the Germans to get an undue foothold here. If this country is to be treated as other countries expect to be treated, the allied supreme economic council will certainly afford protection against unfair German practices, i. e., if the United States is to be treated fairly with the other nations.

Third. All the war powers of the President are preserved, and most of his war boards in one form or another hold on until he proclaims peace, or until Congress abolishes them.

Fourth. The Chemical Foundation (Inc.), backed by the Federal Trade Commission and the Alien Property Custodian, controls the German patents, the use of which in the United States will enable it or its licensees to manufacture anything the Germans can manufacture, which patents, although taken over at private sale under an Executive order, are also protected by a clause in the treaty of peace, barring German nationals from ever making claim against the Alien Property Custodian or any other authority authorizing such private sale.

Why, then, with all these safeguards and the highest protective tariff rates conceded, should this new Government bureau—the Dye Licensing Commission—be set up at the Government expense, to harass and delay those American business men who have already been overburdened with legislative restrictions and departmental functionaries during the war and whose normal activities represent an expenditure of \$3,000,000,000?

TARIFF COMMISSION DOUBTFUL.

The Tariff Commission, which has gone extensively into the dyestuffs problem, does not seem to be enamored of the licensing commission idea, some of its members having been outspoken against it. At a meeting of the American Chemical Society at Buffalo, April 8, 1919, Mr. Culbertson, a member of the commission, having made a special study of the entire question, said:

"Among the most—perhaps the most—urgent tariff problems which Congress will be called upon to consider fall within the chemical schedule. The reason for this is obvious. The war's effect was, as I have suggested, more revolutionary among the chemical industries than elsewhere. I wish it were possible for me to discuss a number of chemical products worthy of consideration, but this can not be done within the limits of this address. Not all the items in the chemical schedule have an equal claim to legislative assistance. A few have none. Each should be considered on its own merits, keeping in mind the advantages of production, the availability of foreign supply, the needs of the American consumer, and the diversification and development of the structure of our industrial life. I shall speak specifically of the industry producing coal-tar products, for I regard it as a clear case deserving of legislative help.

"Before hostilities ceased, Great Britain had declared the industry producing synthetic dyes essential to her national well-being. For its protection she has made a radical departure from her traditional policy of laissez faire in trade. She has provided State aid for the dye industry in the form of loans and grants for buildings and research. The importation of all dyes is prohibited except under license granted by a licensing committee. No dye is to be imported which the domestic industry is able to supply or for which an adequate substitute is made in the country. I believe that such a plan has been suggested as desirable for this country. For my part, I can not regard it with favor. In Great Britain the plan is in the early stages of experimentation. There the firms are comparatively few, and the Government is closely associated with them in the enterprise. In the United States our industry is too diversified and varied, the problems of administration too vast, the political consideration too uncertain to warrant meeting the dye problem with prohibition, importation, licenses, and direct Federal supervision.

"The alternative is a tariff which will equalize, with a fair margin, the conditions of competition between this country and abroad."

AN INNOVATION IN A TARIFF BILL.

The licensing system is an innovation which is not contemplated in a protective-tariff system as Republicans understand it. It is a war-born product, first tried out in England, where the country is small and the population dense. It should not be applied to a country like the United States, whose manufacturers and business men are far removed from headquarters at the capital.

If licenses must be secured from Washington to obtain raw materials used by manufacturers, then the manufacturer in Philadelphia, or New York, or Boston, who can get to Washington in a few hours, has a decided advantage over his competitor in Chicago or St. Louis, in New Orleans, or Detroit, or San Francisco, who would have to wait days, and sometimes weeks, before he would know whether he could proceed with his business. The licensing system during the war was distressful enough to all who had to deal with it. It is calculated to operate against anyone whose competitor happens to be close to the commission or who has superior facilities for dawdling around Washington, from office to office and commission to clerk, until his business is attended to.

The continuance of the system for normal business is proposed, first, in what is presumed to be the strongest case, that of dyestuffs, which involve German competition; but it is to be tried out on potash, the farmers' commodity, and if successful in these two instances may become a fixture before the business men of the country are fully aware of the influences that are seeking to bind them up to it.

AMERICAN PRODUCERS READY TO COMPETE.

When the American producers of dyestuffs were consolidating their interests during the war and were announcing with evident satisfaction the growth of the industry in the United States, there was little or no complaint about the adequacy of governmental protection. In an announcement to the trade July, 1917, the E. I. du Pont de Nemours & Co., which had added the manufacture of coal-tar dyes and intermediates to its vast business in explosives, advised the trade that it did not fear its ability to stand against its competitors. We quote from the announcement of the company that it had decided to enter the coal-tar dye industry:

"The explosive and coal-tar industries are closely allied. Both require intermediates, which we manufacture in a large way; both are highly scientific and thoroughly developed; and both require large technical and commercial organizations.

"We start with (1) the necessary raw materials, products of this country, therefore not dependent upon Europe; (2) a chemical and engineering organization second to none in magnitude and scientific attainment; (3) unequaled plant and laboratory facilities; and (4) an adequate commercial organization."

Another concern which has taken a deep interest in the passage of the Longworth bill is the National Aniline & Chemical Co. (Inc.), a war-created consolidation, which includes the Schoelkopf Aniline & Chemical Works, Buffalo, N. Y.; W. Beckers Aniline & Chemical Works (Inc.); Benzol Products Co., Marcus Hook, Del.; Standard Aniline Products Co., Wappingers Falls, N. Y.; Century Colors Corporation, including plant at Nutley, N. J., and sales organization in New York City; National Aniline & Chemical Co., sales organization in New York City, and miscellaneous products plants acquired from the Barrett Co., General Chemical Co.; and Semet-Solvay Co., in New York and Pennsylvania.

This concern, which with its subsidiaries reported good business in the manufacture of American dyes during the war, announced in a circular dealing with its stock transactions that the plan of the Chemical Foundation (Inc.) would have "the effect of totally excluding from the United States" the importation of such dyes or chemicals as were made in any country under patents now held by the Chemical Foundation (Inc.). We quote from this circular the following statement intended to support its prospectus for a disposal of stock:

"The manufacture of coal-tar dyes is firmly established in the United States, approximately two-thirds of the total number of different dyes and shades which were formerly imported into the United States from Germany now

being made by one or more American manufacturers. During 1917 American manufacturers of dyestuffs produced 180 different dyes, of which the National Aniline & Chemical Co. (Inc.) produced 106 dyes, including 38 dyes not made by any other American producer. The total production of finished coal-tar dyes and chemicals from 81 establishments in the United States during 1917, exclusive of explosives and synthetic phenolic resins, represented a value of approximately \$69,000,000."

AIDED BY ALIEN PROPERTY CUSTODIAN.

"The Alien Property Custodian, acting under the authority of the amended trading-with-the-enemy act of November 4, 1918, has organized a corporation known as the Chemical Foundation (Inc.), all of whose \$500,000 capital stock has been subscribed for at par in cash by a large number of American manufacturers of chemicals and dyestuff. The Chemical Foundation (Inc.) has purchased from the Alien Property Custodian for \$250,000 about 4,500 patents covering chemical processes and products registered in the United States by German and other enemy alien owners. The Chemical Foundation (Inc.) will issue without discrimination nonexclusive license to any American manufacturer who may make application therefor, under the terms of which the American manufacturer may use or make the patented processes and products on a moderate royalty basis. The effect of this plan will be to totally exclude from the United States the importation of any dyes or chemicals made in any country in the world under any of the patents held by the Chemical Foundation (Inc.). Of the subscribed capital of the Chemical Foundation (Inc.), \$250,000 is available as a working fund for the prosecution of actions involving the importation or manufacture of products infringing on the patents to which the Chemical Foundation (Inc.) has acquired title.

"The patents now held by the Chemical Foundation (Inc.) cover most of the processes and products used in the dye industry, and in addition to this protection afforded under the patent laws, there is now in effect the tariff act of September 8, 1916, which imposes a heavy ad valorem duty on finished dyestuffs made from coal tar and smaller ad valorem duties on intermediates, together with specific duties on both finished products and intermediates. These customs duties apply to all synthetic dyestuffs imported, wherever made and by whatever process."

The officers of the National Aniline & Chemical Co. (Inc.) are men who were interested in importing German dyes prior to the war and manufactured them in the United States during the war, when they had no foreign competition, and should therefore be competent to testify as to their ability to cope with foreign trade now. Circulars issued by agents of this company throw a little more light on this subject and justify the setting up of an interrogation point as to why, having all the protection above described, they still want a license commission to govern the distribution of dyes needed by manufacturers to carry on their business. We quote a few sample expressions of confidence with regard to the American dye industry's ability to take care of itself. These extracts are from trade circulars issued by the National Aniline & Chemical Co.

CAN COMPETE WITH GERMANS.

"The Germans will enjoy no supply of raw materials or intermediates which the National Co. does not now possess. With the depreciated currency and the labor unrest in Germany, it is not to be expected that the labor costs of the German manufacturers in the future will be proportionately low as in the past. With the protective tariff on dyestuffs and the exclusions steps taken by the Alien Property Custodian, the National Co. certainly has no cause to fear German competition for some time to come.

* * * * *

"Under the tariff act of September 8, 1916, all finished dyes are taxed 30 per cent ad valorem and 5 cents a pound specific duty, with a reduction each year after 1921 in the specific duty of 1 cent a pound. Intermediates are taxed under that law 15 per cent ad valorem and 2½ cents a pound specific duty, with a reduction of one-half cent a pound per year after 1921. Raw materials are admitted free of duty. On dyes worth \$1 a pound, this duty would amount to 35 cents a pound.

"The Chemical Foundation (Inc.) has been organized by the Allen Property Custodian with a capital stock of \$500,000, and has acquired title to about 4,500 patents on processes and products covering all kinds of dyes and other chemicals which were registered in the United States by Germans or other alien enemies. The Chemical Foundation (Inc.) will issue nonexclusive licenses to American manufacturers to use these patents on a moderate royalty basis, and will protect all holders of licenses under these patents from the manufacturer in the United States or the importation into the United States of all dyes or other chemicals made in any other country in the world under processes which infringe on the patents to which the Chemical Foundation holds title."

And here follow a few sidelights on the dyestuffs situation:

"Because of its large earnings the company will be subject to heavy Federal taxes in 1918. It is pursuing a conservative policy of charging off out of earnings all normal depreciation and obsolescence of its plant, and is also setting aside extraordinary depreciation reserved to make off a part of the excessive war costs involved in the construction of its plant built since 1914.

* * * * *

"There has been a temporary slowing up of purchases of dyestuffs by the textile industry since the signing of the armistice, but the National Co. has not made any general reductions in the prices of its products, the last cut in prices having taken place in the spring of 1918. The gross sales for 1919 may not be as large as for 1918; but, on the other hand, the cost of raw materials shows a declining tendency. The appropriations for depreciation and tax reserves in 1919 probably will not be as large as in 1918.

* * * * *

"The stock which the syndicate is offering was not bought from the company, but was acquired from various minority stockholders in the company who received the stock originally in 1917 in part payment for their interests in certain of the merged companies."

J. HAMPTON MOORE.
LUTHER W. MOTT.
GEORGE M. YOUNG.

SYNOPSIS OF CHANGES PROPOSED BY THE LONGWORTH BILL.

1. The Longworth bill proposes changes in classification of coal-tar products the effect of which will be to transfer a few products from the free list to the dutiable list and to transfer a considerable number of products to a classification calling for increased rates.

2. The bill as proposed provides for an increase of duties on so-called intermediate coal-tar products as follows: The specific duty is increased from 2½ cents per pound to 6 cents per pound, an increase in the proportion of 100 to 240 compared with the present rate. The ad valorem rate is increased from 15 per cent to 40 per cent, an increase in the proportion of 100 to 266 compared with the present rate.

3. The bill as proposed provides for increased duties on coal-tar dyestuffs and other so-called finished coal-tar products as follows. The specific duty is increased from 5 cents to 7 cents per pound, an increase in the proportion of 100 to 140 as compared with the present rate. The ad valorem rate is increased from 30 per cent to 45 per cent, an increase in the proportion of 100 to 150 as compared with the present rate.

4. The proposed bill eliminates the provision of the law now in force whereby natural or synthetic alizarin and dyes obtained from alizarin, anthracene carbazol, natural and synthetic indigo, all indigoids, whether or not obtained from indigo, medicinals, and flavors are exempt from payment of any specific duty. Under the Longworth bill these products will be subject to payment of the specific duties.

5. The proposed bill provides for the establishment of standards of strength for colors to "conform as nearly a practicable to the commercial strengths in use in the United States prior to July 1, 1914," and for the collection of the specific rate of 7 cents per pound as a minimum, while colors of higher strength would be assessed at a rate increased in the same proportion as the actual strength of the color bears to the standard strength. The Secretary of the Treasury is given authority to establish such standards.

6. The proposed bill provides that colors imported six months after the passage of the act, shall be labelled in a manner to indicate fully and conspicuously the identity and strength of the color.

7. The proposed bill eliminates the provision of the law now in force whereby the specific duties therein imposed shall, beginning September, 1921, be annually reduced by 20 per centum of the original rate so that after September, 1925, no specific duty but only the specified ad valorem rate would be collected. Under the Longworth Act the specific duties are made permanent and unchangeable.

8. The proposed bill provides for the establishment for two years of a dye licensing commission without whose permission in each specific instance it shall be unlawful to import any coal tar or any product of coal tar. The dye licensing commission is enjoined to issue import licenses only where it is shown that the product desired to be imported "may be unobtainable from domestic sources on reasonable terms as to price, quality and delivery." Licenses, if issued, must be restricted as to quantity to conform "as nearly as may be to the quantities required by the actual current needs of the consuming industries in the United States."

COMPUTED AD VALOREM RATES OF THE LONGWORTH BILL.

As in the existing law, the proposed bill divides coal-tar products into three groups:

1. Coal-tar crudes.
2. Coal-tar intermediates.
3. Coal-tar dyestuffs and other finished products.

Owing to their relative importance, these groups are considered here in reverse order.

A concrete picture of the effect of the rates proposed in the Longworth bill on the dyestuff situation in the United States will be obtained by a careful study of the table below. It is based entirely upon official figures of the United States Government as contained on pages 17 to 22 of Artificial Dyestuffs used in the United States, by Thomas Norton, Department of Commerce, Special Agents Series No. 121, Washington, 1916, and shows (1) quantity and value of the most important coal-tar colors imported into the United States during the fiscal year 1914, (2) value per unit, (3) rate of duty applying to each under the tariff laws of 1909, 1913, and 1916, and under the proposed Longworth bill; also (4) actual and computed ad valorem rates under the laws of 1909, 1913, and 1916, and under the proposed Longworth bill.

Although the figures of this table do not reproduce in full the data given in the above publication, they are by no means selected arbitrarily or for effect. For the purpose of brevity, the material had to be condensed, but the method of doing so was in strict adherence to a uniform process of elimination. Only every fourth color was used of (1) the azo colors, and (2) every second item of the classified azo colors, (3) unclassified sulphur colors, and (4) unclassified coal-tar colors.

Of the other colors, every item was used.

It will be noted that the figures of this table and of tables which follow are based upon imports for the fiscal year of 1914. This is the last year before the war and represents normal conditions, which, sooner or later, we must gradually approach, even if we may never return to them fully.

The method of computing the total ad valorem rate payable is to calculate the percentage which the respective duty bears to the unit of value and to add thereto the respective ad valorem rate of the bill.

A summary of Table 1 is contained in Table 2, giving the same information as Table 1 but by groups of coal-tar colors. These totals are arrived at by simple addition of the data furnished by Norton. The figures, although referred to in the official publication as summary of the most important colors imported, represent, nevertheless, practically the entire importation of these substances into the United States for the period stated. They amount in value to \$7,453,736, as compared with a total of \$7,537,370, or 98.8 per cent, as shown there on page 31.

TABLE I.—Showing quantity and value of coal-tar dyestuffs imported into the United States during the fiscal year of 1914, average value per pound, rate of duty applicable under the tariff acts of 1909, 1913, 1916, and under the proposed Longworth bill and actual computed ad valorem rate payable under the respective acts as compared with the rates under the proposed Longworth bill.

Name of product.	Imports, fiscal year 1914.			Rate of duty under—				Per cent rate of duty, actual or computed ad valorem, under—			
	Pounds.	Value.	Value per pound.	Act of 1909.	Act of 1913.	Act of 1916.	Proposed Longworth bill.	Act of 1909.	Act of 1913.	Act of 1916.	Proposed Longworth bill.
Nitroso and nitro colors:											
Naphthol green.....	19,146	\$2,902.00	\$0.151	30 per cent ad valorem.	30 per cent ad valorem.	5 cents per pound and 30 per cent ad valorem.	7 cents per pound and 45 per cent ad valorem.	30	30	63.1	91.3
Naphthol yellow.....	250,409	24,702.00	.098	do.	do.	do.	do.	30	30	80.5	116.4
Stilbene colors:											
Direct yellow.....	71,399	11,295.00	.156	do.	do.	do.	do.	30	30	62.0	89.8
Naphthamine yellow.....	42,180	6,748.00	.160	do.	do.	do.	do.	30	30	61.5	88.7
Direct yellow.....	79,055	16,784.00	.212	do.	do.	do.	do.	30	30	53.6	78.0
Direct yellow B.....	29,123	2,766.00	.095	do.	do.	do.	do.	30	30	82.8	118.6
Stilbene yellow.....	50,477	7,464.00	.148	do.	do.	do.	do.	30	30	63.8	92.2
Stilbene yellow R X.....	34,588	6,305.00	.182	do.	do.	do.	do.	30	30	57.5	83.4
Chloramine orange.....	24,688	5,914.00	.239	do.	do.	do.	do.	30	30	50.9	74.2
Diphenyl orange G G.....	12,646	3,938.00	.288	do.	do.	do.	do.	30	30	47.3	70.0
Diphenyl chrisoine.....	9,898	3,071.00	.310	do.	do.	do.	do.	30	30	46.1	67.5
Diphenyl fast yellow.....	9,656	2,988.00	.310	do.	do.	do.	do.	30	30	46.1	67.5
Pyrazolone colors:											
Fast light yellow.....	33,514	10,272.00	.306	do.	do.	do.	do.	30	30	46.6	67.8
Flavazine S.....	19,000	4,927.00	.259	do.	do.	do.	do.	30	30	49.3	72.0
Flavazine.....	62,375	10,700.00	.171	do.	do.	do.	do.	30	30	75.0	85.9
Xylene yellow.....	23,074	9,759.00	.420	do.	do.	do.	do.	30	30	41.9	71.7
Tartrazine.....	265,781	53,137.00	.200	do.	do.	do.	do.	30	30	55.0	80.0
Azo colors:											
Chrysoidine.....	63,303	8,585.00	.138	do.	do.	do.	do.	30	30	66.2	95.7
Brilliant lake red R.....	31,674	2,337.00	.074	do.	do.	do.	do.	30	30	97.7	139.5
Alizarin yellow.....	59,000	7,676.00	.130	do.	do.	do.	do.	30	30	68.4	98.8
Lanafuchsine.....	68,055	9,375.00	.138	do.	do.	do.	do.	30	30	66.2	95.8
Lithol fast scarlet.....	36,295	9,287.00	.256	do.	do.	do.	do.	30	30	49.7	72.3
Chrome fast yellow.....	15,165	3,056.00	.202	do.	do.	do.	do.	30	30	54.5	79.6
Geranine.....	18,917	7,690.00	.322	do.	do.	do.	do.	30	30	45.5	66.7
Acid yellow.....	35,982	6,313.00	.175	do.	do.	do.	do.	30	30	58.5	85.0
Azo flavine.....	20,114	3,151.00	.157	do.	do.	do.	do.	30	30	61.8	89.5
Azo fuchsine G P.....	13,206	1,867.00	.141	do.	do.	do.	do.	30	30	65.6	94.5
Lake red C.....	306,607	9,495.00	.031	do.	do.	do.	do.	30	30	191.0	271.0

Fast brown N.....	67,531	6,200.00	.092	do	do	do	do	30	30	84.9	121.0
Chrome blue.....	53,404	19,874.00	.375	do	do	do	do	30	30	43.4	63.6
Cochineal red.....	29,984	3,669.00	.123	do	do	do	do	30	30	71.1	101.9
Mordant yellow.....	85,003	11,280.00	.133	do	do	do	do	30	30	67.5	97.6
Salicine black U.....	65,658	10,605.00	.162	do	do	do	do	30	30	60.5	88.2
Anthracene chrome black.....	51,577	7,869.00	.152	do	do	do	do	30	30	62.8	91.0
Resorcin brown.....	13,189	2,549.00	.193	do	do	do	do	30	30	55.8	81.2
Naphthol blue black.....	62,864	8,864.00	.141	do	do	do	do	30	30	65.6	94.6
Wool black.....	23,371	4,866.00	.208	do	do	do	do	30	30	54.0	78.6
Do.....	110,244	16,868.00	.153	do	do	do	do	30	30	62.6	90.7
Sulphon cyanine.....	128,944	21,118.00	.165	do	do	do	do	30	30	60.2	87.4
Acid black.....	35,662	5,765.00	.162	do	do	do	do	30	30	60.8	88.2
Diaminogen.....	305,944	56,201.00	.184	do	do	do	do	30	30	57.2	81.0
Anthracene acid black.....	17,793	2,647.00	.148	do	do	do	do	30	30	63.3	92.3
Palatine chrome black.....	18,985	1,607.00	.084	do	do	do	do	30	30	93.6	128.3
Chrysophenine.....	148,406	40,466.00	.273	do	do	do	do	30	30	48.3	70.6
Congo rubine.....	46,113	6,329.00	.135	do	do	do	do	30	30	66.2	95.7
Diamine violet M.....	13,107	2,840.00	.216	do	do	do	do	30	30	53.1	87.4
Diphenyl blue black.....	26,240	4,415.00	.168	do	do	do	do	30	30	59.9	86.6
Diamine fast red.....	47,724	17,131.00	.360	do	do	do	do	30	30	43.9	64.4
Diphenyl red.....	12,808	5,001.00	.390	do	do	do	do	30	30	42.8	62.9
Benzoxypurine.....	21,090	1,442.00	.070	do	do	do	do	30	30	101.5	145.0
Toluyene orange.....	55,562	13,236.00	.238	do	do	do	do	30	30	51.0	74.4
Brilliant azurine 5 C.....	18,395	3,206.00	.174	do	do	do	do	30	30	58.8	85.2
Oxamine blue.....	21,800	3,749.00	.172	do	do	do	do	30	30	59.1	85.6
Columbia black.....	290,902	41,563.00	.143	do	do	do	do	30	30	65.0	93.9
Do.....	143,956	26,125.00	.181	do	do	do	do	30	30	57.6	83.6
Direct deep black E.....	862,601	110,009.00	.127	do	do	do	do	30	30	69.4	100.1
Cotton black F.....	190,304	31,607.00	.166	do	do	do	do	30	30	60.0	87.1
Diamine green.....	53,268	8,318.00	.156	do	do	do	do	30	30	62.0	89.8
Direct green.....	19,313	4,291.00	.222	do	do	do	do	30	30	52.2	76.5
Unclassified azo colors:											
Chrome fast black.....	76,451	10,172.00	.134	do	do	do	do	30	30	67.4	97.2
Columbia fast blue.....	84,661	18,879.00	.223	do	do	do	do	30	30	52.4	76.3
Nerol.....	65,441	9,751.00	.149	do	do	do	do	30	30	63.6	91.9
Zambesi black.....	622,359	107,669.00	.171	do	do	do	do	30	30	59.3	85.9
Cotton black.....	24,505	4,843.00	.198	do	do	do	do	30	30	55.4	80.3
Oxamine black.....	50,032	10,472.00	.201	do	do	do	do	30	30	54.5	79.8
Oxamine copper blue R R.....	10,222	1,941.00	.189	do	do	do	do	30	30	56.6	82.0
Oxamine dark brown G R.....	10,599	1,312.00	.124	do	do	do	do	30	30	70.5	101.4
Palatine chrome green G.....	19,665	6,452.00	.328	do	do	do	do	30	30	45.5	66.3
Wool scarlet.....	12,780	1,417.00	.111	do	do	do	do	30	30	75.1	108.0
Acid chrome black.....	39,508	8,052.00	.204	do	do	do	do	30	30	54.5	79.3
Benzo chrome black blue B.....	51,315	9,804.00	.191	do	do	do	do	30	30	56.2	81.6
Benzo fast black L.....	100,268	22,846.00	.222	do	do	do	do	30	30	52.6	76.5
Benzo green.....	16,506	2,850.00	.172	do	do	do	do	30	30	59.1	85.6
Benzo rhoduline N red B 3 B.....	11,873	1,813.00	.153	do	do	do	do	30	30	62.6	90.7
Cashmere black 3 B N.....	12,269	1,881.00	.153	do	do	do	do	30	30	62.6	90.7
Diazo fast black.....	29,330	7,476.00	.255	do	do	do	do	30	30	49.7	72.4
Helio Bordeaux B L.....	14,703	793.00	.053	do	do	do	do	30	30	124.3	177.0
Phenylamine black 4 B.....	14,066	1,619.00	.115	do	do	do	do	30	30	73.5	105.8
Pluto brown.....	14,580	2,542.00	.174	do	do	do	do	30	30	58.8	85.2

TABLE I.—Showing quantity and value of coal-tar dyestuffs imported into the United States during the fiscal year of 1914, average value per pound, rate of duty applicable under the tariff acts of 1909, 1913, 1916, and under the proposed Longworth bill and actual computed ad valorem rate payable under the respective acts as compared with the rates under the proposed Longworth bill—Continued

Name of product.	Imports, fiscal year 1914.			Rate of duty under—				Per cent rate of duty, actual or computed ad valorem, under—			
	Pounds.	Value.	Value per pound.	Act of 1909.	Act of 1913.	Act of 1916.	Proposed Longworth bill.	Act of 1909.	Act of 1913.	Act of 1916.	Proposed Longworth bill.
Unclassified azo colors—Continued.											
Azo wood violet.....	12,944	\$3,298.00	\$0.254	30 per cent ad valorem.	30 per cent ad valorem.	5 cent, per pound and 30 per cent ad valorem.	7 cents per pound and 45 per cent ad valorem.	30	30	49.8	72.5
Diamine fast blue.....	28,880	7,227.00	.25	do	do	do	do	30	30	50.0	73.0
Diamine jet black.....	14,091	4,315.00	.306	do	do	do	do	30	30	46.4	67.8
Diamine orange.....	17,068	2,851.00	.165	do	do	do	do	30	30	60.4	87.4
Diamine black.....	146,629	24,836.00	.169	do	do	do	do	30	30	59.6	86.4
Diamone carbon.....	34,388	7,864.00	.228	do	do	do	do	30	30	51.0	75.7
Para Diamine black.....	18,634	2,690.00	.144	do	do	do	do	30	30	64.6	93.5
Salicine blue B.....	16,224	8,449.00	.520	do	do	do	do	30	30	39.6	58.2
Azo acid black.....	19,500	3,942.00	.156	do	do	do	do	30	30	62.0	89.8
Naphthalene blue B, DL.....	28,000	5,102.00	.182	do	do	do	do	30	30	5.76	83.4
Direct green.....	31,194	5,091.00	.163	do	do	do	do	30	30	60.6	87.9
Oxychrome brown.....	10,490	2,235.00	.213	do	do	do	do	30	30	53.6	77.8
Triazol blue.....	10,148	1,580.00	.155	do	do	do	do	30	30	62.1	90.1
Triazol dark blue.....	19,489	2,647.00	.135	do	do	do	do	30	30	67.0	96.8
Anthracyl chrome blue 2 B, D.....	24,979	6,385.00	.255	do	do	do	do	30	30	49.6	72.4
Acid blue black.....	15,501	3,023.00	.195	do	do	do	do	30	30	55.8	80.9
Acid fast green 8 B.....	14,650	7,068.00	.503	do	do	do	do	30	30	40.0	58.9
Direct black ABC, C.....	15,245	2,804.00	.183	do	do	do	do	30	30	57.4	83.2
Drazaline blue.....	10,831	4,425.00	.408	do	do	do	do	30	30	42.6	62.1
Drazaline sky blue FF.....	10,940	5,204.00	.475	do	do	do	do	30	30	40.5	59.7
Hydrazol black.....	10,981	1,629.00	.148	do	do	do	do	30	30	63.8	92.3
Chicago red III.....	13,195	2,420.00	.183	do	do	do	do	30	30	57.4	83.2
Diphenyl deep black.....	21,098	4,216.00	.200	do	do	do	do	30	30	55.0	80.0
Chlorantini brown.....	18,267	4,034.00	.221	do	do	do	do	30	30	52.3	76.6
Chrome fast green.....	12,943	6,670.00	.525	do	do	do	do	30	30	39.6	58.3
Direct black E.....	22,223	4,205.00	.189	do	do	do	do	30	30	56.4	82.0
Azo rhodine 2 B.....	10,108	2,624.00	.259	do	do	do	do	30	30	49.3	72.0
Azomine milling black N.....	22,500	5,124.00	.228	do	do	do	do	30	30	52.0	75.7
Diphenylmethane colors:											
Auramine.....	449,276	107,887.00	.240	do	do	do	do	30	30	50.8	74.1

Triphenylmethane colors:

Malachite green.....	178, 831	43, 363.00	.242	do	do	do	do	30	30	50.7	73.9
Victoria green.....	41, 545	10, 305.00	.231	do	do	do	do	30	30	51.6	75.3
Brilliant green.....	73, 904	16, 345.00	.221	do	do	do	do	30	30	52.6	76.6
Guinea green.....	14, 666	3, 362.00	.239	do	do	do	do	30	30	51.9	74.2
Acid green.....	35, 305	9, 379.00	.265	do	do	do	do	30	30	48.8	71.4
Neptune green.....	40, 868	13, 825.00	.338	do	do	do	do	30	30	44.8	65.7
Light green (yellowish).....	24, 946	5, 960.00	.239	do	do	do	do	30	30	50.9	74.2
Acid green.....	46, 461	20, 176.00	.435	do	do	do	do	30	30	41.5	61.0
Erioglaucine.....	66, 526	28, 971.00	.435	do	do	do	do	30	30	41.5	61.0
Magenta.....	87, 102	25, 659.00	.294	do	do	do	do	30	30	47.0	68.8
Methyl violet.....	255, 063	63, 183.00	.247	do	do	do	do	30	30	50.1	73.3
Crystal violet.....	33, 653	13, 664.00	.406	do	do	do	do	30	30	42.3	62.2
Violet.....	18, 219	5, 289.00	.290	do	do	do	do	30	30	47.1	69.1
Benzyl violet.....	22, 387	6, 018.00	.269	do	do	do	do	30	30	48.5	71.0
Ethyl purple.....	51, 933	23, 101.00	.445	do	do	do	do	30	30	51.2	60.7
Aniline blue.....	50, 563	18, 586.00	.366	do	do	do	do	30	30	43.6	64.1
Acid magenta.....	19, 098	4, 030.00	.211	do	do	do	do	30	30	53.0	78.1
Acid violet.....	13, 078	4, 362.00	.333	do	do	do	do	30	30	45.0	66.0
Do.....	16, 106	5, 360.00	.333	do	do	do	do	30	30	45.0	66.0
Fast acid violet 10 B.....	12, 919	3, 229.00	.250	do	do	do	do	50	30	50.0	73.0
Acid violet.....	50, 055	12, 806.00	.255	do	do	do	do	30	30	49.5	72.4
Do.....	65, 395	20, 954.00	.324	do	do	do	do	30	30	45.4	66.6
Formyl violet.....	19, 819	4, 185.00	.211	do	do	do	do	30	30	53.8	78.1
Guinea violet 4 B, 6 B.....	18, 854	5, 114.00	.271	do	do	do	do	30	30	48.4	70.8
Eriocyanine.....	25, 091	11, 987.00	.477	do	do	do	do	30	30	40.4	59.6
Acid violet.....	19, 960	6, 130.00	.316	do	do	do	do	30	30	45.8	67.1
Alkali blue.....	286, 531	117, 365.00	.409	do	do	do	do	30	30	42.2	62.1
Navy blue.....	31, 499	6, 275.00	.199	do	do	do	do	30	30	55.0	80.1
Cotton blue.....	45, 019	9, 809.00	.218	do	do	do	do	30	30	52.8	77.1
Soluble blue.....	86, 523	31, 093.00	.359	do	do	do	do	30	30	43.9	64.5
Patent blue.....	114, 631	49, 945.00	.435	do	do	do	do	30	30	41.5	61.0
Acid blue.....	14, 467	4, 916.00	.339	do	do	do	do	30	30	44.8	65.6
Patent blue A.....	40, 848	10, 229.00	.250	do	do	do	do	30	30	50.0	73.0
Neptuns blue.....	10, 765	2, 305.00	.225	do	do	do	do	30	30	51.2	76.1
Brilliant acid blue.....	10, 120	3, 525.00	.348	do	do	do	do	30	30	44.3	65.1
Cyanol.....	40, 015	15, 757.00	.393	do	do	do	do	30	30	42.7	62.8
Eriochrome azurol B C.....	21, 070	14, 480.00	.687	do	do	do	do	30	30	37.3	55.1
Diphenyl-naphthylmethane colors:											
Victoria blue R.....	109, 627	33, 117.00	.302	do	do	do	do	30	30	46.5	68.1
Naphthalene green.....	22, 144	5, 904.00	.230	do	do	do	do	30	30	51.7	75.4
Wool blue.....	173, 904	18, 406.00	.105	do	do	do	do	30	30	77.6	111.6
Wool green S.....	33, 863	13, 526.00	.399	do	do	do	do	30	30	42.5	62.5
Cyanol green.....	10, 988	2, 193.00	.199	do	do	do	do	30	30	55.1	80.1
Xanthone colors:											
Rhodamine 6 G.....	37, 400	18, 495.00	.494	do	do	do	do	30	30	40.1	59.1
Rhodamine B.....	58, 339	23, 777.00	.407	do	do	do	do	30	30	42.3	62.2
Rhodamine 3 G.....	16, 940	6, 858.00	.404	do	do	do	do	30	30	42.4	62.3
Fast acid violet.....	19, 811	13, 975.00	.705	do	do	do	do	30	30	37.0	54.9
Eosine.....	35, 511	13, 183.00	.371	do	do	do	do	30	30	43.5	63.8
Do.....	21, 017	7, 891.00	.375	do	do	do	do	30	30	43.3	63.6

TABLE I.—Showing quantity and value of coal-tar dyestuffs imported into the United States during the fiscal year of 1914, average value per pound, rate of duty applicable under the tariff acts of 1909, 1913, 1916, and under the proposed Longworth bill and actual computed ad valorem rate payable under the respective acts as compared with the rates under the proposed Longworth bill—(Continued).

Name of product.	Imports, fiscal year 1914.			Rate of duty under—				Per cent rate of duty, actual or computed ad valorem, under—			
	Pounds.	Value.	Value per pound.	Act of 1909.	Act of 1913.	Act of 1916.	Proposed Longworth bill.	Act of 1909.	Act of 1913.	Act of 1916.	Proposed Longworth bill.
Xanthone colors—Continued.											
Bromo-fluoresceic acid.....	38,000	\$18,397.00	\$0.484	30 per cent ad valorem.	30 per cent ad valorem.	5 cents per pound and 30 per cent ad valorem.	7 cents per pound and 45 per cent ad valorem.	30	30	40.3	59.4
Acid eosine.....	17,499	7,388.00	.422	do.	do.	do.	do.	30	30	41.8	61.5
Galleine.....	15,404	8,817.00	.570	do.	do.	do.	do.	30	30	38.8	57.2
Acridine colors:											
Phosphine.....	101,858	30,442.00	.299	do.	do.	do.	do.	30	30	46.7	68.4
Patent phosphine.....	28,627	17,881.00	.624	do.	do.	do.	do.	30	30	38.0	56.2
Leather flavine.....	24,153	8,235.00	.340	do.	do.	do.	do.	30	30	44.7	65.5
Rheonine.....	19,704	5,261.00	.267	do.	do.	do.	do.	30	30	48.7	71.2
Euchrysine.....	1,403	5,343.00	.346	do.	do.	do.	do.	30	30	44.4	65.2
Diamond phosphine.....	30,336	5,897.00	.194	do.	do.	do.	do.	30	30	55.8	81.0
Corioflavine.....	40,343	13,438.00	.333	do.	do.	do.	do.	30	30	45.0	66.0
Quinoline and thiobenzyl colors:											
Quinoline yellow (spirit soluble).....	79,553	28,170.00	.354	do.	do.	do.	do.	30	30	44.1	64.7
Quinoline yellow (water soluble).....	15,324	7,072.00	.461	do.	do.	do.	do.	30	30	40.8	60.1
Primuline.....	56,212	8,478.00	.150	do.	do.	do.	do.	30	30	63.3	91.6
Columbia yellow.....	86,090	10,165.00	.118	do.	do.	do.	do.	30	30	72.4	105.3
Diamine fast yellow.....	88,688	12,972.00	.146	do.	do.	do.	do.	30	30	64.2	92.9
Thioflavine T.....	31,714	17,683.00	.557	do.	do.	do.	do.	30	30	38.9	57.5
Oxazine and thiazine colors:											
Gallocyanine.....	78,253	27,227.00	.348	do.	do.	do.	do.	30	30	44.3	65.1
Cotton blue.....	32,509	9,675.00	.297	do.	do.	do.	do.	30	30	46.8	68.5
Methylene blue.....	185,738	72,619.00	.390	do.	do.	do.	do.	30	30	42.8	62.9
Methylene green.....	30,812	13,196.00	.425	do.	do.	do.	do.	30	30	41.8	61.4
Thionine blue.....	18,618	7,873.00	.422	do.	do.	do.	do.	30	30	41.8	61.5
New methylene blue.....	30,392	12,127.00	.399	do.	do.	do.	do.	30	30	42.5	62.5
Indochromine.....	19,060	12,430.00	.652	do.	do.	do.	do.	30	30	37.7	55.7
Azine colors:											
Azo carmine.....	17,500	5,453.00	.311	do.	do.	do.	do.	30	30	46.1	67.5
Safranin.....	59,921	21,273.00	.355	do.	do.	do.	do.	30	30	44.1	64.7
New fast gray.....	29,507	10,436.00	.357	do.	do.	do.	do.	30	30	44.0	64.6
Induline (soluble in spirit).....	25,342	5,016.00	.198	do.	do.	do.	do.	30	30	55.3	80.3

Nigrosine (soluble in spirit).....	186,540	23,435.00	.125	do.	do.	do.	do.	30	30	70.0	101.0
Induline (soluble in water).....	21,775	5,514.00	.253	do.	do.	do.	do.	30	30	49.8	72.6
Nigrosine (soluble in water).....	394,718	58,903.00	.149	do.	do.	do.	do.	30	30	63.6	92.0
Isoceyanine B, 2 R F.....	23,138	5,205.00	.225	do.	do.	do.	do.	30	30	52.2	76.1
Sulphur colors:											
Sulphaniline brown, O, R.....	11,327	1,158.90	.101	do.	do.	do.	do.	30	30	79.5	114.2
Immedial yellow, D.....	13,395	2,266.00	.169	do.	do.	do.	do.	30	30	59.6	86.4
Vidal black.....	7,495	525.00	.070	do.	do.	do.	do.	30	30	101.4	145.0
Thonal black G.....	16,865	2,141.00	.127	do.	do.	do.	do.	30	30	69.4	100.0
Sulphur black.....	502,309	54,557.00	.180	do.	do.	do.	do.	30	30	57.7	83.8
Do.....	3,793,979	368,939.00	.099	do.	do.	do.	do.	30	30	80.5	115.6
Kryogene black.....	121,904	12,263.00	.100	do.	do.	do.	do.	30	30	80.0	115.0
Katigene black.....	34,699	2,711.00	.078	do.	do.	do.	do.	30	30	94.8	134.8
Katigene blue black 4 BPA.....	49,310	4,084.00	.092	do.	do.	do.	do.	30	30	84.3	121.0
Katigene deep black B.....	224,262	19,491.00	.087	do.	do.	do.	do.	30	30	87.5	125.4
Immedial brilliant carbon F F G.....	113,900	15,197.00	.133	do.	do.	do.	do.	30	30	67.6	97.6
Sulphur black.....	323,715	32,084.00	.099	do.	do.	do.	do.	30	30	80.5	115.6
Thion black.....	12,817	1,275.00	.099	do.	do.	do.	do.	30	30	80.5	115.8
Thion violet black A.....	19,860	3,471.00	.175	do.	do.	do.	do.	30	30	50.9	85.0
Thigene black.....	83,089	7,034.00	.084	do.	do.	do.	do.	30	30	89.5	128.2
Thiophor black W L N.....	10,141	1,424.00	.140	do.	do.	do.	do.	30	30	65.7	95.0
Thioxine black.....	143,471	11,254.00	.078	do.	do.	do.	do.	30	30	94.8	134.8
Eclipse black C.....	2,756	421.00	.152	do.	do.	do.	do.	30	30	62.9	91.0
Pyrogene deep black.....	13,011	1,724.00	.132	do.	do.	do.	do.	30	30	76.9	98.0
Sulphur black T R.....	27,394	1,937.00	.070	do.	do.	do.	do.	30	30	101.4	145.0
Thionol black S, X X.....	6,498	550.00	.085	do.	do.	do.	do.	30	30	88.4	127.3
Cross dye black.....	38,582	4,789.00	.124	do.	do.	do.	do.	30	30	70.3	101.4
Auronal black.....	50,879	5,072.00	.099	do.	do.	do.	do.	30	30	80.5	115.6
Immedial black.....	51,699	6,193.00	.119	do.	do.	do.	do.	30	30	72.0	103.8
Immedial brown.....	23,887	2,558.90	.107	do.	do.	do.	do.	30	30	76.7	110.4
Pyrogene blue.....	10,934	2,582.00	.236	do.	do.	do.	do.	30	30	51.2	74.6
Pyrogene black.....	8,725	1,140.00	.130	do.	do.	do.	do.	30	30	68.5	98.8
Pyrogene yellow M, O.....	18,515	5,102.00	.276	do.	do.	do.	do.	30	30	48.1	70.3
Pyrogene indigo.....	22,661	6,652.00	.294	do.	do.	do.	do.	30	30	47.0	68.8
Immedial maroon B.....	15,496	2,885.00	.186	do.	do.	do.	do.	30	30	56.8	82.8
Katigene green.....	63,929	9,950.00	.156	do.	do.	do.	do.	30	30	62.0	89.8
Hydron blue G, R.....	292,729	33,555.00	.115	do.	Free	30 per cent	do.	Free	30.9	105.8	
Kyrogene brown A, G.....	10,312	972.00	.094	do.	do.	do.	do.	30	30	83.2	119.4
Unclassified sulphur colors:											
Sulphur blue.....	73,434	15,489.00	.219	do.	do.	do.	do.	30	30	53.8	78.3
Sulphur brown.....	79,691	9,565.00	.119	do.	do.	do.	do.	30	30	72.0	102.8
Sulphur catechu G R.....	48,973	5,071.00	.103	do.	do.	do.	do.	30	30	78.5	113.0
Sulphur indigo.....	10,488	2,085.00	.199	do.	do.	do.	do.	30	30	55.1	80.1
Katigene black brown.....	11,006	1,336.00	.123	do.	do.	do.	do.	30	30	70.6	101.8
Katigene brown 2 R, V.....	28,811	2,452.00	.085	do.	do.	do.	do.	30	30	88.4	127.2
Katigene direct blue B, R F.....	11,299	2,305.00	.204	do.	do.	do.	do.	30	30	54.5	79.3
Katigene indigo.....	42,157	5,924.00	.140	do.	do.	do.	do.	30	30	65.7	95.0
Katigene khaki G.....	14,242	1,691.00	.119	do.	do.	do.	do.	30	30	72.0	103.8
Katigene red brown R, 3 R.....	68,864	9,396.00	.136	do.	do.	do.	do.	30	30	66.8	96.5

TABLE I.—Showing quantity and value of coal-tar dyestuffs imported into the United States during the fiscal year of 1914, average value per pound, rate of duty applicable under the tariff acts of 1909, 1913, 1916, and under the proposed Longworth bill and actual computed ad valorem rate payable under the respective acts as compared with the rates under the proposed Longworth bill—Continued.

Name of product.	Imports, fiscal year 1914.			Rate of duty under—				Per cent rate of duty, actual or computed ad valorem, under—			
	Pounds.	Value.	Value per pound.	Act of 1909.	Act of 1913.	Act of 1916.	Proposed Longworth bill.	Act of 1909.	Act of 1913.	Act of 1916.	Proposed Longworth bill.
Unclassified sulphur colors—Continued.											
Katigene yellow G, G G, G R.....	55,227	\$9,318.00	\$0.169	30 per cent ad valorum.	30 per cent ad valorum.	5 cents per pound and 30 per cent ad valorum.	7 cents per pound and 45 per cent ad valorum.	30	30	59.6	86.4
Katigene yellow brown.....	36,826	5,617.00	.152	do	do	do	do	30	30	62.9	91.0
Immedial direct blue.....	73,892	11,145.00	.152	do	do	do	do	30	30	63.3	91.6
Immedial indogene.....	90,077	13,141.00	.146	do	do	do	do	30	30	64.2	92.9
Immedial new violet G.....	37,492	10,018.00	.267	do	do	do	do	30	30	48.9	71.2
Sulphur brown.....	12,735	1,926.00	.151	do	do	do	do	30	30	63.1	91.3
Thion brown.....	18,579	2,824.00	.152	do	do	do	do	30	30	62.9	91.0
Thiogene blue.....	14,344	2,261.00	.150	do	do	do	do	30	30	63.3	91.6
Thiogene brown.....	97,551	10,601.00	.108	do	do	do	do	30	30	77.3	109.8
Thiogene deep blue.....	13,106	3,049.00	.232	do	do	do	do	30	30	51.5	75.1
Pynogene brown.....	63,450	6,689.00	.105	do	do	do	do	30	30	77.7	111.6
Sulphur bronze.....	15,152	1,392.00	.091	do	do	do	do	30	30	85.2	121.8
Cross dye drab N.....	15,758	1,324.00	.084	do	do	do	do	30	30	89.5	128.2
Anthraquinone and allied colors:											
Indathrene gold orange G.....	20,092	10,088.00	.504	Free	Free	30 per cent	do	Free.	Free.	30.0	58.9
Indathrene dark blue B O.....	11,096	2,516.00	.227	do	do	do	do	Free.	Free.	30.0	75.8
Indathrene violet R R.....	68,419	21,516.00	.314	do	do	do	do	Free.	Free.	30.0	67.3
Alizarin black S S R, W R.....	136,461	9,936.00	.072	do	do	do	do	Free.	Free.	30.0	142.2
Alizarin (synthetic).....	202,392	20,465.00	.101	do	do	do	do	Free.	Free.	30.0	114.2
Alizarin red.....	53,154	24,784.00	.466	do	do	do	do	Free.	Free.	30.0	60.0
Alizarin brown.....	110,211	30,907.00	.284	do	do	do	do	Free.	Free.	30.0	69.6
Anthracene blue W R.....	107,778	13,622.00	.126	do	do	do	do	Free.	Free.	30.0	100.6
Anthracene blue W B, W G.....	54,712	9,228.00	.169	do	do	do	do	Free.	Free.	30.0	86.4
Alizarin blue.....	302,319	69,712.00	.230	do	do	do	do	Free.	Free.	30.0	75.4
Alizarin blue S B, 942.....	12,409	6,158.00	.496	do	do	do	do	Free.	Free.	30.0	69.1
Alizarin green S.....	15,885	2,497.00	.157	do	do	do	do	Free.	Free.	30.0	89.5
Alizarin black S.....	198,491	19,902.00	.100	do	do	do	do	Free.	Free.	30.0	115.0
Alizarin green S.....	11,096	2,337.00	.210	do	do	do	do	Free.	Free.	30.0	78.3
Helindone yellow C G.....	20,744	6,954.00	.324	do	do	do	do	Free.	Free.	30.0	66.6
Indathrene claret B.....	28,728	9,923.00	.345	do	do	do	do	Free.	Free.	30.0	67.3
Algol olive R.....	13,334	2,850.00	.213	do	do	do	do	Free.	Free.	30.0	77.8

Indathrene blue G G S.....	10,163	4,284.00	.421	do	do	do	do	Free.	Free.	30.0	61.6
Indathrene yellow G, G P.....	12,683	4,353.00	.343	do	do	do	do	Free.	Free.	30.0	65.4
Indathrene blue W R.....	31,658	4,272.00	.134	do	do	do	do	Free.	Free.	30.0	97.2
Alizarin rubinol R.....	10,917	11,286.00	1.034	do	do	do	do	Free.	Free.	30.0	51.8
Alizarin blue black B 3 B.....	54,706	61,370.00	1.121	do	do	do	do	Free.	Free.	30.0	51.3
Indigo and its derivatives:											
Indigo (synthetic).....	8,507,359	1,090,773.00	.128	do	do	do	do	Free.	Free.	30.0	99.7
Indigo extract.....	19,329	6,557.00	.339	2 cent per pound.	do	do	do	2.20	Free.	30.0	65.5
Indigo M. L. B.....	53,610	11,604.00	.216	30 per cent.	do	do	do	30	Free.	30.0	77.4
Ciba blue 2 B.....	16,880	7,423.00	.439	do	do	do	do	30	Free.	30.0	60.9
Brilliant indigo G. D.....	12,057	1,747.00	.145	do	do	do	do	30	Free.	30.0	93.3
Indigo M. L. B. T.....	12,730	1,598.00	.125	do	do	do	do	30	Free.	30.0	101.0
Ciba violet B.....	19,830	6,975.00	.352	do	do	do	do	30	Free.	30.0	61.8
Helindone brown G.....	12,936	6,710.00	.526	do	do	do	do	30	Free.	30.0	58.3
Ciba scarlet G.....	22,265	11,479.00	.515	do	do	do	do	30	Free.	30.0	58.6
Helindone pink.....	39,393	47,117.00	1.196	do	do	do	do	30	Free.	30.0	50.9
Helindone orange R.....	14,489	5,841.00	.401	do	do	do	do	30	Free.	30.0	62.3
Helindone red 3 B.....	27,874	10,942.00	.392	do	do	do	do	30	Free.	30.0	62.8
Helindone violet B, 2 R, 4.....	28,607	15,945.00	.577	do	do	do	do	30	Free.	30.0	57.5
Ursol.....	53,720	15,779.00	.294	do	do	do	do	30	30	47.0	68.0
Unclassified coal-tar colors: (The following dyes include imported artificial colors, the composition or manufacture of which are not known, and which have not been mentioned among the unclassified azo colors and sulphur colors.)											
Guinea bordeaux.....	24,252	3,233.00	.139	30 per cent ad valorem.	30 per cent ad valorem.	5 cents per pound and 30 per cent ad valorem.	7 cents per pound and 45 per cent ad valorem.	30	30	65.9	95.4
Metachrome blue B, G.....	14,301	3,996.00	.279	do	do	do	do	30	30	47.9	70.1
Scarlet 53446.....	13,344	1,246.00	.093	do	do	do	do	30	30	83.7	120.2
Chrome fast blue 4 B.....	23,585	5,198.00	.320	do	do	do	do	30	30	45.6	66.8
Basic kraft brown Y 2.....	11,235	2,039.00	.181	do	do	do	do	30	30	57.6	81.7
Corvoline B T.....	10,789	3,241.00	.300	do	do	do	do	30	30	46.6	68.3
Japan black.....	13,974	2,766.00	.158	do	do	do	do	30	30	55.2	80.3
Kraft brown L, Y 2.....	43,807	10,218.00	.233	do	do	do	do	30	30	51.4	75.0
Oil black 6 B, 6 G.....	28,603	4,258.00	.148	do	do	do	do	30	30	61.8	92.3
Quercitron substitute BL, B.....	16,812	2,422.00	.144	do	do	do	do	30	30	64.7	93.5
Acid chrome blue 3G, 2R, 5R.....	25,633	6,553.00	.255	do	do	do	do	30	30	49.6	72.4
Claret lake B L.....	15,290	949.00	.062	do	do	do	do	30	30	110.7	157.9
Wool fast blue B. L, G. L.....	19,238	6,331.00	.329	do	do	do	do	30	30	45.2	66.2
Brilliant scarlet.....	41,082	4,317.00	.105	do	do	do	do	30	30	77.6	111.7
Nerazine G, G A.....	44,678	8,484.00	.189	do	do	do	do	30	30	56.4	82.0
Carpet red R, B T, R.....	15,445	1,649.00	.106	do	do	do	do	30	30	77.2	111.0
Cotton marine blue 4676.....	79,035	10,902.00	.138	do	do	do	do	30	30	66.2	95.3
Direct black.....	42,277	8,438.00	.199	do	do	do	do	30	30	55.1	80.2
Direct brown.....	21,828	4,799.00	.219	do	do	do	do	30	30	52.8	77.8
Paper scarlet.....	24,372	3,101.00	.127	do	do	do	do	30	30	69.4	100.1
Wool black.....	118,791	20,453.00	.171	do	do	do	do	30	30	59.2	85.9

TABLE I.—Showing quantity and value of coal-tar dyestuffs imported into the United States during the fiscal year of 1914, average value per pound, rates of duty applicable under the tariff acts of 1909, 1913, 1916, and under the proposed Longworth bill and actual computed ad valorem rate payable under the respective acts as compared with the rates under the proposed Longworth bill—Computed.

Name of product.	Imports, fiscal year 1914.			Rate of duty under—				Per cent rate of duty, actual or computed ad valorem, under—			
	Pounds.	Value.	Value per pound.	Act of 1909.	Act of 1913.	Act of 1916.	Proposed Longworth bill.	Act of 1909.	Act of 1913.	Act of 1916.	Proposed Longworth bill.
Unclassified coal-tar colors—Continued.											
Wool brown.....	40,736	\$6,333.00	\$0.155	30 per cent ad valorem.	30 per cent ad valorem.	5 cents per pound and 30 per cent ad valorem.	7 cents per pound and 45 per cent ad valorem.	30	30	62.3	90.1
Wool green.....	20,255	5,488.00	.271	do.	do.	do.	do.	30	30	47.8	70.8
Wool yellow.....	17,465	2,629.00	.150	do.	do.	do.	do.	30	30	63.3	98.8
Hansa yellow G, 5 G.....	11,014	4,559.00	.413	do.	do.	do.	do.	30	30	42.0	61.9
Paratol scarlet 3 B.....	41,000	8,271.00	.201	do.	do.	do.	do.	30	30	54.8	79.8
Cresol black.....	37,322	4,246.00	.114	do.	do.	do.	do.	30	30	73.8	106.5
Black B H, H B.....	21,239	4,789.00	.225	do.	do.	do.	do.	30	30	52.1	76.1
Frio violet B C, R L C.....	21,345	6,117.00	.287	do.	do.	do.	do.	30	30	47.4	69.3
Solfigne deep black.....	61,949	9,509.00	.154	do.	do.	do.	do.	30	30	62.4	90.4
Calcutta blue 2.....	26,669	4,669.00	.175	do.	do.	do.	do.	30	30	58.5	85.0
Omega chrome cyanine.....	21,001	3,019.00	.144	do.	do.	do.	do.	30	30	64.7	93.6
Cachou.....	58,991	3,430.00	.066	do.	do.	do.	do.	30	30	105.8	151.0
Black.....	138,805	14,781.00	.106	do.	do.	do.	do.	30	30	77.2	111.0

TABLE II.—Showing quantity and value of coal-tar dyestuffs imported into the United States during the fiscal year of 1914 by groups, average value per pound, by respective groups, rate of duty applicable under the tariff acts of 1909, 1913, 1916, and under the proposed Longworth bill, and actual or computed ad valorem rate payable under the respective acts are compared with the rates under the proposed Longworth bill.

Name of product.	Imports, fiscal year 1914.			Rate of duty under—				Per cent rate of duty, actual or computed ad valorem, under—			
	Pounds.	Value.	Value per pound.	Act of 1909.	Act of 1913.	Act of 1916.	Proposed Longworth bill.	Act of 1909.	Act of 1913.	Act of 1916.	Proposed Longworth bill.
Nitroso and nitro colors.....	269,555	\$27,604.00	\$0.102	30 per cent ad valorem.	30 per cent ad valorem.	5 cents per pound and 30 per cent ad valorem.	7 cents per pound and 45 per cent ad valorem.	30 per cent ad valorem.	30 per cent ad valorem.	79.1	113.1
Stilbene colors.....	364,710	67,273.00	.184	do	do	do	do	do	do	57.1	87.0
Pyrazole colors.....	403,744	88,795.00	.220	do	do	do	do	do	do	52.8	78.8
Azo colors.....	11,813,301	1,868,496.00	.158	do	do	do	do	do	do	61.6	89.3
Unclassified azo colors.....	3,584,876	689,581.00	.192	do	do	do	do	do	do	56.0	81.4
Auramine.....	449,276	107,887.00	.240	do	do	do	do	do	do	50.8	74.1
Triphenylmethane colors.....	2,006,785	651,222.00	.325	do	do	do	do	do	do	45.8	66.5
Diphenyl-naphthyl-methane colors.....	250,526	73,146.00	.292	do	do	do	do	do	do	47.1	62.8
Xanthon colors.....	239,981	118,781.00	.457	do	do	do	do	do	do	40.9	60.3
Acridine colors.....	260,424	86,497.00	.332	do	do	do	do	do	do	45.1	66.1
Quinoline and thiobenzoyl colors.....	357,581	84,540.00	.236	do	do	do	do	do	do	51.2	74.6
Oxazine and thiazine colors.....	395,382	155,147.00	.392	do	do	do	do	do	do	42.5	62.8
Azine colors.....	758,441	135,235.00	.178	do	do	do	do	do	do	58.1	84.3
Sulphur colors (black).....	5,583,358	568,560.00	.101	do	do	do	do	do	do	79.1	114.3
Unclassified sulphur colors.....	1,101,614	166,388.00	.160	do	do	do	do	do	do	61.5	84.8
Carbazole colors (hydron blue).....	292,729	33,555.00	.115	30 per cent.	Free	30 per cent.	do	30 per cent.	Free	30.0	105.9
Anthraquinone and allied colors.....	3,148,993	917,470.00	.291	Free	do	do	do	Free	do	30.0	69.0
Indigo.....	8,507,359	1,090,773.00	.128	do	do	do	do	do	do	30.0	104.7
Indigo derivatives.....	335,520	149,737.00	.449	30 per cent.	do	do	do	30 per cent.	do	30.0	95.6
Unclassified coal-tar colors.....	2,087,641	373,039.00	.178	do	do	do	do	do	do	58.1	84.4
Total for all colors.....	42,229,797	7,453,736.00	.176					21.8 per cent.	21.2 per cent.	50.1	84.6

CHARACTER OF RATE INCREASES.

These tables, if carefully studied, could be left to the reader almost without comment. It will be sufficient if but a few of their characteristic features are brought out here. The average ad valorem rate of duty payable under the proposed Longworth bill varies between 51.8 per cent for alizarin rubinol R, of which less than 11,000 pounds were imported, and 271 per cent for lake red C, of which 316,600 pounds were imported.

Between these two limits the ad valorem rates oscillate. It is worth observing that of the 335 individual colors indiscriminately collected and here considered there are only 21 on which the computed ad valorem rate would be 60 per cent or less (but always in excess of 45 per cent), while there are 57 colors eventually dutiable at rates in excess of 100 per cent.

This proportion would be still greater if the computation were made on the basis of quantities. The high-priced colors dutiable at comparatively low rates form but an insignificant percentage in weight compared with that of low-price colors subject to excessive rates. This is strikingly illustrated in Table 2, where the colors are assembled by groups and include practically all the colors imported within the respective groups. The average value per pound, as given in this table, is therefore fairly representative.

The lowest ad valorem rate under the proposed Longworth bill is 60.3 per cent for the group of xanthene colors, of which 260,000 pounds only were imported.

Indigo, the importation of which amounted to 8,500,000 pounds, would be dutiable at the rate of 104.7 per cent.

Sulphur colors, the importation of which was 5,583,000 pounds, would be dutiable at 114.3 per cent.

Azo colors, of which 11,813,000 pounds were imported, would be dutiable at 89.3 per cent.

Table 2 further shows that the ad valorem rate of duty on coal tar colors, payable on the basis of imports for the fiscal year 1914, would have been, under the law of 1909, 21.8 per cent; under the law of 1913, 21.2 per cent; under the law of 1916, 50.1 per cent; under the proposed Longworth bill, 84.6 per cent.

The only change which the tariff law of 1913 made in relation to dyestuffs, as against the Payne law of 1909, was to include colors derived from carbazol with those exempted from duty (alizarin and indigo colors). This accounts for the slight decrease in the ad valorem rates from 21.8 to 21.2 per cent. The law of 1916 would, if then applicable, have established a general average ad valorem rate of 50.1 per cent, an increase in the proportion of 100 to 233.

The increase of rates under the proposed Longworth bill is very close to the proportion of 100 to 400.

If the lower-priced colors are considered only, which in quantity constitute practically 90 per cent of the total imports, the increase of rates under the respective tariff acts would show a still greater disproportion. For these colors, the rates under the Longworth bill would be about 87 per cent, as against 43.7 per cent under the law of 1916, or an increase in the proportion of 100 to about 200.

In plain English, the Longworth bill practically doubles the duties at present payable under the war-tariff measure of 1916.

INEQUALITY OF COMPUTED AD VALOREM RATES.

The very wide fluctuations in the computed ad valorem rates payable for the individual colors varying (as shown in Table 1) between 51.8 per cent and 272 per cent, are due entirely to the specific duty first imposed by the act of 1916, continued in increased form in the proposed Longworth bill, and made applicable uniformly to all colors irrespective of their value.

Beginning with the tariff law of 1883, coal-tar colors, in recognition of the fact that they vary so widely in value per unit, were made assessable for duty under a straight ad valorem rate. The law of 1916, passed in view of the emergency which was then thought to exist, added a specific duty of 5 cents per pound.

Provision, however, was made for the gradual extinction of this duty within a comparatively short period of time.

The Longworth bill now proposes not only to increase this specific duty from 5 to 7 cents per pound but intends also to make it permanent.

Specific duties imposed on individual products have their advocates and possess the undeniable advantage of ease of administration. From a con-

sumer's point of view, they have the disadvantage of covering up the degree of protection, often to the extent of concealing the fact that they are prohibitive. If applied to groups of products, and especially large groups, the individual items of which differ so widely in value per unit as do coal-tar products, they unavoidably work great injustice. Thus a specific duty of 7 cents, as proposed on dyestuffs costing abroad 10 cents per pound, a figure at which or measurably near which quite a number were imported into the United States before the war, corresponds to 70 per cent ad valorem, while on a dyestuff valued abroad at \$1 the specific duty corresponds to only 7 per cent ad valorem. Even if applied to whole groups of dyestuffs, the specific duty, computed to an ad valorem duty, still shows great discrepancies, as seen by reference to Table 2, although here the extent of the injustice involved is not so palpable on the surface because in this case average values made up of a comparatively great number of individual items are dealt with. Despite this, it will be noted that, for instance, the average value per pound of sulphur colors taken from official sources was only 10.1 cents per pound in 1914, while the average value per pound of xanthenes colors was 45.7 cents per pound. In the first case, 7 cents is equal to about 70 per cent ad valorem, while in the latter it equals only about 15 per cent.

Since the low-priced colors are imported in quantities incomparably greater than those of higher value and are used for commodities of mass production and mass consumption, they carry a tax burden many times higher than do the colors of high value if one single specific duty is uniformly applied to both. That such inequality of treatment inevitably and inherently work for injustice is so patent as to require no further elaboration here.

AD VALOREM RATES AND UNDERVALUATION.

Advocates of specific duties as against ad valorem rates have always advanced the stock argument that they prevent undervaluation. The value of this argument would be enhanced if it could be shown that undervaluation for customs purposes is as prevalent as some people would like to make it appear.

In spite of the many provisions for specific duties under the various tariff laws of the United States almost from their historical beginning, the bulk of imports into the United States were and are dutiable on an ad valorem basis for the very obvious reason that it is physically impossible to provide on a specific basis for the great multitude of products imported.

If undervaluation were therefore so common, it would mean not only that the Public Treasury is suffering annually great financial losses which the powerful Government of the United States with all its tremendous inquisitorial powers to ascertain values here and abroad is apparently unable to prevent, but also that the system of fixing tariff rates on an ad valorem basis as practiced in one form or another here and in every other country is inherently and radically wrong.

As a matter of fact, readily ascertainable through proper authorities, intentional undervaluation of invoices on imported merchandise of a competitive character are rare and attempted only by novices in customs matters. Business integrity among importers is of the same standard as among other industrial and commercial classes. Furthermore, however great the temptation to undervalue may be, the probability of being found out sooner or later is infinitely greater. For an importer with an established trade, the risk assumed by undervaluing his merchandise is altogether out of proportion to the possible gain.

Testimony relating to unit values of coal-tar colors sold in the United States has very recently been brought forward by the United States Tariff Commission in *The Dyestuff Situation in the Textile Industries*, Tariff Information Series No. 2, Washington, 1918. It covers information received from 77 important companies engaged in the United States in the manufacture of cotton, wool, and silk goods or in the dyeing and finishing of textiles, exclusive of that done in the textile mills, and gives quantities of coal-tar colors used and prices paid for them in 1913 and 1916. For the purpose under discussion the following data relating to coal-tar colors only used in 1913 and prices paid for them are reproduced here in summary form:

23 cotton mills used 5,372,404 pounds at a cost of-----	\$773,056
25 woolen and worsted mills used 3,181,452 pounds at a cost of-----	870,366
8 silk mills used 179,984 pounds at a cost of-----	58,478
21 dyeing and finishing mills used 1,377,677 pounds at a cost of-----	490,335
Total (10,377,677 pounds)	2 192,235

The figures given equal approximately 25 per cent of importations of coal-tar colors in one year. They include a comparatively wide range and embrace all of the most important colors. They are therefore sufficiently representative. A simple calculation shows that the average price paid per pound of coal-tar color by the American consumers in 1913 was, on the basis of data compiled by the Tariff Commission, only 21.2 cents.

The import value as given in Table 2 for the fiscal year 1914 is 17.6 cents per pound. This does not show any marked tendency toward undervaluation.

From the data adduced in the foregoing the conclusion is permissible that arguments for specific duty based on possible undervaluation are without foundation.

The character of the proposed legislation as far as the imposition of specific duties is concerned will perhaps be best exemplified by a concrete illustration, i. e., by applying the principle underlying it to some other important industries. Thus textiles and fabrics are for tariff purposes usually divided into three distinctive groups, namely, one covering the raw material—in this instance, the fiber—another covering the first stage of manufacture or threads, and one covering the finished product or woven fabric. Suppose, then, that a tariff law were passed providing just one single specific duty for threads of all kinds irrespective of value, while another single specific duty is made to cover the finished cloth irrespective of character and value per unit, would not such a law be decreed from the Atlantic to the Pacific as absurdly unscientific and justly so? Would it not provoke almost unanimous opposition and is it not absolutely unthinkable that such a bill could ever be proposed? Yet this parallel is in all essentials true of the Longworth bill and this is exactly what it proposed to do with coal-tar products.

Gradations in tariff rates in a well-balanced tariff law to comply with the multitudinous requirements of industry are so essential that even where the rates are purely on an ad valorem basis different ad valorem rates are often provided for commodities of the same generic group according to value. Numerous instances of this character will be found in almost every tariff law ever enacted in the United States.

Regarded from any point of view, specific rates on colors especially in the form of a surtax in addition to generous ad valorem rates are unnecessary and undesirable. One single specific tax imposed on all products irrespective of value and derivation is indefensible.

COLOR STANDARDS.

In figuring the rates of duty under the Longworth bill, as in Tables 1 and 2, no consideration was given to the proposal contained in section 501, whereby the specific rate of 7 cents per pound of coal-tar color shall apply only to a certain standard of strength to be established by authority of the Secretary of the Treasury as well as to colors below this standard strength. Colors above the standard strength would be subject to a higher specific rate to be computed on the basis of the standard established.

Assuming that the value of a color increases in the proportion of its strength, the total computed ad valorem rates, as given in Tables 1 and 2, would not be affected thereby. The Longworth bill proposes that the specific duty shall be assessed in the same proportion as the standard increases, although no definition is given in the proposed bill what such standards shall be, nor is there allowance made in the bill for a reduction of the specific duty in case the color should fall below the standard. This provision is based upon the belief that because of the magnitude of the specific rate colors of higher standards will be imported in large quantities in order to reduce the duty collectible under the specific rate.

This reasoning is without merit. Colors are not imported in strength for the purpose of evading payment of duties. The fact that under present and previous laws when duties are and were assessed and collected without reference to strength and concentration a number of colors are and were imported in varying strengths, is sufficient evidence in point.

Habits, different requirements of the consumer, progress of the arts, and many other considerations enter into the determination of each specific case.

The main and only objection to such a provision for color standards as basis for tariff rates is its impracticability. If enacted into law, it will bring about endless confusion and additional expense to all parties concerned; not the least of them the Government, which of necessity would have to create an entirely new and expensive machinery for the purpose of attempting to carry such a provision into effect.

The almost insurmountable difficulties encountered here will best be realized by considering that, as the records show, approximately 1,000 different colors were being imported before the war, for many of which if not for all standards would have to be established on the basis of imports prior to July, 1914. Color standards do not exist at the present date, and it may well be doubted whether the art has as yet progressed to a stage where practical standards can be devised because the test of a dyestuff as far as dyeing properties are concerned is not a matter of chemical analysis alone, a difficult proposition in itself.

Mr. Choate, as sponsor for the Longworth bill and spokesman for the American Dye Institute, arguing in favor of the licensing provision, stated repeatedly that colors may be "camouflaged," as he expressed it, to such an extent that their identification would be extremely difficult and, perhaps, entirely impossible. In the heat of argument he did not at the time realize that this statement carried with it the most emphatic condemnation of the scheme for color standardization.

Although it is inaccurate to state that colors may be "camouflaged" beyond recognition by chemical or other analytical methods, it is nevertheless true that the establishment of workable standards for colors is at present practically impossible. Attempts in this direction have been frequently made and have as frequently been abandoned. It is only necessary to recall the experience in connection with the establishment of official analytical methods for testing the half-dozen or so food colors to realize the more than Herculean task before those who shall try to establish standards for coal-tar colors as imported now or before 1914 and the length of time it will require to do it.

If established, it will be found that few colors will conform to it, not because the importer desires to "camouflage," but simply because the manufacturer will find it impossible to retrograde his processes in order to comply with arbitrary standards.

Litigation that must result under such circumstances will be as protracted as it will be expensive. During the interim period delays in delivery will be long and unavoidable, and the public will not only have to pay the tentatively higher rates of duty but the total cost of litigation as well, all of which will make for chaotic conditions.

There is but one parallel case in the history of tariff legislation in the United States. It is found in the act of 1897, where it was provided that tea below a certain standard shall be prohibited from entering the United States. In that case it should be noted that the sole reason for its enactment was the protection of the public health, which principle was later emphasized still more in the pure food and drug act.

By the act of 1897 the Secretary of the Treasury was empowered to establish a single standard and for one single product only, yet it took many a year and many Treasury decisions with proceedings before the General Appraisers and the court of appeals until this administrative phase of the customs law was brought into working practice. The test whether a shipment of tea is up to or below the standard is comparatively simple, and yet the administration of this feature of the law involved, and still involves, considerable expense.

In the Longworth bill standards are sought to be established for a wide group of manufactured products, the testing of which is an extremely delicate, complicated, and time-consuming operation, concerning which it may be stated without fear of contradiction that large expenditures out of all proportion to the object to be achieved will be necessary.

Many colors are made by different manufacturers in different countries and in different grades. Evidently each product possesses individual merit or else it would find no taker. What is to be the standard in such cases? Which product shall be the one favored and which is to be penalized?

Ignorance of customs matter can be the only excuse for such a proposition. If carried out it could at best add but an insignificant sum to the amount of duty collectible.

There is no doubt that customs authorities, if applied to for an opinion on this subject, will support this view.

DYE-LICENSING COMMISSION.

An innovation of the most radical character and without precedent in the genius of our tariff legislation will be found in the Longworth bill where pro-

vision is made for a licensing commission. The functions of this commission are defined in the law and elaborated fully in the summary printed above of the changes proposed by the Longworth Act.

This provision requires most careful consideration in order to fully comprehend the far-reaching effect and the wide ramifications it involves. It perpetuates into peace times an agency which Congress created in view of an existing war emergency and intended to end with the war.

Congress, always so jealous of its powers to fix tariff rates and to regulate commerce generally, in the Longworth bill is asked to delegate to an outside body the decision as to what shall and what shall not be imported into the United States, and, if imported, under what conditions such importation shall be made.

To the arbitrary judgment of this outside body is left the decision regarding the essential requirements of some of the most important industries of the country, the normal development of which is thus placed in jeopardy.

The hazardous feature of such a provision can not be better described than in the minority report of the Ways and Means Committee as presented by the Hon. J. Hampton Moore. In addition, we print further on, some comments on this so-called licensing provision as developed at the prolonged hearings before the Ways and Means Committee or as stated in communications to that committee.

The proponents of the licensing system have repeatedly referred to the alleged fact that Great Britain has established a similar system for the protection of its own coal-tar industry. Leaving out of discussion, the very important point that the United States Government with its written constitution can not always follow legislative methods adopted by other countries, the advocates of the licensing system conveniently overlook the fact that in Great Britain the licensing commission is made but a minor part of a broad scheme of State aid to the coal-tar industry. Further, that the powers of the British licensing commission are largely curtailed as for instance in the provision that they are without any say in the matter whether primary and semi-finished coal-tar products such as benzol, toluol, phenol and similar compounds, shall or shall not be imported.

Moreover, the dye commission of Great Britain, of which the licensing commission is only a minor although integral part, is given the power to dictate prices at which dyes shall be sold to consumers; to inquire into their cost and to practically determine the quantity and character of dyes which shall be manufactured, all with the evident purpose to protect the consumers and to bring about the gradual manufacture of all dyestuffs in England.

The licensing commission as proposed in the Longworth bill is given power of exclusion over all coal-tar products irrespective of whether they are crude, semifinished, or finished. Its powers to regulate prices are indirect depending upon a more or less stringent exclusion of foreign products and what is more important, the American licensing commission is without power to insist that certain coal-tar products, whether dyestuffs or otherwise, shall be produced in the United States to insure a domestic supply.

It is evident and unavoidable that in the absence of such powers, the manufacture of coal-tar products in this country will follow the usual line of least resistance, or in other words, only such products will be made as require the least effort and expenditure and offer promise of largest profits. This is not mere assumption but in communications from mill owners using dyestuffs submitted to or requested by the Tariff Commission, it has been directly charged that thus far, the manufacturers of dyestuffs in the United States, in spite of the practically clear field which was theirs during the war, restricted themselves to making the more staple colors of mass consumption. (See Report on Dyes and Related Coal-Tar Chemicals, 1918, pp. 68-69.) It is not natural to believe that the resumption of competition this tendency will show itself in form intensified.

No feature of the proposed Longworth bill has met with such strong opposition as this license provision and it is not too much to say that the consumers of coal-tar products of all kinds reject it unanimously on account of its danger. Many firms who had previously indorsed the proposed bill now openly and emphatically express their disapproval especially of this license scheme as shown further on.

As a perfectly obvious and logical corollary some ask that, if this license system is adopted for coal-tar compounds all products into the manufacture

of which they enter, shall likewise be made subject to license for import purposes.

This would, of course, equalize to some extent the disadvantage of the American manufacturer in the domestic market but in competitive foreign markets, this handicap will prove too much for him to overcome.

Protagonists of the licensing provision point but in mitigation that it is to be in force only for two years, in other words, that is only a temporary measure.

True enough, but this does not alter the fact that the principle underlying it is vicious and utterly un-American. Whether operative for two years or two decades the effect is the same. It establishes a dangerous precedent in the settlement of which the courts will no doubt have to interfere. Moreover, is there anybody so unsophisticated as to believe that once on the statute book, nothing will be left undone to keep it there?

This very bill is an example in point. In 1916 the interim specific duties on coal-tar colors and other products of coal-tar were satisfactory. Now the rates are not only to be made permanent but largely increased, with new restrictive provisions added.

FINISHED COAL-TAR PRODUCTS OTHER THAN DYESTUFFS.

The Longworth bill classifies also in group 3 subject to the duty of 7 cents per pound and 45 per cent ad valorem certain medicinal products, specifically provided for in the present law. Also certain coal-tar intermediates "if suitable for medicinal use," "all resin-like products prepared from phenol, etc.," and "synthetic tanning materials" besides making other changes of minor order.

The advisability of subjecting medicinal products and synthetic tanning materials to such an extraordinary high duty is left to the wisdom of Congress and the judgment of the people. It will be noted that even if the specific duty is entirely disregarded, the ad valorem rate carried in this paragraph on medicinal products is from two or three times as high and for synthetic tanning materials many times higher than the corresponding rates provided in the present law for similar products not of coal-tar origin.

Even more objectionable here is the phraseology. The designation of certain products for customs purposes merely by defining them as "suitable for medicinal use" or "synthetic tanning materials" or "photographic chemicals" may seem sufficient to the layman but to the man who must administer the law and the man who passes his goods through the customs house, they portend dispute.

The term "indigoids" of the law of 1916, which by universal consent is omitted in the Longworth act, is a case in point. The tendency in recent tariff legislations has been, therefore, for purely administrative reasons to eliminate from the text of the law, provisions which necessitate following up an article into trade before it is assessed for duty or where the rate of duty is contingent upon its use. Such legislation is particularly objectionable in the case of chemicals, because here the line of demarcation is difficult and sometimes impossible to establish. Also because frequently, chemicals of sufficient purity to be used for medicinals are used predominately for commercial or manufacturing purposes. If alternative duties are deemed advisable the line of division should be some simple physical or chemical test by which the customs examiner can be guided and about the result of which no argument is possible.

The term "resinlike products prepared from phenol, etc." is in this respect free from objection because based on observable physical properties which eventually can be identified further by chemical analysis. These products are all practically under patent protection here as well as abroad. This is true also of "synthetic tanning materials." It is highly problematical whether in the absence of the incentive for lower prices given by foreign competition and eliminated by the prohibitive duty the use of "synthetic tanning materials" will be taken up to any extent in the United States, because other tanning materials will of necessity be very much cheaper. The excessive duty in this instance, instead of promoting the manufacture of coal-tar products in the United States, will work in just the opposite direction.

GROUP II.—COAL-TAR INTERMEDIATES.

The preceding pages deal with what may be considered the most important changes proposed by the Longworth bill as far as dyestuffs and other finished coal-tar products are concerned. However, to grasp fully the influence of the proposed act on the industries of the United States some attention must be given to the rates proposed on so-called tar intermediates.

Table No. 3 as printed below furnishes the information required. It shows quantity and value of coal-tar intermediates imported into the United States during 1914, their value per pound, the rates of duty established by the tariff laws of 1909, 1913, and 1916, respectively, as compared with the rates of the Longworth bill. Also actual or computed ad valorem rates under these respective laws as compared with the rates proposed by the Longworth bill. The numerical data for this table are from the same official source as used in the preparation of Tables Nos. 1 and 2, without any omission.

TABLE III.—Showing quantity and value of coal-tar intermediates imported into the United States during 1914, value per pound, dutiable rates established by the acts of 1909, 1913, 1916, and by the Longworth bill, and also actual or computed ad valorem rates under these respective laws as compared with the rates proposed by the Longworth bill.

Name of product.	Imports, fiscal year 1914.			Rate of duty under			Rate of duty, actual or computed ad valorem, under—				
	Pounds.	Value.	Value per pound.	Act of 1909.	Act of 1913.	Amendments of 1916.	Proposed Longworth bill.	Act of 1909.	Act of 1913.	Amendments of 1916.	Proposed Longworth bill.
Nitro compounds:											
Nitro-benzene.....	1,097,911	\$59,835	\$0.055	Free.....	10 per cent.	2½ cents, 15 per cent.	6 cents, 40 per cent.	Free.....	10 per cent.	Per cent.	Per cent.
Dinitro-benzene.....	164,650	10,399	.067	do.....	do.....	do.....	do.....	do.....	do.....	60.4	148.9
Nitro-toluene.....	6,670	359	.054	do.....	do.....	do.....	do.....	do.....	do.....	52.4	129.5
o-Nitro-toluene.....	42,482	2,969	.069	do.....	do.....	do.....	do.....	do.....	do.....	61.3	151.0
Dinitro-toluene.....	547,701	36,660	.067	do.....	do.....	do.....	do.....	do.....	do.....	51.2	126.9
Trinitro-toluene.....	57,242	13,242	.231	20 per cent.	15 per cent.	5 cents, 30 per cent.	do.....	do.....	do.....	52.4	129.5
a-Nitro-naphthalene.....	2,247	165	.073	do.....	do.....	2½ cents, 15 per cent.	7 cents, 45 per cent.	20 per cent.	15 per cent.	51.6	65.9
m-Nitraniline.....	3,527	1,037	.296	do.....	do.....	do.....	6 cents, 40 per cent.	do.....	do.....	49.4	121.9
p-Nitraniline.....	506,931	67,638	.133	Free.....	10 per cent.	do.....	do.....	do.....	do.....	23.4	60.2
Methyl-nitraniline.....	500	135	.270	20 per cent.	15 per cent.	do.....	do.....	Free.....	10 per cent.	33.8	85.0
Nitro-toluidine.....	10,874	3,415	.314	do.....	do.....	do.....	do.....	20 per cent.	15 per cent.	21.5	62.2
m-Nitro-p-toluidine.....	10,513	4,200	.399	do.....	do.....	do.....	do.....	do.....	do.....	23.0	59.1
o-Nitro-p-toluidine.....	20,737	6,524	.314	do.....	do.....	do.....	do.....	do.....	do.....	21.3	55.0
p-Nitro-o-toluidine.....	30,642	9,723	.316	do.....	do.....	do.....	do.....	do.....	do.....	23.0	59.1
p-Nitro-phenol.....	4,780	774	.162	do.....	do.....	do.....	do.....	do.....	do.....	22.9	58.9
Carboxylic acids:											
Benzoic acid—											
Technical.....	278,896	51,701	.185	Free.....	do.....	2½ cents, 40 per cent.	do.....	Free.....	do.....	28.5	72.4
Medicinal.....											
Phthalic acid.....	63,574	15,397	.245	Free.....	Free.....	2½ cents, 15 per cent.	7 cents, 45 per cent.	Free.....	Free.....	25.2	64.4
Tetrachloro-phthalic acid.....	1,102	659	.598	20 per cent.	15 per cent.	do.....	6 cents, 40 per cent.	Free.....	15 per cent.	19.2	50.0
Ethyl-p-toluene-sulphonic ester.....	21	19	.905	do.....	do.....	do.....	do.....	20 per cent.	do.....	17.8	46.6
Primary amines and derivatives:											
Aniline oil.....	1,444,772	116,628	.081	Free.....	10 per cent.	do.....	do.....	Free.....	10 per cent.	45.8	114.0
Aniline salts.....	3,083,467	222,728	.072	do.....	do.....	do.....	do.....	do.....	do.....	49.8	123.2
Acetanilide.....	1,060	164	.154	20 per cent.	15 per cent.	do.....	6 cents, 40 per cent or 7 cents, 45 per cent.	20 per cent.	15 per cent.	31.2	79.0
p-A-mido-acetanilide.....	5,568	1,365	.245	do.....	do.....	do.....	6 cents, 40 per cent.	do.....	do.....	25.2	64.4
p-Sulphanilic acid.....	4,477	257	.057	do.....	do.....	do.....	do.....	do.....	do.....	58.8	145.2
Toluidine.....	108,835	14,161	.130	Free.....	10 per cent.	do.....	do.....	Free.....	10 per cent.	34.2	86.1
o-Toluidine.....	309,585	27,361	.088	do.....	do.....	do.....	do.....	do.....	do.....	43.4	108.1
m-Toluidine.....	174	25	.143	do.....	do.....	do.....	do.....	do.....	do.....	32.4	81.9

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Name of product.	Imports, fiscal year 1914.			Rate of duty under				Rate of duty, actual or computed ad valorem, under			
	Pounds.	Value.	Value per pound.	Act of 1909.	Act of 1913.	Amendments of 1916.	Proposed Longworth bill.	Act of 1909.	Act of 1913.	Amendments of 1916.	Proposed Longworth bill.
Primary amines and derivatives—Contd.											
p-Toluidine.....	21,686	\$4,764	\$.2181	Free	10 per cent.	2½ cents, 15 per cent.	6 cents, 40 per cent.	Free	10 per cent.	Per cent. 28.8	Per cent. 73.1
Nylidine.....	18,600	2,167	.116	do.	do.	do.	do.	do.	do.	36.4	91.7
p-Phenetidine.....	33,093	11,925	.360	20 per cent.	15 per cent.	do.	do.	20 per cent.	15 per cent.	22.0	56.6
Naphthylamine.....	25,573	2,705	.106	Free	10 per cent.	do.	do.	Free	10 per cent.	38.6	96.6
a-Naphthylamine.....	112,226	10,620	.095	do.	do.	do.	do.	do.	do.	41.3	103.1
Naphthylamine-sulphonic acid (constitution unknown)	500	161	.322	do.	do.	do.	do.	do.	do.	22.8	58.6
a-Naphthylamine-sulphonic acid (L acid; 1.5).....	2,832	497	.176	do.	do.	do.	do.	do.	do.	29.2	74.1
a-Naphthylamine-sulphonic acid (Cleve's acid; 1.6 or 1.7).....	5,493	711	.129	do.	do.	do.	do.	do.	do.	34.4	86.5
a-Naphthylamine-disulphonic acid (Freund; 1.3.6).....	5,246	604	.115	do.	do.	do.	do.	do.	do.	36.7	92.1
b-Naphthylamine.....	5,073	997	.196	do.	do.	do.	do.	do.	do.	27.7	70.6
b-Naphthylamine-a-sulphonic acid (a or Badische acid).....	23,265	7,579	.196	do.	do.	do.	do.	do.	do.	27.7	70.6
b-Naphthylamine-b-sulphonic acid (b or Bronner's acid).....	2,316	495	.213	do.	do.	do.	do.	do.	do.	26.7	68.1
b-Naphthylamine-disulphonic acid (a or R acid; amido-R-salt; 2.3.6).....	46,207	1,495	.097	do.	do.	do.	do.	do.	do.	40.8	101.8
b-Naphthylamine-disulphonic acid (a or G acid; amido-G-salt; 2.6.8).....	3,603	230	.064	do.	do.	do.	do.	do.	do.	44.0	137.3
Secondary amines and derivatives:											
Dimethyl-aniline.....	48,642	7,045	.145	do.	do.	do.	do.	do.	do.	32.2	81.4
Diphenylamine.....	55,556	9,042	.163	do.	do.	do.	do.	do.	do.	30.3	76.8
Ethyl-a-naphthylamine.....	1,102	332	.301	20 per cent.	15 per cent.	do.	do.	20 per cent.	15 per cent.	23.3	59.9
Ethyl-b-naphthylamine.....	375	190	.506	do.	do.	do.	do.	do.	do.	19.9	51.7
Phenyl-a-naphthylamine-8-sulphonic acid.....	9,139	2,860	.312	do.	do.	do.	do.	do.	do.	23.0	59.2
p-Tolyl-a-naphthylamine-8-sulphonic acid.....	1,097	568	.518	do.	do.	do.	do.	do.	do.	19.8	51.5

Diamines and derivatives:															
Phenylene-diamine.....	37,907	7,704	.203	do.	do.	do.	do.	do.	do.	do.	do.	do.	do.	27.3	69.5
p-Phenylene-Diamine.....	11,088	3,414	.308	do.	do.	do.	do.	do.	do.	do.	do.	do.	do.	23.1	59.4
m-Toluylene-diamine.....	133,355	25,582	.192	do.	do.	do.	do.	do.	do.	do.	do.	do.	do.	28.0	71.2
m-Toluylene-diamine sulphonie acid (1.2.4.6).....	2,277	835	.366	do.	do.	do.	do.	do.	do.	do.	do.	do.	do.	21.8	56.4
Benzidine.....	55,245	16,991	.307	Free.	10 per cent.	do.	do.	do.	do.	Free.	10 per cent.	do.	do.	23.2	59.5
Dianisidine.....	10,656	4,217	.399	do.	do.	do.	do.	do.	do.	do.	do.	do.	do.	21.3	55.0
Phenols and derivatives:															
Salicylic acid.....	18,821	4,425	.235	5 cents, 21.2 per cent.	2½ cents, 10.6 per cent.	do.	do.	6 cents, 40 per cent, or 7 cents 45 per cent.	5 cents, 11.2 per cent.	2½ cents, 10.6 per cent.	do.	do.	do.	25.6	65.5
Acetyl-salicylic acid.....	22,841	11,873	.520	25 per cent.	15 per cent.	5 cents, 30 per cent.	do.	7 cents, 45 per cent.	25 per cent.	15 per cent.	do.	do.	do.	39.6	51.5
Resorcin.....	61,624	18,175	.295	Free, 25 per cent.	5 or 15 per cent.	2½ cents, 15 per cent.	do.	6 cents, 40 per cent, or 7 cents, 45 per cent.	Free, 25 per cent.	5 or 15 per cent.	do.	do.	do.	23.4	60.3
Hydroquinone.....	66,596	25,140	.377	20 per cent.	15 per cent.	5 cents, 30 per cent.	do.	7 cents, 45 per cent.	20 per cent.	15 per cent.	do.	do.	do.	43.2	59.9
Pyrogallol.....	23,615	20,476	.867	12 cents.	do.	do.	do.	do.	13.8 per cent.	do.	do.	do.	do.	43.3	46.9
Gallic acid.....	61,635	20,429	.331	8 cents.	6 cents.	2½ cents, 15 per cent.	do.	6 cents, 40 per cent.	24.2 per cent.	18.1 per cent.	do.	do.	do.	22.6	58.1
Naphthols-a and b.....	70,469	4,193	.056	Free.	5 or 15 per cent.	do.	do.	6 cents, 40 per cent, or 7 cents, 45 per cent.	Free.	5 or 15 per cent.	do.	do.	do.	59.6	147.0
a-Naphthol.....	44,089	2,271	.051	do.	5 per cent.	do.	do.	6 cents, 40 per cent.	do.	5 per cent.	do.	do.	do.	64.2	157.5
a-Naphthol-5-sulphonic acid (1. or Cleve's acid; 1.5).....	25,126	5,026	.200	do.	10 per cent.	do.	do.	do.	do.	10 per cent.	do.	do.	do.	27.5	80.0
a-Naphthol-3.6.8-trisulphonic acid (1.3.6.8).....	6,443	1,344	.209	do.	do.	do.	do.	do.	do.	do.	do.	do.	do.	27.0	68.7
b-Naphthol.....	1,030,268	74,238	.072	do.	5 per cent.	do.	do.	7 cents, 45 per cent.	do.	5 per cent.	do.	do.	do.	49.7	123.3
b-Naphthol-monosulphonic acid (constitution unknown).....	32,852	5,998	.180	do.	10 per cent.	do.	do.	6 cents, 40 per cent.	do.	10 per cent.	do.	do.	do.	28.9	73.3
b-Naphthol-7-sulphonic acid (F salt; 2.7).....	1,996	382	.191	do.	do.	do.	do.	do.	do.	do.	do.	do.	do.	28.1	71.4
b-Naphthol-6.8-disulphonic acid (G acid; 2.6.8).....	11,624	1,404	.120	do.	do.	do.	do.	do.	do.	do.	do.	do.	do.	35.8	90.0
1.8-Dioxy-naphthalene-4-sulphonic acid.....	2,178	1,056	.483	20 per cent.	15 per cent.	do.	do.	do.	20 per cent.	15 per cent.	do.	do.	do.	20.2	52.4
b-Oxy-naphthoic acid.....	2,359	972	.412	do.	do.	do.	do.	do.	do.	do.	do.	do.	do.	54.5	54.5
b-Oxy-naphthoic anilide (naphthol A S).....	1,997	1,218	.603	20 per cent.	15 per cent.	2½ cents, 15 per cent.	do.	6 cents, 40 per cent.	20 per cent.	15 per cent.	do.	do.	do.	21.1	49.9
Amido-phenols and derivatives:															
Sodium picramate.....	5,207	1,485	.285	do.	do.	do.	do.	do.	do.	do.	do.	do.	do.	23.8	61.0
Oxy-nitraniline.....	200	32	.160	do.	do.	do.	do.	do.	do.	do.	do.	do.	do.	30.1	77.5
o-Amido-phenol.....	625	223	.357	do.	do.	do.	do.	do.	do.	do.	do.	do.	do.	22.0	56.8
p-Amido-phenol.....	10,631	1,684	.158	do.	do.	do.	do.	do.	do.	do.	do.	do.	do.	30.8	77.9
p-Amido-phenol-hydrochloride.....	652	189	.289	do.	do.	do.	do.	do.	do.	do.	do.	do.	do.	23.7	60.7
Diamido-phenol.....	441	391	.887	do.	do.	do.	do.	do.	do.	do.	do.	do.	do.	17.8	46.7
p-Amido-salicylic acid.....	9,188	2,996	.326	Free.	10 per cent.	do.	do.	do.	Free.	10 per cent.	do.	do.	do.	22.7	58.4
Methyl-p-amido-phenol sulphate.....	10,582	13,658	1.290	20 per cent.	15 per cent.	do.	do.	do.	20 per cent.	15 per cent.	do.	do.	do.	16.9	44.6
1.8-Amido-naphthol-3.6-disulphonic acid (H acid; 1.8.3.6).....	96,296	22,168	.232	Free.	10 per cent.	do.	do.	do.	Free.	10 per cent.	do.	do.	do.	25.8	65.8
2.5-Amido-naphthol-7-sulphonic acid.....	1,153	445	.386	do.	do.	do.	do.	do.	do.	do.	do.	do.	do.	21.5	55.5

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Name of product.	Imports, fiscal year 1914.			Rate of duty under—				Rate of duty, actual or computed ad valorem, under—			
	Pounds.	Value.	Value per pound.	Act of 1909.	Act of 1913.	Amendments of 1916.	Proposed Longworth bill.	Act of 1909.	Act of 1913.	Amendments of 1916.	Proposed Longworth bill.
Aldehydes and quinones:											
Benzaldehyde.....	12,950	\$2,757	\$0.213	Free	10 per cent.	2½ cents, 15 per cent.	6 cents, 40 per cent.	Free	10 per cent.	<i>Per cent.</i> 25.7	<i>Per cent.</i> 68.1
Oil of bitter almonds (benzaldehyde)	7,525	21,954	2.917	25 per cent.	20 per cent.	.....	7 cents, 45 per cent.	25 per cent.	20 per cent.	.....	42.0
Anthraquinone.....	25,193	4,676	.186	20 per cent.	15 per cent.	2½ cents, 15 per cent.	6 cents, 40 per cent.	20 per cent.	15 per cent.	28.4	72.2
Developers, reducers, and indicators:											
Fast blue developer A D (amido-diphenylamine).....	100	39	.390	...do.....	...do.....	5 cents, 30 per cent.	7 cents, 45 per cent.	...do.....	...do.....	42.8	55.4
Oxamine developer H.....	11,096	2,119	.191	...do.....	...do.....	...do.....	...do.....	...do.....	...do.....	56.2	71.4
Orange-developer R.....	701	376	.536	...do.....	...do.....	...do.....	...do.....	...do.....	...do.....	39.3	51.1
Developer Z (phenyl-methyl-pyrazolone).....	1,397	377	.269	...do.....	...do.....	...do.....	...do.....	...do.....	...do.....	48.6	62.3
Phenol-phthalein.....	14,076	14,090	1.000	...do.....	...do.....	...do.....	...do.....	...do.....	...do.....	35.0	46.0

While dyers and mills generally are most interested in the rates at which dyestuffs are made dutiable, the duty placed upon coal tar intermediates is for them by no means an object of unconcern. Quite a number of these so-called intermediates are used in mills on an extensive scale. If the dyer has to figure permanently with a duty of 6 cents per pound and 40 per cent ad valorem as established in the Longworth bill for aniline, paranitraniline, naphthols, and other coal-tar intermediates used by him, he will find that duties on the basis of imports for 1914 approach and often exceed 100 per cent ad valorem. For this reason his cost sheets will necessarily have to undergo very material changes.

Let it be remembered that the preceding table represents products usually considered intermediate raw materials. Following the recommendations outlined by Hamilton in his celebrated memorandum on Manufactures, the practically uniform tariff policy from the beginning of the United States has been to admit the importation of products of this character either free or at low rates in order that American manufacturers might be in a position to secure an abundant supply of prime materials.

This policy is now reversed. The duty proposed by the Longworth Act being 40 per cent ad valorem and 6 cents per pound results, on the basis of official imports for 1914, in a computed ad valorem varying between 42 per cent and 157.5 per cent. In reality, the item of oil of bitter almonds (benzaldehyde) to which the rate of 42 per cent applies should be left out from this calculation because, as the value per pound indicates, the natural oil is meant thereby which comes under the higher rate of duty as a flavor.

This is true also of some other compounds used either as medicinals or for photographic purposes.

Even disregarding this, the table shows that of the 86 products enumerated, no less than 16 would be subject under the Longworth Act to ad valorem of 100 per cent or more, and only 7 to a rate of 50 per cent ad valorem or less, but always in excess of 40 per cent.

The average ad valorem duty on these products under the law of 1916 is about 38.5 per cent, with imports for 1914 as a basis of value. Under the proposed act, the average ad valorem is somewhat in excess of 100 per cent. However, as shown by a comparison of the respective texts, the scope of group 2, intermediates, is largely extended in the Longworth bill. Many products now dutiable at only 15 per cent ad valorem will under the proposed act pay the duty of 6 cents per pound and 40 per cent ad valorem.

Therefore, the average ad valorem would be appreciably increased, though the extent of the increase can not be stated in exact figures for want of necessary data. The wide fluctuations in the computed ad valorem rates are due here to the same cause as in the rates on dyestuffs and other finished coal-tar products discussed at length above, namely, to the application of one single specific surtax to all of them without any distinction as to import value.

The reprehensible character and manifest injustice of such legislation has already been emphasized and requires no repetition. The proposed licensing feature in the Longworth bill applies equally to coal tar and all coal-tar products, and what was stated in regard to this in connection with dyestuffs is pertinent here to the same extent.

The stated purpose of the Longworth bill is to promote and encourage the manufacture of coal-tar products in the United States. The first step hereto, one would logically suppose, would be to insure an adequate supply of the raw materials required for making coal-tar colors at competitive prices.

The Longworth bill does nothing of the kind. Although dyestuffs and other finished coal-tar products are made dutiable at 7 cents per pound specific and 45 per cent ad valorem, the duty on intermediates as proposed is 6 cents per pound specific and 40 per cent ad valorem.

In other words, the differential between raw material and finished product is set at 1 cent per pound and 5 per cent ad valorem which, of course, is woefully insufficient. The law at present in force has a differential of 2½ cents per pound specific and 15 per cent ad valorem.

The New York section of the American Chemical Society in 1914, after deliberate consideration of the coal-tar chemical industry in the United States, made the following recommendations on the subject, which were subsequently adopted by the national body.

"The best information and judgment your committees can obtain is that the above manufactured products of coal tar not dyes, not colors, and not medicinals should carry one-half the duty of finished coal-tar dyes." The rate

proposed was 3.75 cents per pound and 15 per cent ad valorem. The rate proposed in the bill is practically more than twice that recommended by the American Chemical Society, which principally reflects manufacturing interests.

It may be contended that the manufacture of intermediate coal-tar products requires the same degree of protection as the manufacture of coal-tar colors. This may or may not be true; but it is obvious that if the same or practically the same rates are applied to both, the development of one of the groups must suffer in consequence.

The only other possible alternative is that the entire industry, beginning with crude coal-tar products and ending with the finished colors, will be concentrated in but very few hands, a danger by no means imaginary to anyone familiar with this phase of the subject.

GROUP 1.—COAL-TAR CRUDES.

Group 1 embraces coal tar and the prime raw materials derived therefrom used in the manufacture of coal-tar intermediates (group 2) and in the manufacture of coal-tar dyestuffs and other finished products (group 3). They are free of duty. The important changes proposed in the Longworth Act in this group are as follows:

1. Cresol.
2. Meta-cresol having a purity of less than 90 per cent.
3. Ortho-cresol having a purity of less than 90 per cent.
4. Para-cresol having a purity of less than 90 per cent.
5. The maximum temperature of 200° of coal-tar distillates was reduced to 190°. Corresponding changes were made in group 2.

From the customs point of view, these changes will have the effect of making most of if not all the crude cresol imported dutiable at 6 cents per pound and 40 per cent ad valorem.

Cresol is essentially a household article and is used extensively for disinfecting and other purposes. Although produced in this country to a large extent during the process of coal-tar distillation, large quantities were imported in addition from abroad to supply the domestic market. For the two and a half year period between September, 1916, and March 31, 1919, the official imports were 18,320,000 pounds, valued at \$1,461,900. Because of its importance as a household necessity it was always on the free list and was left on the free list in the act of 1916.

The Longworth bill proposes to eliminate the word "cresol" from group 1; and it is contended that in spite of this change, cresol will still remain on the free list under the blanket provision for all coal-tar distillates. The reason as stated for this change is that cresol may contain up to 12 per cent phenol and could be imported free of duty in large quantities solely for the purpose of removing the phenol, which is dutiable as a coal-tar intermediate, thus avoiding the payment of duty thereon.

In proposing to eliminate from the present law the provision for the free admission of the three cresols "having a purity of less than 90 per cent," it is stated as a reason that under these respective provisions cresol could be brought into the country containing up to 40 per cent of phenol and yet be admitted free of duty. Neither of these reasons is well founded.

From a manufacturing point of view it would be a losing venture to import cresol containing 12 per cent of phenol for the sole purpose of redistillation and recovery of its phenol content. On the other hand, any product declared in the customhouse as cresol and containing a percentage of phenol higher than is commercially usual would, without fail and irrespective of the declaration of the importer, be held dutiable by the customs authorities as phenol under the old and well-established principle of "component of chief value."

The contention that even under the proposed change crude cresol will be continued on the free list as "distillate giving below 190° C. a quantity of tar acids less than 5 per cent of the original distillate" is misleading. Crude cresol is composed of three cresols known (besides some other minor products); and the boiling point of ortho cresol, which constitutes a very large percentage of the crude, is variously stated to be between 187° to 191° C.

If subjected to distillation crude cresol, with a moderate percentage of ortho-cresol, even if the content of phenol should be very low, is likely to give at 190° C. more than 5 per cent of the original distillate. Whatever may be said to the contrary, the actual effect of the changes proposed by the Longworth bill as related to cresol will be to place this product, so largely used by the agri-

cultural population and in practically every household, on the dutiable list at the rate of 40 per cent ad valorem and 6 cents per pound.

The value per pound on the basis of importation between September, 1916, and March, 1919, was less than 8 cents. Therefore, taking even the import price during the war, the actual and computed ad valorem rate as proposed in the Longworth bill would be 115 per cent. The value per pound of cresol imported in 1914 according to official figures, was 4 cents, and on this basis the computed ad valorem rate proposed by the Longworth bill would be 190 per cent.

In this connection a few words will not be amiss relative to phenol and refined naphthalene, both of which are derived directly from coal tar by distillation. The manufacture of phenol from benzene by chemical processes during peace time is more than problematical. The Longworth bill does not change their status, but the change in rates as proposed by this bill will increase the duty far beyond prohibitive limits. The production of phenol for war purposes was on a huge scale, with very little imports. Between September, 1916, and March, 1919, the latter amounted to only 803,356 pounds, valued at \$105,349. Taking even the war price, with a unit value of 13.1 cents per pound, the Longworth rate amounts to about 85 per cent ad valorem.

The prewar import value per pound (1914) was 6.3 cents, and on this basis the Longworth rates foot up to 135 per cent ad valorem. The production of phenol in the United States, the greater part of which was consumed for war purposes, was, according to the report of the Tariff Commission in 1917, 64,146,499 pounds, and in 1918, 106,794,277 pounds, valued at 37 cents and 35 cents per pound, respectively.

In direct contradistinction to phenol, naphthalene found very little if any direct use for war purposes. It is one of the chief products of coal-tar distillation and an important raw material for the manufacture of coal-tar colors and intermediates. By the act of 1916 and also under the Longworth bill, naphthalene with a melting point of less than 79° C. is free of duty, while refined naphthalene—i. e., of a melting point of 79° C. or over—is dutiable under the rates provided for coal-tar intermediates (group 2).

Refined naphthalene is used most extensively if not exclusively for moth balls (camphor balls) and similar preparations, and with phenol (carbolic acid) and cresol (cresylic acid) constitutes the three products of coal tar practically in daily use in one form or another in every home in the United States.

During 1917 and 1918 the production of refined naphthalene in the United States was 35,392,911 and 28,112,165 pounds, respectively, with a corresponding unit value per pound of 7 and 8 cents.

On this basis the rate of duty in the Longworth bill is between 115 and 125.7 per cent ad valorem. Prior to the war the import value of naphthalene was about 2 cents per pound; in this case the rate of the Longworth bill would make this product dutiable at 340 per cent ad valorem.

To summarize: Based on prewar import values the rates established by the Longworth bill on cresol, phenol, and refined naphthalene—3 prime necessities of every home—are as follows:

Cresol, 190 per cent ad valorem.

Phenol, 135 per cent ad valorem.

Naphthalene, 340 per cent ad valorem.

The character of the proposed legislation can not be better exemplified than as above described.

MANUFACTURE OF DYESTUFFS IN THE UNITED STATES.

The great importance of coal-tar products in modern life and especially in this country with its highly developed textile, leather and other industries consuming coal-tar products is undeniable. Their manufacture in the United States is for this and other reasons highly desirable. Whether this can be accomplished by legislative fiat, however drastic, remains to be seen.

The industry of coal tar and coal-tar products, although essential in itself, is but a small part of the chemical industry proper. Its development is dependent upon the status of the latter. The prosperity of a dyestuff industry is very intimately interlocked with that of the chemical industry as a whole from which it must draw not only a large supply of raw materials besides coal tar, but suggestions as to methods and processes as well. As shown by the various census, the chemical industry in this country has been making steady and continuous progress in its many branches and had reached a stage where

the development of its coal-tar branch also gave promise of early fulfillment. The manufacture of aniline oil and aniline salts, industrially by far the most important coal tar intermediate, was begun in this country while yet on the free list, because of the outlet it gave for the use of surplus acids.

It was removed from the free list only in the tariff of 1913 and made dutiable at 10 per cent ad valorem. The rate now proposed is in excess of 100 per cent. On the whole, however, the fact is not to be denied that as in England and in France, the development of the manufacture of coal-tar products in the United States, including colors, was slow in comparison with other branches of the chemical industry for reasons which may be attributed, in part at least, to the severe and often devious "collective competition," if the term is permissible, of German manufacturers who up to the war practically dominated this branch of industry the world over.

But, nevertheless, progress was being made and in those prewar days manufacturers found little to quarrel with tariff rates then existing. What they asked for was protection against unfair competition and their point of view at the time is admirably expressed in the report prepared by Thomas H. Norton, of the Department of Commerce (Dyestuffs for American Textile and Other Industries, Department of Commerce, Special Agent, Series No. 96, Washington, 1915), in answer to a resolution of the United States Senate of January 26, 1915, calling upon the Secretary of Commerce for information concerning the dyestuff situation as brought about by the war. It says on this subject on page 10:

"If a commercial demand is present, American tar works can quickly provide all of the crudes needed practically as cheaply as in Europe. In the manufacture of intermediates, the production is restricted to four or five compounds and these cover about one-quarter of the needs of American color works."

"American chemical works and American manufacturers of dyestuffs are ready to embark capital and experience in building up a distinctly American coal-tar chemical industry, using entirely American crudes and intermediates, provided there is adequate legislative prohibition against both "dumping" and unfair restraint of American trade by the arbitrary action of foreign monopoly permitted by foreign law and not as yet forbidden by our own."

"There seems to be a consensus of opinion that any rapid development and evolution of the dyestuff branch on a scale commensurate with the Nation's needs, present and prospective, can be assured only on the basis of an effective law preventing that action toward control of our markets by a foreign monopoly which is now prohibited to a domestic monopoly. Some of the largest manufacturers have personally informed the department that what is needed is not a tariff change, but laws placing a foreign monopoly on the same basis as an American one."

During 1915 and 1916 the Germans in an entirely unwarranted attempt to demonstrate their economic power in this respect, purposely withheld shipment of dyestuffs from the American market and by so doing created a critical situation for the industries in need of colors.

The American public justly resented this and Congress, to give the domestic manufacturer additional inducements for engaging in the production of coal-tar products, superimposed on the existing tariff rates covering the same certain specific duties with provision for their gradual extinction within a comparatively short time.

RATES OF 1916 SATISFACTORY.

As shown in the debates on the law of 1916, American manufacturers of these products expressed their entire satisfaction with the interim legislation. Upon the entry of the United States into the war, imports from Germany were made impossible, and this gave a tremendous stimulus to the development of the manufacture of coal-tar products in this country. Vast interests were created and now that peace approaches and also the time specified by law for the gradual reduction of the emergency duties, everything possible is being done by these interests not only to retain the impregnable position given them by the law of 1916, but to fortify themselves to even greater extent in order to absolutely dictate terms and conditions to the American consumer of coal-tar products.

In days past American manufacturers asked for competitive tariff rates, but now the producers of coal-tar products insist openly upon absolute prohibition of imports from abroad regardless of country of origin.

The Longworth bill avowedly meets their demand with its absurdly high rates, its specious license feature, and its unworkable standard provision.

Its advocates harp continuously upon the German competition which must be eliminated, but the proposed bill is general in character and application and therefore will exclude equally well imports from other countries, including those of our late allies. No Chinese wall, however high, could be as effective in this regard as is the Longworth bill.

"LABOR AND RESEARCH" VALUE IN COAL-TAR COLORS.

With rates around 100 per cent ad valorem as proposed in this bill, any attempt to calculate what would constitute a competitive tariff duty based upon the difference of cost of production here and abroad must remain futile. But since the difference in labor cost has invariably been referred to as a basis for tariff legislation, the following statement is not without interest. It is by Dr. B. C. Hesse, than whom there is no better authority in the United States on the technique of the manufacture of coal-tar products and the economics of the chemical industry generally. He says:

"Labor participates to a small extent only in the final cost of finished dyes; it probably never exceeds 15 per cent and is as a rule more nearly 10 per cent."

In other words, the labor cost in making coal-tar dyestuffs is approximately the same as the labor cost in the chemical industry generally, which again is lower than the average labor cost in all other industries. The statement was made in 1914, but is no less true to-day, because of the undeniable fact that commodity values since the beginning of the war have increased in a higher ratio than the cost of labor.

Much has been made of the fact that the manufacture of coal-tar products requires maintenance of expense research work. But this applies to any industry conducted rationally and on a scientific basis. The Tariff Commission reports that in 1917 about \$2,500,000 was spent for this purpose in factories producing coal-tar products to the value of \$190,000,000. In 1918 the same authority gives \$4,500,000 spent for the same purpose, while the value of products made was \$229,000,000. Figured in percentage, the cost of research work was in 1917 1.3 per cent, in 1918 1.9 per cent of the value of products made.

COMPETITIVE ABILITY OF THE AMERICAN MANUFACTURER.

Again, the partisans of the Longworth bill maintain that its high rates and other prohibitive features are necessary to protect those who in good faith and in time of need have invested their capital in this industry and are now threatened with financial ruin lest the bill is made into law.

Pertinent in this connection is what Representative Moore has to say on this subject in his report of the bill printed above. Of interest also is the following occurrence at a meeting of the Boston section of the American Chemical Society, which took place in 1915 and is detailed by the Tariff Commission in its annual report.

Mr. Livermore, chief chemist of the American Woolen Co., said:

"Orange 11 has been offered me by a large number of makers, but owing to the limited demand for orange fabrics, it is of little help to us compared to blue or black dyes. It seems surprising and unfortunate that so much effort has been turned to this dye. Can anyone give the explanation of this?"

Mr. Hebdon, general manager of the Federal Dyestuff & Chemical Co.:

"The dye makers are seeking the line of least resistance. Orange 11 is the easiest dye on the list to make. I may say that any boy can make it."

Mr. Claflin, president of the Avery Chemical Co.:

"I am one of the boys who is making orange 11, and I may add that any boy can sell it at a profit of 100 per cent."

Col. John P. Wood, for years associated intimately with the woolen and worsted industry, whom no man will accuse of not being an ardent protectionist, in speaking of the Longworth bill through the New York Commercial of August 26, 1919, says in relation to this point:

"Is the American industry weaker now than formerly? Again let me quote from this prospectus, at the top of page 4: 'The manufacture of coal-tar dyes is firmly established in the United States.' It certainly was not firmly established in former years when tariff rates were advocated as adequate to establish it.

"And Mr. Poucher, formerly a representative of the wicked Germans, but now with the virtuous Du Ponts, in November last answered the question 'Can we compete with Germany?' with the statement, 'If we did not believe we could hold our own we would not have started.'

"America to-day is in the most advantageous position of any country in the world in its supply of crude materials for coal-tar dyes, which is probably the greatest, the best, and the cheapest. There is confident expectation that Germany will have to rely on the United States for large quantities of these raw materials.

"Are the American companies less financially strong now than formerly? Again let me call them to witness. The prospectus say that last year \$8,000,000 would be available from profits for depreciation and amortization of plant cost of \$18,000,000. And a further proportionate reduction should be possible this year, if comparison is made between the decline in the cost of raw materials and decline in price or finished dyes.

"It will readily be conceded that these companies are entitled to charge prices that will permit of a rapid amortization of excessive plant costs due to war conditions of construction. But profits that will permit of writing down a \$18,000,000 plant account to \$2,000,000 in a couple of years, and still leave a handsome net return, have certainly not weakened the position of the American companies compared with their state when the tariff was considered a sufficient means of protection, if the rates formerly asked were allowed.

"Is Germany in a stronger position to compete now than before the war?

"Hardly; for a great American dye company has lately said in one of its circulars:

"The Germans will enjoy no supply of raw materials or intermediates which the * * * Co. does not now possess. With the depreciated currency and the labor unrest in Germany, it is not to be expected that the labor costs of the German manufacturers in the future will be as in the past.'

"Since the licensing discussion has taken on large proportions in the last few weeks, we are told that these are merely statements in a prospectus for the sale of stock. Well, I have more respect for the honesty of that company than its friends who make such statements, for I am not willing to believe that it would encourage subscription to its stock by misrepresentation of fact."

The preceding quotations do not describe exceptional conditions only. They are characteristic of this branch of industry as a whole, and the prosperity enjoyed by it during the war was more than sufficient to amortize if not in all then surely in many cases all and in others the greatest part of the capital invested. To this extent future manufacturing costs should be reduced. Add to this the advantage of having accessible for use all the German patents covering this industry at practically nominal rates, which is another important factor working for low costs, and the danger of being extinguished by foreign competition vanishes into thin air and with it goes the even faintest necessity for the erection of the high tariff wall intended by the Longworth bill.

The fact is that the manufacture of coal-tar products in the United States is not an "infant industry" except in years. On the contrary, judged by the degree of visible concentration and the invisible interlocking ramifications it has reached, it might be called hoary with age. The Longworth bill if enacted will stabilize this situation and strengthen it to the extent of becoming a near monopoly as far as the American market is concerned. But what about the effect this will have on the great industries which require these products in their own manufactures? What about their ability to compete in the markets of the world?

INEFFICIENCY BRED BEHIND A PROHIBITIVE TARIFF WALL.

From a very thoughtful paper by L. W. Alwyn Schmidt on the competitive ability of the American Dyestuff Industry in Foreign Markets (Color Trade Journal, August, 1919), the following passage is quoted as pertinent:

"Therefore the chemical industry has a vital interest in keeping our dyestuff industry competitive, not only in our own market but also abroad. It does not take much to make an industry competitive in its own market. A high tariff protecting it against the foreign producer is all that is required. But inside these high tariff walls industrial incompetence grows easily and the impression of great ability may be produced where it does not exist in truth. So success in our own market should not be the barometer of our in-

dustrial strength. If we desire to measure the grade of our competence we must do it in a third market, and it is here where the real struggle takes place."

And again:

"So our chemical industry has made good profits. It has been said in fact that many chemical producers who entered the field early during the war have been able to make enough money to write off practically the entire cost of their equipment. This may overstate the situation, but there is no doubt that machine for machine the European industry may find its equipment to-day more costly than the American. The American dyestuff industry will no doubt be in a similar position. With their factories being practically paid for, our dye makers should very well be able to meet any foreign competition not only in our own markets but also abroad. We have, therefore, the technical ability to compete and there appears little cause for worry from this side, although technical capacity will not be sufficient unless it is also accompanied by inventive ability."

Special attention is called to that part of the first statement which refers to the industrial incompetence and the fictitious impression of ability which finds shelter behind a high tariff wall. It is not a conjectural hint only. No one wishes to minimize the great advance made by the coal-tar products industry in the United States within the last few years, but unless it is forced to keep alert and maintain its own against potential foreign competition regulated on the basis of legitimate differences in cost of production the structure can not last beyond the time when sober views uninfluenced by war animosities will assert themselves in spite of interested agitation and the high tariff will be scaled down.

CONCLUSION.

In summarizing the situation with reference to coal-tar dyestuffs and other products, as it will eventually be brought about should the Longworth bill be enacted, reference is made to the Chemical Foundation (Inc.), which under the alien-property act has acquired control of some 4,500 patents relating to this industry and is thus legally in position to prevent the importation into and certainly to prevent the use in the United States of any product manufactured under these patents except on conditions imposed by it. The statistical material, explanatory notes and illustrative comments justify the following conclusions:

1. Practically prohibitive duties are placed on both coal-tar dyestuffs and coal-tar intermediates with an utterly inadequate differential between the two to permit the independent manufacturer getting his supplies of raw materials at a figure at all comparable to and competitive with their cost to the manufacturer within the combination.

The prime necessity for the development of the industry of coal-tar products as an organic unit and on a competitive basis is thus wanting and what development there will be under the Longworth bill will be by a very few interlocking factories who may use their aggregate power benevolently or not but, in any case, will be potentially in a position to do either.

2. Such few products, the duty on which would be sufficiently prohibitive to bar importation entirely may be excluded from entry by the fiat of the dye-licensing commission established under the proposed Longworth bill, whose powers in this and other directions are as unlimited as they are arbitrary.

3. Even obtaining a license from the dye-licensing commission to import a certain color or a certain product would not yet clear the way for its actual importation. To do this the unequivocal consent of the Chemical Foundation (Inc.) will also be necessary in every case involving a product covered by patents owned by the latter.

As the lawful owners of the patents, the Chemical Foundation (Inc.) is in position to either absolutely refuse its consent in the case of products controlled by it although license to import may have been granted by the licensing commission, or else may impose conditions for the use of such product or products which will be equivalent to a denial of consent.

4. In practice, therefore, the American textile manufacturer or any other consumer of coal-tar colors or chemicals will have to go before two licensing commissions for products covered by patents controlled by the Chemical Foundation (Inc.), first for license to import from the governmentally controlled dye-licensing commission, and second, for license to use from the

Chemical Foundation (Inc.), who, as stated by their attorney, will first pass upon the genuineness of applicant's patriotism before giving their decision.

Incidentally, it is recalled that one of the largest producers of coal-tar products and also one of the mainstays of the Chemical Foundation (Inc.), according to press statements which have met with no denial, is under agreement with the principal subsidiary of the British Dyestuffs Corporation to pay annually for 10 years the sum of \$125,000 for the purpose of keeping certain products out of the American market. This presumably to prevent the American consumer whose patriotism does not measure up to the mark set by the Chemical Foundation (Inc.) from succumbing to temptation.

5. The judgment of the American manufacturer as to quantity, quality, and character of important supplies required by him will prevail only subject to the approval of an agency foreign to his business and not familiar with its needs.

6. The inevitable result will be a serious shortage of dyestuffs and other coal-tar products with a consequent material increase in price which perforce will be reflected in the manufacturing cost of all industries using these products as necessary auxiliaries. This means higher prices of textiles, leather, paper, printing inks, paints and varnishes, etc., in the domestic market and a severe if not insurmountable handicap in other markets of the world.

PUBLIC OPINION ON THE LONGWORTH BILL.

Herewith will be found a few of the protests made and opinions expressed against the Longworth bill, and especially its licensing feature. They come from representative public men, manufacturing or trade organizations eminently competent to judge fairly the effects of this bill on the business of the country and because of this they deserve careful attention.

Most of these statements will be found in the hearings by the Committee on Ways and Means held on the Longworth bill between June 18 and July 18, 1919. Otherwise, the source is given with the document.

PROTEST OF TEXTILE MANUFACTURERS AND TEXTILE DYERS.

JULY 11, 1919.

Mr. MOORE:

To the Chairman and Members of the Committee on Ways and Means, House of Representatives, Washington, D. C.

The undersigned textile manufacturers and textile dyers desire to protest against any legislation having for its purpose the requirement of licenses for the import of dyestuffs. We earnestly desire the development of a complete and independent domestic manufacturing industry, but we believe it can be more certainly and securely attained by a system of protective import duties, antidumping legislation, and the enforcement of the Federal Trade Commission of laws against unfair competition than by any system of restrictive licensing.

License requirements we believe will seriously interfere with the operation of domestic industries which require colors not yet produced in the United States and which will probably not be produced in commercial quantities for some time to come.

A protective tariff will encourage the development of the domestic manufacture of these needed dyes but will not prevent nor hamper their importation during the period through which we must wait for the realization of an adequate domestic supply.

PEQUEA MILLS Co.

T. W. ANDREWS, *Treasurer*.

Aberfoyle Manufacturing Co., William Gailey, jr., secretary; Joseph M. Adams Co., T. Rawlins Adams; American Dye Works (Inc.), J. Raymond Murphy; American Pile Fabric Co., Joseph H. Simmer, secretary; Andrews Mill Co., J. V. D.; Aramingo Print Works, William Ayres & Sons, G. A. Ayres; Ashdale Bleachery, Thomas E. Ashdale; Atlas Dye Works, Charles A. Miller, president; A. T. Baker & Co., A. T. Baker, jr.; H. C. Ball & Co., Joseph M. Balcy; Barger, Bains & Munn (Inc.), Edward Bains, president; Berkshire Knitting Mills, A. Ulshofer; George W. Bowlman & Co., Brehm & Stehle, William C. Brehm; Brown, Hill & Kremer, S. L. Kremer; Burnhill Manufacturing Co., James D. Simpson, superintendent; Byrne & Hance, Cale-

donia Woolen Mills, James Stuart, president; Cambrai Silk Hosiery Co., Hubert Stern, secretary and treasurer; John R. Clarke, treasurer, William Clark & Sons; Charles B. Cochrane & Co.; Collins & Alkman Co.; Columbia Silk Dyeing Co.; Crown Dyeing & Finishing Co.; Thomas Dawson & Co.; Dearnley Bros. Worsted Spinning Co., Charles E. Dearnley, president; Delaine Mills (Inc.), H. H. Bosworth, president; John & James Dobson (Inc.); East Lake Manufacturing Co.; The Eddystone Manufacturing Co.; George C. de Launoy, P. A.; A. Eichler & Co.; Rudolph B. Dutt, jr.; Electric Dye Works, Elton Textile Mills, G. W. Saylor, general manager; the Erben-Harding Co., Walter Erben, president; F. & M. Hat Co., Fidelity Finishing Works (Inc.), H. St. Clair Wagner, treasurer; Folwell Bros. & Co. (Inc.), M. T. Folwell, president; Franklin Process Co., French Dyeing and Finishing Co., A. M. T., H. & R. Ford Mfg. Co., William Ford, president; Giles Mfg. Co., W. T. Giles, president; R. & A. J. Gilmore (Inc.), Glensdale Woolen Mills, Charles Roberts, treasurer; Globe Dye Works, Horace T. Greenwood, treasurer; S. H. Green & Sons Corp., Horace T. Greenwood, treasurer; Hellwig Silk Dyeing Co., Jacob Knup, president; John Hendel's Sons, Paul B. Hendel & Co. (Inc.), Wm. Henderson & Co., George B. Hetzel Co., George C. Hetzel, president; Richard Hey & Son (Inc.), Holliday & Zahn, John P. Holt (Inc.), W. J. Holt, president; Halgon Dyeing Co. (Inc.), James Holton, jr., vice president; William J. Hussong, Harwick & Mugee Co., A. Campbell, vice president; Industrial Hosiery Mills, George H. Leininger; Kelley & Lampe, the Kent Mfg. Co., Henry A. Kent, president; Nelson Kershaw, Mfr. of Turkish Towels, Lewis Kramer & Co., Robert Krook, W. S. Hoover, Wm. J. Leininger Knitting Co., Liberty Dye Works (Inc.), G. J. Littlewood & Son (Ltd.), L. B. Luthen Dye Works, Henry Weigand, jr.; Malcolm Mills Co., E. J. Gross; Manayunk Yarn Mfg. Co., John H. Blye, treasurer; the E. Richard Meinig Co., E. Richard Meinig, president; Merritt Finishing Co., John B. Lyon, Michpaul Mfg. Co., M. Lauphelter, president; Jacob Miller Sons Co., E. Henley (partner); Mohr Bros. Co., Moss Rose Mfg. Co., Sol Sellg; the Nolde & Horst Co., Norristown Woolen Co., Jos. A. Coleman, president; Oakbrook Hosiery Mill, Parkhill Mfg. Co., R. B. Lowe, president; Fred Pearson & Co., Frank M. Kaufman, secretary; Peerless Silk Dyeing Co., Harry E. Brewin, president; Phila. Dyeing & Finishing Co., William J. Gibbons, jr., president; Phila. Felt Co., F. L. Putney, secretary and manager; Platt Bros., Horace H. Platt; Pollock Huston Co., R. P. Pollock; Prospect Dye Works, Rambo & Regar (Inc.), Jos. S. Rambo, president; Reading Dyeing Co., Max Thos, president; Redcay Hat Co., Rockland Hosiery Mills, Harry Sarfert; Roxborough Mills Co., the S. & M. Dye Works (Inc.), Lindsey H. Mason, treasurer; Saugquoit Silk Mfg. Co., H. W. Inkkeep, superintendent; Saxonia Dress Goods Mills, J. F. Gable; Shelbourne Mills, Frank A. Pfaelzer, president; Shillington Dye Works, M. H. Fritz; William Spink, the Simmons & Struve Hosiery Co., Walter Struve, secretary; the Stead & Miller Co., William D. Schramm, secretary; M. T. Stevens & Sons Co., J. Sullivan & Sons Mfg. Co., Julius R. Bux, general manager and vice president; Lewis E. Taubel, Felix A. Tomalino & Co. (Inc.), F. Tomalino, president; Universal Dye Works, Joe Schmitz; Louis Walther Mfg. Co., H. E. Walther; Geo. W. Watt Woolen Co., Geo. W. Watt, president; Thos. Weinmann & Sons (Inc.), Thos. Weinmann, treasurer; Whitehall Textile Co., Thos. W. Holden, treasurer; Woodstock Woolen Co., W. R. Taylor, treasurer; Yorkshire Worsted Mills, Zenith Mills.

This protest was presented by the Hon. J. Hampton Moore, ranking member of the Ways and Means Committee, with the following comment:

"An examination of the signers of this petition when compared to that submitted by Mr. Choate, will develop the fact that very many of those gentlemen that signed the Choate petition have changed their views about the licensing system or are now in a position to oppose it by reason of further information they have gained on the subject."

PROTEST OF THE AMERICAN ASSOCIATION OF WOOLEN AND WORSTED MANUFACTURERS.

[New York Commercial, Aug. 26, 1910.]

"It is resolved that the board of directors of the American Association of Woolen and Worsted Manufacturers record its appreciation of the energy and enterprise of the American dye manufacturers during the war.

"The board desires that the present development of the domestic dye-making industry shall be fully sustained, and that it shall continue to expand

until all American color needs in qualities and quantities can be fully supplied by home production. To this end, the board favors the enactment of liberal protective tariff rates upon imported dyes; but it emphatically objects to the imposition upon the woolen and worsted industry of a licensing system governing the import of foreign dyes. There are numerous kinds of dyes essential to American textile manufacturers that are not yet produced in the United States. Until these are made here in sufficient quantities to supply domestic needs, they must be imported. A system of restrictive licensing would cause such uncertainties, delays, and complications as to seriously and needlessly embarrass the industry.

"The association believes the domestic dye-making industry will be assured complete protection, much more ample than heretofore accorded any other industry against foreign competition by:

"1. The tariff rates proposed in the Longworth bill pending before Congress.

"2. The complete control over the prices of German dyestuffs which has been given by the terms of the peace treaty to a reparation commission.

"3. The control over the price of imported dyes, which the Chemical Foundation can exercise through its ownership of 4,500 American patents acquired from the Allen Property Custodian.

"4. The antidumping legislation, it is understood, Congress will enact at its present session.

"5. The authority and large powers now possessed by the Federal Trade Commission to prevent unfair competition.

"Therefore, because of the complete protection that will be assured the domestic dye industry without a licensing system, and because of the injury that a licensing system would cause to the woolen and worsted industry, the board of directors of the American Association of Woolen and Worsted Manufacturers objects to the enactment of the licensing provisions in House bill No. 8078, and requests the honorable members of the House of Representatives and Senate of the United States to eliminate from that bill the section or sections pertaining to licensing.

"Whereas the board of directors of the American Association of Woolen and Worsted Manufacturers has by resolution recorded its opposition to a licensing system:

"It is resolved that the president be and he hereby is authorized to appoint a committee of three, whose duty it shall be to represent the interests of the association in connection with the question of licensing as applied to the importation of dyestuffs into this country."

PROTEST FROM THE NATIONAL ASSOCIATION OF HOSIERY AND UNDERWEAR MANUFACTURERS.

[Oil, Paint, and Drug Reporter of Aug. 11, 1919.]

Several hundred manufacturers of knit goods from all parts of the country have sent formal protest to the National Association of Hosiery and Underwear Manufacturers here against the Longworth bill, which provides for a commission to act on the manufacturers' applications to import dyes from Germany.

Officials of the Hosiery and Manufacturers' Association say the proposed legislation virtually will allow the formation of an American dye monopoly. Now, it is contended, England and France are buying German dyestuffs of a quality and at a price which prohibit American competition in South America. The association is anxious that its protest shall not be taken as a move against the American dye manufacturers.

PHILADELPHIA, August 8, 1919.

The National Association of Hosiery and Underwear Manufacturers, whose headquarters are at 612 Chestnut Street, Philadelphia, has adopted a petition opposing the creation of a commission to license imported dyestuffs and to prohibit unlicensed imported dyestuffs from the country for five years. The resolutions declare against the commission as in favor of a high protective tariff as the only safe method of protecting the American dye industry. The names of many members are attached to a petition recently presented to the House Ways and Means Committee favoring the commission, but it is now charged that the signatures were secured under false pretenses.

Recently, Joseph H. Choate, jr., counsel for the Chemical Foundation, addressed a meeting of those interested. He presented a petition favoring an

independent, self-sustaining American dye-manufacturing industry, pointing out that this was possible only by keeping German products off the market temporarily and that no tariff would be proof against the enormous and unscrupulous methods of the German manufacturers.

There were protests against assumption of inadequacy of a tariff, but Mr. Choate promised to change the wording of the petition to meet the objection. Many of the members now say that it was upon the strength of the promise to make the satisfactory change that they signed the petition and since the required change has not been made, now repudiate the petition as presented at Washington.

FROM THE AMERICAN DYESTUFFS AND CHEMICAL IMPORTERS' ASSOCIATION.

JULY 30, 1910.

HON. JOSEPH W. FORDNEY,

*Chairman Ways and Means Committee,
Washington, D. C.*

DEAR SIR: Referring to the question of rates in dyestuffs as per your letter of recent date, I trust you will have understood that the work which I had in hand until last Saturday had to be all gone over following the rates provided for in the amended Longworth Act received on Monday morning last. This change necessitated complete revision of all calculations made prior thereto, the latter having been based, of course, upon the 50 per cent ad valorem, and 10 cents per pound in colors; and 35 per cent ad valorem and 6 cents per pound on crudes and intermediates.

ILLUSTRATION OF 45 PER CENT AND 7 CENTS ON COLORS AS PER NEW DRAFT OF LONGWORTH BILL.

I see no reason to change my views previously expressed to your committee because of this slight reduction. I cite a few colors which would be undoubtedly in demand if they were obtainable, and give the approximate rates of duties payable under present conditions, also those that would be payable under the amendment, viz, 45 per cent and 7 cents per pound. Of course, these calculations, you understand, are based upon prewar values, as the Department of Commerce reports are the only official documents upon which such calculations can be made at this time:

Cachou de Laval (p. 15 of my tables): Imports, 1914, 56,991 pounds; value, 1914, \$3,340; value, per pound, 6.6 cents; duty, at 30 per cent and 5 cents per pound, 105.8 per cent; duty, at 45 per cent and 7 cents per pound, 151 per cent.

Blacks, unclassified (p. 15 of my tables): Imports, 1914, 138,805 pounds; value, \$14,781; value, per pound, 10.6 cents; duty, at 30 per cent and 5 cents, over 77 per cent; duty, at 45 per cent and 7 cents 111 per cent.

Synthetic indigo: Imports, 1914, 8,507,359 pounds; value, \$1,090,773; value, per pound, 12.80 cents; duty at 30 per cent and 5 cents 69 per cent; duty, at 45 per cent and 7 cents, approximately 100 per cent.

Aliz black S: Imports, 1914, 198,491 pounds; value, \$19,902; value, per pound, 10 cents; duty, at 30 per cent and 5 cents, 80 per cent; duty at 45 per cent and 7 cents, 115 per cent.

Aliz black SR and WR: Imports, 1914, 136,461 pounds; value, \$9,936; value, per pound, 7.20 cents; duty, at 30 per cent and 5 cents, 99.5 per cent; duty, at 45 per cent and 7 cents, over 142 per cent.

Alizarine: Imports, 1914, 202,392 pounds; value, \$20,465; value, per pound, 10.1 cents; duty, at 30 per cent and 5 cents, 79.5 per cent; duty, at 45 per cent and 7 cents, 114.3 per cent.

Anthracite blue WB: 107,778 pounds; value, \$13,622; value, per pound 12.6 cents; duty, at 30 per cent and 5 cents, 69.7 per cent; duty, at 45 per cent and 7 cents, 105.5 per cent.

Alizarine blue: Imports, 1914, 302,319 pounds; value, \$69,712; value, per pound, 23 cents; duty, at 30 per cent and 5 cents, 51.7 per cent; duty, at 45 per cent and 7 cents, 75.4 per cent.

Hydron blue: Imports, 1914, 292,729 pounds; value, \$33,555; value, per pound, 11.5 cents; duty, at 30 per cent and 5 cents, 73.5 per cent; duty, at 45 per cent and 7 cents, 105.9 per cent.

As a further illustration of what the proposed new rates would mean, the following is apparent:

On intermediates the proposed rates of duty payable would be about as follows:

At 8 cents per pound f. o. b. Europe the duty would be 115 per cent.

At 10 cents per pound f. o. b. Europe the duty would be 100 per cent.

At 20 cents per pound f. o. b. Europe the duty would be 70 per cent.

At 30 cents per pound f. o. b. Europe the duty would be 60 per cent.

At 40 cents per pound f. o. b. Europe the duty would be 55 per cent.

At 50 cents per pound f. o. b. Europe the duty would be 52 per cent.

At 60 cents per pound f. o. b. Europe the duty would be 50 per cent.

On colors taking 10 cents per pound as the lowest value, would mean a duty of:

At 10 cents per pound f. o. b. Europe the duty would be 115 per cent.

At 20 cents per pound f. o. b. Europe the duty would be 80 per cent.

At 30 cents per pound f. o. b. Europe the duty would be 68.3 per cent.

At 40 cents per pound f. o. b. Europe the duty would be 62.5 per cent.

At 50 cents per pound f. o. b. Europe the duty would be 59 per cent.

At 60 cents per pound f. o. b. Europe the duty would be 56.6 per cent.

At 70 cents per pound f. o. b. Europe the duty would be 55 per cent.

At 80 cents per pound f. o. b. Europe the duty would be 53.7 per cent.

At 90 cents per pound f. o. b. Europe the duty would be 52.7 per cent.

At 100 cents per pound f. o. b. Europe the duty would be 52 per cent.

This would mean absolute prohibition of imports of the foreign colors excepting for such colors as can not be made in this country, and it would also mean a burden for the textile manufacturer, which, as compared with the cost of manufacturers abroad, would be a very serious handicap for our textile manufacturer in foreign markets.

That some of the foreign-manufactured colors will certainly be required is proven by a recent report of Dr. Foster, director of the Technical Committee of the British Dyes (Ltd.), in which he states:

"I estimate that it will take Great Britain 10 or 15 years of unremitting labor, extraordinary patience, and what a few years ago would have been called prodigal expenditure before she can hope to reach a position at all approaching that of the continental manufacturers before the war in this industry."

Except for such colors as were patented by the German manufacturers in this country, which patents are now controlled by the Chemical Foundation (Inc.), there are no colors that can not be obtained in France, England, or Switzerland, or very few at any rate.

STANDARDIZATION.

The standardization of colors as provided for in the Longworth Act is, in my judgment, impossible of accomplishment. There are many reasons why this could not be satisfactorily accomplished, but it is only necessary to mention a few. In the first place, many of the colors for which import licenses may be asked are made by many foreign manufacturers, and perhaps no two of them upon exactly the same process. Again, there are differences in strength, and there always have been differences in strength. Again, many of these so-called standards are shaded to type, and many of them are compounds of two, three, four, and sometimes five or six colors.

As I have stated before, if it were possible to standardize foreign values, rather than to standardize foreign products, something might be accomplished. Personally I have no fear that Germany will be able to place dyestuffs on our market at low costs, at least for some time to come. In the second place, I do not believe, although I have no figures upon which to base my belief, that they have an extraordinary quantity of goods to offer. Neither do I believe that they have supplies of raw materials and intermediates below the costs of other European manufacturers or as low.

The idea recently suggested by Mr. McKerrow and previously suggested by this association is to my mind not a bad one, could it be provided for. In other words, if we could do away with the provision covering consular invoice valuations in so far as the law provides that they shall be the wholesale market value in the country of origin, and substitute therefor a provision of some kind providing that no valuation of German products shall be lower than the market values in France, England, and Switzerland, I think we would accomplish something.

The licensing system seems to me absolutely unnecessary and calculated only to place in the hands of a few men the entire dyestuff industry of the United States, providing the licensing idea should prevail and the composition of the commission be as suggested in the Longworth Act.

During the period of the war Congress granted and caused to be exercised extraordinary powers. The people of the Nation acquiesced in and approved the action taken. Patriotic motives inspired everyone gladly to submit to the legislative action of Congress, without protest of any kind. This was true in instances where many men believed Congress was acting beyond the scope of the powers granted it by the Constitution. Congress had to create and employ numerous agencies, boards, and commissions to carry out the legislation adopted.

It is a well-known characteristic that once an individual acquires power he seeks to retain it, and to extend it even beyond the intention of the grantors of the power. This tendency is now quite manifest in our country. It is quite natural that the men who have been exercising broad and, in some instances, arbitrary powers during the war should come to believe that such powers should continue to be exercised by them, and should also believe that their views as to the propriety of their conduct should be adopted by all their fellow citizens. It is not, therefore, surprising that Mr. Garvan and Mr. Choate, both of whom have been connected with the Bureau of the Enemy Alien Property Custodian, should desire to perpetuate in peace time the powers that they exercised and saw others exercise in war time. We are all familiar with the fact that the licensing features adopted by the Government during the war were borrowed from England. They form no part of a prior practice in this country. England has no written constitution, and has no supreme court which has the power to overrule the legislation adopted by the supreme legislative bodies in England. The licensing feature in the proposed Longworth Act is merely an attempt on the part of Mr. Garvan and Mr. Choate to incorporate in an act which now has to do with times of peace a war-time feature, apparently overlooking the fact that the necessity or propriety of further employing such governmental instrument no longer exists. The licensing method was adopted under the stress of war. Now that peace has returned its existence should no longer be countenanced, and Congress certainly should not allow any such measure to be incorporated in a tariff law which is to be effective in times of peace.

The writer of this article is not an attorney. He has, however, certain well-defined views of governmental functions, which he believes are sound. Among these is the well-settled conviction that Congress can not delegate its legislative powers to anyone, not even to the President of the United States, and much less to a subordinate body. The writer recalls that a question as to the power of Congress to delegate its functions was previously raised by Marshall Field in about the year 1891 under the tariff act which gave the President the power to declare a suspension of imports into this country when he found foreign countries were discriminating against us. That case went to the Supreme Court of the United States, and the court in deciding the question stated explicitly that legislative powers could not be delegated, showed that powers conferred were not discretionary, and upheld the tax features of the act which the court declared to be constitutional, even though the other portion of the act with respect to powers delegated were not valid.

The proposed section 503 (c) of the Longworth Act, in the opinion of the writer, does attempt to confer a legislative power upon the dye-licensing commission. This section of the act distinctly says: "Licenses shall be granted to import in the quantity actually required for use in manufacture within the United States such products, and such products only, as may in the judgment of the commission be unobtainable from domestic sources on reasonable terms as to price, quality, and delivery. It shall be the duty of the commission to limit the licenses granted by it in such manner and by the imposition of such conditions as in their judgment may, without injuring the domestic consuming industries, best serve to aid in the building up of a complete and self-sustaining domestic manufacture of coal-tar products."

It will be noted at once that the commission is to be given a discretion to determine what products may be imported into the United States, and, further, is given the function of building up the manufacture of coal-tar products by limiting "the licenses granted by it in such manner and by the imposition of such conditions" as the commission shall think best. This commission is not directed to carry out a ministerial function or to act automatically upon a

given contingency. Its powers are wholly discretionary. The action taken by the commission with respect to the importation of products is in the nature of an embargo. The commission can prohibit absolutely the importation of the products mentioned. It need give no reason for so doing. It has the arbitrary power to establish an embargo on the importation of foreign products into the United States. Congress has the power to establish embargoes. Congress can and has directed the President to impose embargoes in certain contingencies, but surely it is inconceivable that Congress can give to a subordinate commission the power to put into effect an embargo on American commerce.

Congress has the power to foment and protect American industries, but can it for one moment be conceded that Congress can delegate this power to a subordinate body which is to determine the conditions to be imposed and the manner in which said industries are to be protected and developed? It seems so obvious to the writer that the powers attempted to be created are unconstitutional, that he deems further argument thereupon superfluous. I can no, however, conclude without adverting to the fact that the attempted importation of a licensing feature in our tariff laws, is un-American and is wholly foreign to the genius of our legislation. I can not further refrain from pointing out the inequality that must exist in various parts of the country under the dye-licensing commission, if the same should ever come into being. The commission is to determine the matter of importation of dyes for the entire country, not for New York and Boston alone, but for San Francisco, Galveston, Seattle, and the farthest ports of the United States. Is the commission to admit products through the port of San Francisco which it refuses to permit through the port of New York? Will it permit products to come through Galveston that can not be imported through Seattle? This power certainly will rest with the commission if it cares to exercise it. It is within its discretion to say that the products are not obtainable in the West while they are obtainable in the East; not obtainable in the North while they are obtainable in the South. The result of any such action as this is so obviously discriminatory and so at variance with the Constitution of the United States, which declares that imposts and taxes shall be uniform throughout the Nation, that it would hardly seem necessary to do more than to invite the attention of the Ways and Means Committee to same to bring about the complete rejection of that portion of the Longworth Act which proposes a licensing commission. It may be pertinent, however, in this connection to point out that the act as originally proposed did not contain any licensing feature, and that such feature was appended to the proposed bill at a later date.

Herewith I interject the official exports from Switzerland to the United States, 1913 to 1918, inclusive:

	Sandos.	Gogy.	Dyestuff.	Indigo paste.	Indigo powder.	Pharmaceutical products.	Geley extracts.
	<i>Kilos.</i>	<i>Kilos.</i>	<i>Kilos.</i>	<i>Kilos.</i>	<i>Kilos.</i>	<i>Kilos.</i>	<i>Kilos.</i>
1913.....	406,187	378,746	522,818	235,500	.....	23,933	444,511
1914.....	546,898	423,647	486,746	437,941	103	17,456	447,644
1915.....	414,486	99,339	223,292	296,022	50	9,610	76,096
1916.....	491,019	131,720	21,677	229,500	1,000	16,079	98,893
1917.....	458,211	95,362	157,970	781,420	13,290	5,775	9,871
1918.....	353,608	46,665	109,271	288,461	5,357	1,785	100

RATES OF DUTY.

I realize full well that the problem of rates of duty which will afford adequate protection for the American dyestuff manufacturers, without grave prejudice to the interests of the textile manufacturers and to the importer, is a difficult one to solve, but the rates provided in the Longworth bill admit of no argument as to the desire, if not the intention, of its sponsors to prohibit the importation of foreign dyestuffs. The rate provided for crudes and intermediates absolutely prohibits their importation. Further comment upon this may well be considered superfluous.

For colors the rate provided is excessive and unwarranted. I have no desire to suggest rates to your honorable body, but 37 years of practical experience in the dyestuff industry justifies me in saying that a maximum rate of

30 per cent on intermediates and
50 per cent on colors,

with elimination of specific duties, would be more than our manufacturers have proper reason to ask, in that these rates should give them more than ample protection. I say this with no selfish interest to serve, and with full belief that these rates will conserve the best interests of all parties concerned.

Respectfully submitted,

W. F. SYKES,

For the United States Dyestuff & Chemical Importers' Association.

176 WILLIAM STREET,
July 31, 1919.

Hon. J. HAMPTON MOORE,

Committee on Ways and Means,

House of Representatives, Washington, D. C.

MY DEAR MR. MOORE: I have this morning handed to the clerk of the Ways and Means Committee, for submission to Hon. Joseph W. Fordney, a further brief upon the dyestuff situation covering features of the proposed Longworth bill, as follows:

First. A brief statement of calculations based upon the rate of duty upon aniline colors provided in said bill.

Second. The proposed standardization of colors.

Third. The proposed licensing commission.

Supplementary thereto I desire to hand you herewith a synopsis of the essential features of the Longworth Act as compared with existing law, together with a series of tables showing, as a supplement to the brief that I filed with the committee last week, the percentage rates of duty upon aniline colors and intermediates, etc., as compiled by Dr. Norton, of the Department of Commerce, at 45 per cent and 7 cents per pound.

Permit me to say that amongst the members of my association are firms that have been importers of dyestuffs for over 40 years.

Further, that we have no desire to ask for anything other than will be right and proper under the circumstances.

I ask the privilege of submitting the additional matter laid before you and before the Hon. Joseph W. Fordney, because of the fact that essential changes have been made in the last draft of the bill, and because of the fact that these changes could not have been called to your attention before because of the physical labor involved in making the comparisons such as I have heretofore mentioned.

On behalf of my association, I therefore protest respectfully, but, nevertheless, emphatically, against the adoption of this bill in its present form, and above all do I protest against undue and unnecessary haste in this matter.

I believe that the near future will demonstrate the injustice of the measure so far as its effects may be felt in many lines of industry, and I further believe that it will be shown that this measure is not based upon justice or equity.

With much respect, I have the honor to remain,

Yours, very truly,

W. F. SYKES,

For the United States Dyestuff & Chemical Importers' Association.

[F. E. Atteaux & Co. (Inc.), manufacturers and importers of aniline colors, dyestuffs, and chemicals.]

174-176 PURCHASE STREET, BOSTON.

To the Committee on Ways and Means.

GENTLEMEN: We, of course, want to protect the color industry, as we ourselves are interested in the manufacture of color in the United States.

The present protection of 30 per cent plus 5 cents a pound seems sufficient protection for manufacturers at the present time. Any increase in tariff over the present rates will surely mean an increase in the cost of all classes of textiles, and the burden would eventually have to be borne by the public. In addition to that fact, the large textile business of America, which during the war has become such an important factor in the world's trade, would certainly be at a great disadvantage against its competitors in the world's trade, would certainly be at a great disadvantage with its competitors in the European trade.

If any industry with a protection of 30 per cent and 5 cents per pound can not succeed, it may safely be said that it can not safely build up on an artificial basis such as the proposed tariff represents.

If you figure on an average cost of colors you will find that at 5 cents per pound duty some colors will be protected to the extent of 60 to 70 per cent. It has been repeatedly pointed out that a higher protection for the color industry was necessary to the highest interests of the country as it furnished the possibility of the manufacture of high explosives at a moment's notice.

Any one taking this stand seems to have overlooked the fact that when the war broke out this country had only a comparatively small dyestuff industry and yet was able to manufacture high explosives in such large quantities as not only to cover her own requirements but also to take care, to a large extent, the requirements of her allies.

The efficiency of this country's chemical industry during that time has been amply proven by the overwhelming victory over her enemies.

The demand made by certain interests for a higher tariff I believe is a personal interest not for the best interests of the country.

Respectfully, yours,

F. E. ATTEAUX.

Boston, June 13, 1919.

(Hearings p. 215.)

[From the Textile Review, August, 1919.]

July 18, 1919.

HON. JOSEPH W. FORDNEY,
Chairman Ways and Means Committee,
House of Representatives, Washington, D. C.

DEAR SIR: As a Massachusetts business corporation which has been identified with the dyestuff industry for nearly half a century, and is to-day operating factories engaged in the manufacture of aniline colors, we desire respectfully, but most emphatically, to protest against the adoption of that part of House bill 2076, which would apply a licensing system plan to the importation of coal-tar dyestuffs.

Like other concerns making dyestuffs, we favor adequate protection for the domestic color industry, precisely as we favor all legislation calculated to protect and foster the growth of American industry generally. But protection of domestic industry in the good old-fashioned way is one thing, while the proposal to clothe a small group of men with the extraordinary authority to decide if, when, and in what quantities dyestuffs or any other commodity shall be imported is quite another; and in protesting against the delegation of such authority we feel sure that we express the conviction of every member of the trade, with the exception of the few who see an opportunity which they will not abandon without a struggle to monopolize the American dye-stuff trade.

Consider the practical difficulties which the attempt to enforce a licensing plan would encounter. The function of the proposed dye licensing commission would be to issue licenses to import coal-tar colors, as, in the opinion of the commission, are unobtainable at reasonable prices in the domestic market, and then only in quantities which the commission believes to be reasonably necessary to meet the actual consumptive demands. But how shall the actual consumptive demand of any one of the hundreds of different colors at any given moment be determined? It must be obvious that the determination of this question would involve a statistical investigation which, even though of the most superficial character, would consume altogether too much time to be available for the purposes for which it is intended. And surely we can not expect a mill that wants 5 or 10 barrels of dyestuff for immediate use to wait weeks, or perhaps months, until an investigation shows the extent of the domestic demand for that particular dyestuff. Nor will it be much more feasible to attempt to determine the probable character of the future demand, for as everyone familiar with the business knows, it is the ultimate consumer, and not the manufacturer, who decides what colors shall be in fashion. A manufacturer to-day may be confident that a certain class of colors will be the prevailing colors of the season, only to find when his representatives call upon the trade that the overwhelming preference is for an entirely different class of colors.

Moreover, how will the quantity, the process and the location of the domestic supplies of colors which correspond exactly with those that someone wishes to import be ascertained? Will the commission be able immediately to supply information of a character which ordinarily takes a Government bureau months to gather? And will American industry have to stand still until the commission completes an investigation which will be worthless if it is not thorough and painstaking?

So much for some of the practical objections to the proposed plan. We feel, however, that an even more potent objection is, that there would always be grave danger that the commission would abuse its authority. Human nature being what it is, can we be certain that any group of individuals would at all times exercise such extraordinary powers wisely, prudently and solely for the general good? Would there by any assurance that under no circumstances would secret influences ever be the deciding factor in the commission's decisions? Will all the members of the commission be immune at all times from the subtle influences of wealthy corporations which are bent upon eliminating not only foreign competition but also the small domestic manufacturers?

In the last analysis the proposed plan has no place in our political system. To clothe any set of men with the extraordinary powers with which it is proposed to clothe this commission is, indeed, utterly abhorrent to all our inherited ideas of government. Let us have protection by all means. If the country will tolerate it, let us even prohibit the importation of all dyestuffs as soon as we ourselves can produce all that our manufacturers require. But whatever we do, let it be done by act of Congress, allowing no discretion in the enforcement of the law, nor opportunity for any person or persons to employ the machinery of the Government for selfish purposes. During the war we all willingly submitted to the rules and restrictions of innumerable boards and commissions, but now that the war is over let us hasten to get back to the firm foundation of legislation by the constitutional legislating body alone, to the end that this may be a Government of laws and not of men.

Respectfully, yours,

F. E. ATTEAUX & Co. (INC.),
F. E. ATTEAUX, *President*.

TALBOT MILLS,

North Billerica, Mass., July 10, 1919.

HON. JOSEPH W. FORDNEY,

*Chairman Ways and Means Committee,
Washington, D. C.*

DEAR SIR: We wish to indorse the letter of the Pequea Mills Co., opposing legislation requiring licenses for the importation of dyestuffs. We are most heartily in favor of an adequate protection of the dyestuffs industry, but believe this should be secured through the means suggested in the Pequea Mills Co. letter.

We believe there will be grave difficulties in the prompt and equitable administration of a licensing system.

Very truly, yours,

TALBOT MILLS,
FREDERIC S. CLARK, *President*.

(Hearings, p. 257.)

BOSTON, MASS., *July 13, 1919.*

I desire to enter a most emphatic protest against the appointment of a license commission. While I believe the American manufacturer should be protected from the dumping of foreign dyestuffs, our privilege of doing business should not be ignored.

So far as the writer is informed, no effort has been made to produce certain dyestuffs. The consumption being small in comparison and the outlay great, it is not possible much effort will be made.

The production on a valuable United States patent which has been held up since 1915, in spite of many repeated efforts to use American colors, I own. The amount of color consumed is not large enough to induce American manufacturers to take it up for a long time. Several attempts have been made to use substitutes of American manufacture, which have failed absolutely, causing

loss and damage in each instance. Five years have been lost on the life of the patent and we feel that it must be a total loss unless we can obtain the color with which we started originally, continuously, and at a reasonable price.

Such a license system as proposed I believe would make it impossible to carry on a business successfully unless access could be had to a continuous and reliable supply of the color required.

I am an American for Americans, first, last, and always, and believe there are many Americans in small trades suffering, as I am, for the failure to supply the color market.

Yours, very truly,

FRANK JOHNSON.

(Hearings, p. 257.)

HAVERHILL, MASS., July 10, 1919.

WAYS AND MEANS COMMITTEE,

Washington, D. C.

GENTLEMEN: We wish to protest against the proposed legislation which will require a license for the importation of dyestuffs. Whereas we are firm believers that the domestic manufacture of dyestuffs should be amply protected, we also believe that this should be done by a protective tariff rather than by any system of licensing.

Under the proposed legislation it will undoubtedly be impossible for us to make our own selections of dyestuffs, and we believe that it is essential for the successful operation of our industry that we are at liberty to purchase whatever dyestuffs we feel may be necessary for the successful manufacture of our merchandise.

Trusting that you will give this matter your consideration, we beg to remain,
Respectfully, yours,

EMMONS BROTHERS Co.,
By A. F. TURNER,
General Manager.

(Hearings, p. 258.)

GLEASONDALE, MASS., July 8, 1919.

To the Chairman and Members of the Committee on Ways and Means, Washington, D. C.

GENTLEMEN: We as textile manufacturers desire to protest against any legislation having for its purpose the requirements of licenses for the importation of dyestuffs. We earnestly desire the development of a complete and independent domestic dye manufacturing industry, but we believe that can be more certainly and securely attained by a system of protective import duties, anti-dumping legislation, and the enforcement by the Federal Trade Commission of laws against unfair competition than by any system of restrictive licensing.

This requirement, we believe, will seriously interfere with the operation of domestic industries which require colors not yet produced in the United States, and which will probably not be produced in commercial quantities for some time to come.

A protective tariff will encourage the development of domestic manufacture of needed dyes, but will not prevent or hamper their importation during the period through which we must wait for the realization of an adequate domestic supply.

At present we are badly handicapped for the want of Swiss colors which we had used in getting out selling samples and are now unable to procure for the coloring of goods due on contracts.

Respectfully, yours,

GLEASONDALE WOOLEN MILLS,
CHARLES ROBERTS, Treasurer.

(Hearings, p. 258.)

PHILADELPHIA, PA., July 14, 1919.

HON. J. HAMPTON MOORE,

Washington, D. C.

DEAR SIR: In reference to the bill at present in Congress in regard to having a license to import dyestuffs, we think this wrong.

We do not object to any tariff, no matter how high, for foreign dyestuffs, but do not see the necessity of having to get a license. There are certain dyestuffs used in dress goods which are not produced here as yet, and many that are produced here are not good, and we see no reason why these can not be imported with a high duty.

Very truly, yours,

F. A. BOCHMANN & Co. (INC.),
CHAS. F. BOCHMANN, *President*.

(Hearings, p. 259.)

PHILADELPHIA, PA., *July 14, 1919.*

HON. J. HAMPTON MOORE,
United States Congress, Washington, D. C.

DEAR SIR: Relating to the bill now before Congress for licensing the sale of dyestuffs, with a view of keeping foreign dyes entirely out of the market, beg to say that as manufacturers of the very finest grade of worsted dress goods, we believe that this course is against the interest of ours and kindred businesses.

The very highest grades of these dyes are unprocurable in the American market, and while we fully believe that a more than adequate protection to the American manufacturers should be made by a high duty on this grade of dyes, we feel to exclude them entirely would prevent the development of the manufacture of this grade of dress goods in this country, and the only solution of the problem would then be the importation of the fabrics themselves.

Feeling assured that this very sensible and American course will meet with your approval and support, we are,

Very truly, yours,

WM. F. READ & SONS Co.,
FRANKLIN C. READ, *President*.

(Hearings, p. 259.)

PHILADELPHIA, PA., *July 12, 1919.*

HON. J. HAMPTON MOORE,
House of Representatives, Washington, D. C.

DEAR SIR: We understand that the bill regarding "dyes" is to be considered on Monday and beg to enter the strongest protest against the license feature of the bill.

Dyes which are not produced in this country or in such small quantities that do not supply the demand should be admitted. This applies especially to fast blues, i. e., alizarine blue S A P, which is used in 60 per cent of the shades demanded by the trade.

We are in dire need of this, since we are handling the finest grade of fabrics going into garments sold at from \$45 to \$150 per garment. We feel ashamed to be compelled to turn out cloth worth from \$4 to \$7 per yard in colors we know to be inferior, but can not help ourselves.

The war is over; we want the best dyes needed for our customers, who are willing to pay for them. Put on a high tariff, but not a prohibitive one. It is essential. The consumer is entitled and willing to pay for it.

Protection to domestic dye manufacturers is right. License is not a corrective but an injustice to the producers of the finer grades of goods, which will soon have to compete with foreign importation.

We are not alone on this issue. All producers of the better grade of goods are suffering the same as we.

Kindly give this matter your earnest consideration and support; and with thanks in anticipation for your efforts, we are,

Very truly, yours,

FIRTH & FOSTER Co.
I. A. KERLE.

(Hearings, p. 259.)

[Extract from the Textile Review of August, 1919.]

DANGER AHEAD.

The hearings which were held during the past month on the licensing proposition of foreign dyestuffs, as proposed by the Chemical Foundation before the

Ways and Means Committee, ended rather suddenly last week, when the committee felt that much of the testimony was merely a repetition of the previous days.

A number of manufacturers are strongly opposed to the licensing system, whose chief advocate is the Chemical Foundation, which is composed principally of the E. I. Du Pont interest, and the Allen Property Custodian, Francis P. Garvan, who formed the foundation to take over patents that were formerly held in this country by allens.

If the licensing system is granted, the dyestuff dealers will go to the wall, as the tendency of the Du Pont Co., and to some extent the National, bars the dealers from obtaining dyestuffs even at the same price as paid by the manufacturer; and the dyestuff industry in this country will gradually be controlled by these two interests, that have unlimited capital and that are very antagonistic to dealers.

If a greater tariff is placed upon dyestuffs and chemicals, which is under consideration by the committee, dealers will then be in a position to buy with a trade discount, and can in their own laboratories work out combinations which are often of much assistance to the manufacturers, who are willing that the dealers shall make a living profit.

While the larger concerns can, no doubt, care for the entire dyestuff needs of the country, if given a monopoly, it is well known that the small mills get scant attention, as compared to those of larger purchasing power and requirements. It is the smaller mill that the dealer has always catered to and been well taken care of without the necessity of the mill contracting for a year or longer supply, as they were made to do when the importation of dyestuffs ceased.

There is no question but that Representative Moore's attitude in regard to the probability of establishing an American dye monopoly, which, so far as this country is concerned, might have the same power that the German trust is said to have, is right, if Government protection is given the plans of the Chemical Foundation without taking into consideration those with less power, who are not in a position to maintain representatives of skill and standing.

We wonder how many members of the Chemical Foundation are really believers in the propositions set forth by the leaders in the foundation, or joined simply to be in a position to know what the "big guns," as the large dye manufacturers are called in the trade, are up to.

INDIVIDUAL OPINIONS.

Mr. Fordney (chairman of the Ways and Means Committee):

That being true—it is not denied by anybody—if the power of licensing for imports is put in one particular man or set of men, do you not believe that it might be abused and work very great hardships upon many industries, or many people engaged in a great industry in this country?

I am afraid of it. I want to say that I can see no good whatever in it. I can see only danger.

(Dyestuff hearings, page 63.)

Mr. Moore (ranking member of the Ways and Means Committee):

I think if a board is given authority to issue licenses to anybody who seeks to do business, it can come pretty close to controlling the entire business, especially when it controls the materials; and that is what this bill calls for.

(Dyestuff hearings, page 255.)

Mr. Green (member of the Ways and Means Committee):

Well, you asked me why it would be wrong to give this board arbitrary powers, and I say because we have found, and all experience teaches, all history teaches, if you give a board arbitrary power it will be abused in certain cases. I am willing in war times to put up with those things as a matter of necessity, for the benefit of the whole people, but it would have to be a very strong necessity to convince me in times of peace that such powers ought to be conferred.

(Dyestuff hearings, page 130.)

Mr. Wood (of the board of directors of the Woolen and Worsted Association of America) :

It does seem to me that the logical conclusion of the licensing system is also to require licensing of the importation of goods manufactured and dyed abroad. (Dyestuff hearings, page. 326.)

The following statement of Mr. Choate advocating the licensing system indicates the manner in which it is intended that the measure be applied in practice. It is too candid a statement and well worth reproduction :

Mr. CHOATE. A man comes and says that American-made goods are held at a price three times that of the German goods, and they turn to the American manufacturer and say, "Why do you charge three times as much as the German price?" Upon investigation we find he has put in several hundred thousand dollars research work and in plant and can not get it back in five years, and the actual cost to him is \$5 per pound, and he is charging \$2.20, and he hopes by building up his business at \$2.20 and cutting his costs down and down in a short time he will be able to make a little money and will be enabled to reduce his price down to the German price. They then find his price reasonable and deny the license; but, if his price does not come down, next year's application will probably be granted.

Mr. DEMMING. Mr. Chairman, may I ask two or three questions?

Senator CURTIS. Proceed.

Mr. DEMMING. Mr. Sykes, you are a native-born American?

Mr. SYKES. Yes, sir.

Mr. DEMMING. Then, as I understand, you are exclusively an importer of French dyes?

Mr. SYKES. No, sir.

Mr. DEMMING. How is that?

Mr. SYKES. You asked me the question as to whether I was an exclusive importer of French dyes, and I said I was not. The fact is that there will be no goods to import from France for more than a year. They now have not a single product to offer.

Mr. DEMMING. I mean previously to the war.

Mr. SYKES. Previous to the war my agreement with my company was that I would import their products exclusively, and where they could not manufacture goods desired I was privileged to buy these goods where I pleased, with their knowledge and consent. I bought in Switzerland, and I purchased goods in Germany, as all other importers did and many American manufacturers.

Mr. DEMMING. What French company did you represent?

Mr. SYKES. The St. Dennis Dyestuff Co., of Paris, one of the originators of the dyestuff industry and certainly the originators of the sulphur color industry.

Mr. DEMMING. Are you opposed to the licensing provision of the Longworth bill?

Mr. SYKES. Absolutely.

Senator CURTIS. Could you file with the committee a half a dozen of your briefs?

Mr. SYKES. A hundred. I have a half a dozen here, and you may have them all.

Senator WATSON. You previously set forth your objections to the licensing system.

Mr. SYKES. Yes, sir. There are three objections: First, to the dye licensing system; second, to the standardization clause; and, third, to the excessively high rates, including specific duties which are in the nature of an embargo.

Senator CURTIS. Do you consider the rates in the Longworth bill inordinately high?

Mr. SYKES. Yes, sir. I do consider them inordinately high for goods now manufactured here and particularly so for goods that are not made here in sufficient quantity or not manufactured at all.

Senator NUGENT. How many of the dye-manufacturing establishments existing in this country are large concerns, if you know?

Mr. SYKES. There are several, sir. There is the National Anilin Co., the larger in point of output at the present time; then there is the Du Pont, with their gigantic capital. I do not know what their output may be. I have never been in touch with it. We have, however, Mr. du Pont's statement here, though. There are other companies, but not quite so important.

Senator NUGENT. What is the number of the large companies?

Mr. SYKES. Really, sir, I have never counted them, to tell the truth. I should say 12 or 15.

Senator NUGENT. And the remainder of the 160 dye-manufacturing establishments in this country are comparatively small concerns, are they?

Mr. SYKES. I do not know. I am not interested. They do not sell me. There are a great many dyestuff concerns; in fact, during the war a man need only buy a 10-pound can of dyestuff and put a sign over his door, "Dyestuffs," and become a handler.

Senator NUGENT. I gather from your testimony that it is your opinion that a certain number, whatever it may be, of the dyestuff manufacturing establishments are large concerns. And that would probably, they may form a combination and freeze out the smaller manufacturers. Am I correct in that assumption?

Mr. SYKES. It has been done before, sir, and it will be done again. I do believe it. I have no knowledge of the facts, but I do believe it.

Senator NUGENT. I also judge from your testimony that if this bill becomes a law there are a large proportion of smaller manufacturers who will be obliged to buy their intermediates from the larger concerns.

Mr. SYKES. If they were not manufacturers, they would, sir.

Senator NUGENT. I am speaking of the dyestuff manufacturers; the smaller concerns would be obliged to buy their intermediates from the larger concerns, would they?

Mr. SYKES. Why, how could they get them?

Senator NUGENT. They might import them.

Mr. SYKES. At 40 per cent and 6 cents per pound?

Senator NUGENT. If the others charge the same price for dyes.

Mr. SYKES. I do not know, sir. I do not think they have much chance for importation of intermediates with 40 per cent ad valorem and 6 cents per pound specific. Dr. Herty mentioned aniline oil as used in the manufacture of aniline colors, but aniline oil is not solely used for the manufacture of colors.

Senator NUGENT. Then it is your opinion that if this bill becomes effective the larger concerns, the larger dye manufacturers, would be in a position to charge such prices as they pleased to the smaller manufacturers for various reasons?

Mr. SYKES. Within the bounds which the duties provided, I would like, with your permission, to amplify my previous statement to the

extent that prior to the war aniline oil was used for the dyeing of textiles to the extent of eight or nine thousand tons per year. This was independent of the manufacture of dyestuffs. Dr. Herty's figure is 9.28 cents as the German cost in 1918. Upon that you have a 40 per cent ad valorem and 6 cents per pound specific duty on a product worth only 9.28 cents in the country of origin.

Mr. CHOATE. Mr. Chairman, Mr. Sykes mentioned Dr. Herty; he must mean some other witness.

Mr. SYKES. I mean Dr. Herty.

Senator WATSON. Dr. Hesse, you mean.

Mr. SYKES. On page 297 in the National Anilin Co.'s issue of dyestuffs there is an article which was signed by Charles H. Herty, reporting before the Ways and Means Committee here, wherein Mr. Herty stated that the cost in 1918 in Germany was 9.28 cents.

Mr. HERTY. Is that quoted from some other publication? I am not an expert on prices.

Mr. SYKES. I do not know whether they are or not.

Senator CURTIS. From your experience as an importer, what per cent of the dyes that are used in this country really can be manufactured in this country in competition with German dyes, or French dyes, or Swiss dyes?

Mr. SYKES. I have never arrived at a satisfactory conclusion in that respect, sir; but I should say offhand from 75 to 80 per cent when it is considered that the duty asked for absolutely prohibits the importation of the mass colors, such as sulphur colors, azo colors, most of the basic colors. These rates would absolutely prohibit their importation. As they can all be obtained in this country, I should say that they would constitute 75 to 80 per cent in weight of the colors required.

Mr. DEMMING. Mr. Chairman, may I recall for a very few minutes, Mr. Metz, to obtain an explanation from him in regard to the statement of Mr. Bernheim yesterday as to the necessity of certain dyes in the business.

Senator WATSON. Make any statement you desire.

STATEMENT OF MR. HERMANN A. METZ—Resumed.

Mr. METZ. You refer, I presume, to the fact that Mr. Bernheim said he could not get certain colors here, which are being made in this country?

Mr. DEMMING. Yes, sir.

Mr. METZ. It is safe to say that every one of the colors mentioned by Mr. Bernheim is made in this country and can be obtained here. But I get Mr. Bernheim's point absolutely. Leather is one of the most delicate things to dye of all, and that is the reason why Mr. Bernheim is afraid to use a certain color to get something "just as good." But he knows what he is getting. You can not boil leather, except chrome tanned as you can other things. It spoils easily in the colors. If, therefore, one of the manufacturers say: "Mr. Bernheim, we will sell you green, just as good," he may say, "I will take your word for it, but I am afraid of it." If he wants an imported dye, he should be allowed to get it if he is willing to pay for it. But he does not know that that dye will answer his purpose until it has been sold, and goes into use. Your wife may have bought

a pair of fancy slippers, and she goes to a store, matches a pair of silk stockings with the slippers, and then she comes home tickled to death. Then she goes out that night and finds that she really has brown slippers and green stockings, because the dyes are different and change under light.

Therefore, as a matter of principle, the manufacturer should be allowed to get what he wants, and if he is not satisfied with what he may obtain here he should be allowed to import what satisfies him.

It is the same with medicine. We have fixed ideas in regard to German salvarsan. I know that my salvarsan is as good as any, but if a man is sick and if he is willing to pay for it he should be able to get the kind he wants. Faith is a whole lot in this business. I believe that is Mr. Bernheim's point—a man ought to be able to get what he wants if he is willing to pay for it. Make it high enough and freeze him out, but do not make him use something else because somebody in Washington says it may be just as good.

May I answer your question about the intermediates? I make intermediates, and I know that the large manufacturers among themselves are selling these intermediates for way below what they are selling the smaller people, and I know some things the smaller ones can not get to-day; he has not any stock, and he is out of business. Not only possibly, but probably, the manufacturer of intermediates—and I am one of them—no one makes them all. There are a dozen of them. The big fellows—not the little fellows—the Grasselli, the National, Marden-Orth & Hastings, and myself are among them. I am turning out millions of pounds of stuff that we are selling to each other—or, they are, as I am considered an outsider by them apparently—some of the intermediates at much less than they are selling for in the market to the smaller manufacturers. Beta naphthol is being sold at 28 to 30 cents among the larger producers and to the little fellows at 45 to 50 cents, and sometimes they can not get it. To-day the market is bare. He has either got to put up another plant—and it costs hundreds of thousands of dollars—or he has got to go out of business.

Senator NUGENT. Do you mean to say there is a combination now existing between the larger manufacturers to sell to each other at less than they do to the smaller manufacturers?

Mr. METZ. What they do not manufacture they buy from the other fellow at a much less price; in other words, at a price low enough that he does not make his own. That is being done to-day, and that gives them power to freeze out the little fellow. He can not import; he will be told he can get it in this market.

Senator NUGENT. Let me talk a minute. What is the reason, if you know, why these larger manufacturers sell these intermediates to each other for a lesser price than they sell the same intermediates to the smaller manufacturers?

Mr. METZ. Because A is manufacturing one product. He can make 1,000,000 pounds cheaper than he can make 500,000 pounds. Therefore he sells, but he uses 500,000 pounds of his own production and gets the lower price all along the line, making his market price 30 or 35 cents, while it is 45 cents to the little fellow. That holds good all along the line, in my opinion.

Senator WATSON. You mean he prevents them not only from getting it but from manufacturing it?

Mr. METZ. Probably. He need not put up a plant. It is a perfectly legitimate and proper proposition, is good business, but the little fellow is at the mercy of the big ones, and that is why I am afraid of this proposition.

Senator NUGENT. Then, there is one price for intermediates, as among the larger manufacturers, and another price for intermediates as among the larger manufacturers and the smaller men?

Mr. METZ. There is one price for the small consumer on everything and one price for the large consumer, but it gives the power to freeze him out; that is what I am getting at, and that can be proven, because it is being done, and I can give you the instances and the terms.

Senator NUGENT. All right; let us hear them?

Mr. METZ. I would like to be contradicted if I am wrong. The National Dye buy from Marden-Orth & Hastings, who are manufacturers.

Senator WATSON. What price are these people paying?

Mr. METZ. They are paying me 35 cents in quantities.

Senator WATSON. And what is the market price?

Mr. METZ. Forty to fifty cents.

Senator WATSON. If any of the small manufacturers want to come to you and buy this same material you would not sell to him for 30 cents?

Mr. METZ. No; I would not.

Senator NUGENT. You would not sell to him for less than the market price?

Mr. METZ. No.

Senator NUGENT. Why?

Mr. METZ. Because I would rather sell to a customer than to a competitor. That is business; there is the answer. That is human nature. Why should I sell a competitor who is making colors against me, when I can sell the same thing to a consumer?

Senator NUGENT. In other words, you and certain other large manufacturers are seeking to secure a monopoly on certain dyestuffs?

Mr. METZ. We are not seeking to do that; we have got it. This bill will help that kind of a proposition.

Senator WATSON. In other words, you want to arrange it so that the small fellow can buy at the same rate as the large one?

Mr. METZ. Not necessarily. I want to give him a chance to get it somewhere else. I am not making all the intermediates, but I want to give the little fellow a chance, so that when he can not get them from one manufacturer he can go and get them from another. I want it so he can not be put out of business.

Senator WATSON. That is to say, you want it fixed so that he can go to Germany and buy these intermediates, if he does not want to pay your price?

Mr. METZ. If I am going to hold them up I want to give them a chance to get these goods, and that holds good in dyes as well.

Senator NUGENT. And you want to place yourself in a position where these large concerns can not squeeze you?

Mr. METZ. I do not want to be throttled, whether by the Germans or anybody else.

Senator NUGENT. You do not want the same game played with you that you are playing with the little fellows?

Mr. METZ. Now, you are exactly right; that is exactly the game, and I want the law fixed so that it can not do it; that is what I want—and that covers your point as to what can be done; that is exactly it.

Mr. DEMMING. May I read this telegram which I just received on this point by a witness who can not be here?

Senator CURTIS. You closed your case yesterday, but go ahead.

Mr. DEMMING. All right; it will just take a minute (reading).

BOSTON, MASS., December 12, 1919.

JUDGE DEMMING,

Capitol Park Hotel, Washington, D. C.:

You may read my telegram to committee.

For life of me can not understand why such heavy protection is needed as whole development of the dyestuff industry depends not upon one small market like the American market, but upon the markets of the world. It is nonsense to say dyestuff industry is necessary for manufacture of articles such as those produced during war. The chemical industry is necessary to produce such gases as were used during last war, but in England and America these were not produced by dyestuff people. As matter of fact in last emergency the American explosive industry proved itself as efficient, if not more so, than any other. The American dye industry requires, above all things, commercial brains trained to capture foreign trade; it should not try to take advantage of the small American market at expense of the American textile and allied industries. Unless they capture large share of world's market, thus bringing their costs of production down to those of German works, the American dye industry can never prosper.

It seems to me that the fact that a heavy duty of 30 per cent ad valorem and 5 cents a pound specific exists is being entirely forgotten in the mad scramble of the rich Bolsheviks trying to still further stuff their nests at expense of others and in a shortsighted policy toward their own development. Same protection is necessary to counteract superior experience of foreign competition and this present rate is ample to do this. Insane protection and no foreign stimulation will produce atrophy of the American industry. Du Ponts for instance have all processes for making vat dyes and other colors for Levinstein (Ltd.) and the experience of this firm since 1865, and I will wager that had they paid same attention to requirements of the American and foreign markets that they have paid to legislation, their present usefulness in the dye industry would have been much enhanced.

EDGAR LEVINSTEIN.

Will you tell the committee who Edgar Levinstein is?

Mr. METZ. It is Edgar Levinstein, of Boston.

Mr. DEMMING. What business is he in?

Mr. METZ. He has been here for years in the American business of selling colors, and I believe he had a break with his brother. He had a contract to sell the Duponts in this country, and he is suing on the contract; that is all I know, and this is hearsay.

Mr. DEMMING. Do you know, Mr. Metz, that during the war the Duponts bought the formula for making synthetic indigo from Levinstein in England?

Mr. METZ. I have seen publications and statements to that effect.

Mr. DEMMING. It is a well-known fact in the trade?

Mr. METZ. I knew Levinstein had a plant in England, and that plant was acquired by the Levinsteins after the war started in England, and then that the Duponts bought the plant there.

Mr. DEMMING. Have the Duponts the formula for making synthetic indigo?

Mr. METZ. Since they are making the stuff, they must have it.

SUPPLEMENTAL STATEMENT OF MR. HERMAN A. METZ.

NEW YORK, December 18, 1919.

HON. JAMES E. WATSON,

Chairman of Subcommittee of Finance Committee,
United States Senate, Washington, D. C.

MY DEAR SENATOR: Availing myself of the permission granted me by Senator Curtis as acting chairman of your subcommittee, I beg to file the following brief in connection with the testimony of Mr. Garvan so far as it relates to the matter of dyestuff importations, and so far as it refers to me personally and to my company.

For the purpose of keeping the record straight, permit me to say that besides the shipments which came on the steamers *Matanzas* and *Sun* (both of which I arranged for the purpose of securing American ships to carry dyestuffs that would not be taken off by the British or French authorities), there were two further shipments by the *Matanzas*, also a further shipment by the *Warren*, and one other shipment by a steamer, the name of which I can not recall at the moment, making four additional shipments, or six in all, instead of two as mentioned by Mr. Garvan. All these shipments arrived here prior to the British "order in council," which prohibited all shipments from belligerent countries. My purpose in mentioning this is to show that the Germans did not decline to give us dyestuffs, but that they were anxious to receive cotton in return, and did receive shipments of cotton up to and including the time when the British authorities declared cotton contraband and issued the "order in council."

Of course, it goes without saying that when I went to Europe in November, 1914, I had no knowledge of the letter from Dr. Albert to the German authorities, which Mr. Garvan read into the record. I went with the entire approval of the State Department, and with letters from the State Department authorizing me to arrange for the shipment of dyestuffs from Germany. I can say positively that the German manufacturers were willing and anxious to send dyestuffs to this country, but that the German foreign office objected to their doing so unless cotton and wool were sent in return. I personally told Acting Chancellor Pebrueck that unless shipments of dyestuffs were allowed to come through we would start manufacturing on this side and that I for one would begin manufacturing as soon as I got home. I immediately started to enlarge my old plant, the Consolidated Color & Chemical Co., and arranged for a half interest in another old established plant, the Central Dyestuff & Chemical Co., Newark, N. J., and began at both places an intensive manufacture of colors to supply the American demands. The Consolidated Co. specialized in colors for dyeing olive drab on wool and khaki on cotton, and I feel safe in saying that that plant supplied, during the years 1916 and 1917, as much, if not more, than any other plant in the United States of these colors for Army purposes.

Mr. Garvan read into the record a letter received by me from the German company, whose goods I handled in this country, saying that the German manufacturers had agreed not to extend their plants here and complaining about my having started to manufacture. Mr. Garvan, as Alien Property Custodian, after his investigation of one of my companies here, which had the agency for the foreign goods, claims that I violated my agreement in having started such plants. Even if this were so, I have always felt it was rather strange to penalize me for having done something to help this country against the wishes of any German manufacturers.

The Germans never withheld salvarsan or other medicines from us, although for a short time there was an embargo on these products also. It was raised immediately on the request of the State Department, and I succeeded in bringing over salvarsan on British permits secured through the State Department from the British foreign office allowing it to pass as late as November, 1916. A very large quantity came through in that shipment and was cheerfully released by the German manufacturers and the German Government. The manufacturers also gave me the full particulars as to its manufacture and allowed me to take up the manufacture here despite their American patent, without any conditions or stipulations except that I was not to let it reach countries then at war with Germany. Permission was given simply so that this country might have the benefit of the medicine, and I started my experiment in 1916, and brought the stuff manufactured here into the market early in 1917.

Furthermore, even though I was an importer of German colors, I, in October, 1914, signed the report of the committee of the American Chemical Society, of which I was a member, and which was referred to at various times during the hearing. This report suggested higher rates of duty and stated that every manufacturer of colors or intermediates at that time considered as ample protection to establish the industry in this country.

Mr. Garvan referred to the fact that the German Government required a bond that dyestuffs sent here would not be exported. This bond was requested from the United States Government, but I was asked by Secretary of State Lansing to confer with Count von Bernstorff and advise him that the United States Government could not legally require such a bond, but that the State Department would request from each importer a declaration that he would not export any of the dyestuffs imported but would see to it that they were used in this country in the mills of the purchasers. This information I conveyed to Count von Bernstorff who cabled abroad and received a reply that while such assurance given to the State Department would be satisfactory, they, nevertheless, would require a bond from the various importers and that that bond should be given to me individually. The result was that I took from each of the importers to whom goods were sent, bonds aggregating about \$2,000,000, to insure that none of the goods imported on the steamers *Matanzas* and *Sun* would reach enemy countries but would be sold only for consumption in the United States. There was no restriction that goods dyed with such colors could not be exported. I reported the result of these negotiations to the President, the Department of State, the Treasury Department, and the Department of Commerce and was highly commended by the State Department for having brought about a situation that was entirely satisfactory to the Imperial German Government, the German ambassador, the Department of State, and the consumers of the United States.

The 15,000 tons which were to be released later during 1916, referred to by Mr. Garvan, were not released by the German Government, but the British Government agreed to pass such quantities under the supposition that they were to offset and pay for two shipments of cotton that had gone to Germany and for which we had received no dyestuffs. There was no basis for this proposition, and before negotiations tending to the release of this quantity by the German Government were completed through the Foreign Trade Advisers of the State Department, the British Government as well as the State Department, became aware of the subterfuge that those Americans who engineered the cotton deals were trying to put over, and nothing came of the transaction. The two shipments that came on the submarine *Deutschland* relieved the situation here materially, but it is hardly reasonable to assume it was done for any other purpose than as a strictly commercial proposition. The parties owning the submarine charged and obtained for freight and charges three times the value of the cargo itself, besides the return cargoes of rubber, nickel, and other metals; it was generally assumed had been taken back from this country. It was, therefore, purely a business proposition in which the Bremen people, who built and financed the submarine, were financially interested, and this country got the benefit of the dyes thus brought over and the profits on the goods sold for the return cargoes.

It must be borne in mind that my company here, and I personally, bought for "own account" and paid for all goods obtained from the foreign manufacturers whom I represented, and sold them for what they would bring in this market, and that I was free to buy goods not made by the Farbwerke of Hoechst, the concern I represented, from any other manufacturer who had them, or could buy goods made by them at lower prices from any other manufacturer if they could not meet the price, with the result that I bought goods in Switzerland, England, and very largely from American manufacturers all during the time I handled the German goods. I believe I was the only one of the "Big Six" agents who had this privilege. I was certainly the only one who bought goods from outside plants to any great extent.

Mr. Garvan laid particular stress upon some correspondence with the firm abroad regarding "extras." The letters which he presented were handed by me to his accountant who investigated my company for him, and this accountant saw fit to conclude that the amounts covered by "extras" represented money paid in what he called "graft," although I explained that it was nothing of the kind. There was an agreement between the two manufacturers of indigo, for instance, and on one or two other products, all of which were patented in America and on which the patent owners had a right to fix prices

and conditions. We had to pay their prices and sell on their terms or not get the goods. Under these conditions there was an arrangement by which the amounts to be allowed each concern were regulated abroad. Under that agreement, one of the "Cartel" arrangements, the concern that oversold its amount had to pay to the other the amount stipulated for such overselling. It happened that on all these products my concern considerably oversold its allotment. In the settlement abroad among the owners of the patents, or the members of the Cartel, these amounts which they were compelled to pay to the other members of the Cartel were charged back to me. Naturally I objected to being deprived of the benefits and advantages of my overselling. The "extra" allowances which I charged to them, therefore, were mainly to offset the amounts deducted from me in the accounting abroad, thus giving me the benefit of the profit to which I was entitled, on the goods I sold here. This is the real explanation of the "extras," and also covers the point made in another letter that all "conditions" between the manufacturers abroad and myself "must continue as confidential," so that the real reason for these things differs very widely from the construction placed upon them by Mr. Garvan and his associates, and confirms further the fact, as Mr. Garvan himself stated, that I was the most independent of all those here who represented the German manufacturers, the so-called "Big Six."

It is true that the Germans desired their selling agents here to make contracts on indigo for four years and possibly it was for the purpose of keeping out the Swiss product. I had no way of judging what their purpose was, for, as before stated, the goods were patented and they had a right to make their own terms, and we could take the goods or leave them on the terms they made. The consumers making four-year contracts received extra inducements for doing so, and apparently exactly the same thing was done, and is done now by American manufacturers. The contract referred to during the hearing, by the Beckers plant (since absorbed by the National Aniline & Chemical Co.), covered the requirements of the consumer for five years, if I remember correctly, and for two years after peace was declared, and gave the consumer certain privileges for making such a contract. As the Du Pont people have been, and are now making three-year contracts with consumers on indigo, there is nothing startling or unusual in the fact that the Germans asked for a four-year contract on a patented product which they controlled and which was sold in this country at a very reasonable price and the same as prevailed throughout the rest of the world, and which was many times cheaper than the natural indigo which it replaced.

The \$40,000 payment which Mr. Garvan referred to has been explained many times, and explanation in full will be found in my supplemental statement to the Ways and Means Committee. It has been frequently referred to, always for the purpose of befogging the issue, and Mr. Patterson, of the Textile Alliance, Mr. Demming, and Mr. Burr, who represented the alliance as counsel, know the full details and will undoubtedly confirm exactly what I said in my letter to Chairman Fordney, referred to above.

I hold no brief for the agents of the other manufacturers and do not know what their arrangements were, but I do know that I was independent and controlled the American business absolutely, and while the manufacturers abroad undoubtedly did at various times make suggestions and try to fix conditions to control the sale of their goods on this side, I did or did not comply with such instructions, depending entirely upon whether I thought them of advantage to the business here or not, and the party who objected most to my refusal to comply to these conditions was the gentleman referred to many times during the hearing, Mr. Morris R. Poucher, who was then vice president of the Badische Co., and had been for upward of 30 years a business associate of Messrs. Kuttroff and Pickhardt who are held up as the dominating spirit of the German "Big Six" in this country, and who is now connected with the dyestuff department of the Du Pont Co.

I am very grateful to Mr. Choate for his statement before your committee that I had done everything I could to facilitate the receipt of dyestuffs necessary for our textile manufacturers, and on my return from Washington I sent a cable abroad urging the release of the goods on which an option had been given Dr. Herty.

I am making this statement only for the purpose of setting myself straight on the record and to counteract any impression given by Mr. Garvan's testimony which might in any way reflect upon my actions or my integrity as a loyal native American citizen. My interests are here, my plants are here, and

my capital is invested here. I want to continue manufacturing, and will continue, but at the same time, as a matter of principle I believe that if a consumer wants a certain product, he ought to be able to get that product and not be compelled by governmental edict, or otherwise, to take something which is claimed to be "just as good."

I am manufacturing salvarsan on a very large scale. My product passes all the requirements of the Public Health Service, and exceeds them. I am satisfied, and the Government authorities are satisfied, that it is equal to, if not better than the imported product. Nevertheless, hardly a day passes when we do not get urgent requests for the German product from some one who wants it. The man who is ill and is advised to submit to a treatment of salvarsan must have faith in the product administered to him. If he has an idea that the German product is going to help him, and is willing to pay for it, and wants it, he ought to be able to get it, because his faith may do as much for him as the product itself. If he does not get it and something goes wrong he will blame the American product. If he gets the German product and is not helped, he will feel that he could not have been helped, and this is the principle involved. Under the licensing system as proposed in the Longworth bill, he could not get the German salvarsan or any other German medicine for that matter, and the psychological effect which faith in the product has upon his case will be lost entirely.

The same with the leather manufacturer or silk manufacturer who has been using certain dyes and wants to continue them because he knows they are right. It is not for an outside party to tell him that something else is "just as good." If a druggist does this to a patient, he goes to jail for substitution. Why should not the same principle hold good throughout? If the cost of the foreign product is very much higher than the American, it is only a question of time when simple business sagacity will compel the consumer to make experiments and convince himself regarding the matter, but he will resent being told by any Government authority of semi-official authority that he must use something "just as good" when he does not want it.

I thank you for the opportunity of submitting this supplemental statement.

Yours, very truly,

H. A. Metz.

STATEMENT OF MR. B. R. PRICE, OF THE TEXTILE ALLIANCE.

Senator CURTIS. Please give your full name and occupation to the reporter.

Mr. PRICE. My name is B. R. Price, of the Textile Alliance.

I most respectfully desire to file a written brief in connection with this hearing. This has been necessary as a result of some of the changes made in the progress of the hearing.

(The statement hereto referred is as follows:)

[Textile Alliance (Inc.), 45 East Seventeenth Street, New York City.]

WASHINGTON, D. C., December 12, 1919.

FINANCE COMMITTEE OF THE SENATE,

Washington, D. C.

GENTLEMEN: Eleven manufacturers have circulated a "Memorandum in opposition to the purchase by the Government through the textile alliance or other official agency of dyes directly from the foreign manufacturers," dated December 1, 1919.

In this memorandum certain statements are made with reference to the Textile Alliance (Inc.), to which the Textile Alliance (Inc.) feels it necessary to reply, as they are almost without exception false and the entire tendency of the reference to the alliance is misleading. In addition to the above, several remarks appear in the record of the hearings before the Finance Committee of the Senate in relation to the Longworth bill 8078, which betray a misunderstanding on the part of Col. John P. Wood, the Hon. Herman A. Metz, Mr. T. A. Harris, and others, in relation to the function and past actions of the alliance. With all possible respect for these gentlemen and entire confidence in their good faith we beg leave to correct the record.

Before doing so, we wish to make known to the committee that the Textile Alliance in its relations with the War Trade Board is acting as a purely administrative agency and that it takes no part in the discussion before the board as to the merits or demerits of a licensing system for dyes or any other commodity. It is practically a purchasing, shipping, collecting, and distributing agency for the War Trade Board section of the State Department, thus performing functions which a Government department is unable to do for itself and which the Textile Alliance already during the war undertook and carried out on behalf of the War Trade Board and Quartermaster General in relation to such necessary commodities as Russian flax and Iceland wool and skins. These transactions amounted to (we are unable to refer at Washington to the exact figures) about \$5,000,000 and it was, therefore, natural that in relation to dyes the War Trade Board should again turn to the Textile Alliance.

On September 9, 1919, Mr. Henry B. Thompson, a large manufacturer of cotton goods, chairman of the advisory committee on dyes to the War Trade Board, addressed to the Textile Alliance (Inc.) a letter in part as follows:

"The functions of the War Trade Board section will, of course, continue only until the ratification of the peace treaty, but the intention is to bring about immediate importation of a few months' supply of dyestuffs which are particularly needed, and which are not now obtainable from domestic sources. The committee's view is that your organization is quite the most suitable for the purpose of bringing those dyestuffs into the United States, and appropriately distributing them to bona fide American consumers, upon the order of such consumers; that both the importation and distribution can be handled much as your organization handled imports during the war.

"With that end in view, subject of course to the approval of the War Trade Board section of the State Department, this letter is written on behalf of the committee to ask whether or not it is feasible for you to undertake the entire control and disposition of such importation, as you did the various articles which were brought in by you during the war."

Following this letter, on September 29, October 10, and November 17, the Textile Alliance (Inc.) entered into a formal arrangement with and at the request of the State Department "To permit the importation (from official sources, Textile Alliance (Inc.), of vat dyes from Germany in quantities sufficient to supply the requirements of the consumers in the United States for the six months' period, October 1, 1919, to April 1, 1920," which subsequently was extended to include nonvat dyes of German origin in the same manner, the function of the Textile Alliance (Inc.), being to "act as an intermediary between the consumers of dyes in the United States and the allied authorities from or through whom the dyes are to be secured." It was required that the alliance should charge a commission sufficient to defray all expenses incurred and that the overplus remaining after payment of all expenses should be distributed pro rata among those by whom such commissions should be paid.

It may here be stated that prior to the commencement of its operations, the Textile Alliance (Inc.) sought the opinion of its counsel as to whether the proposed arrangement involved any restraint of trade as to which the Textile Alliance (Inc.) might be criticized or injured. Having before him the instruction to the department given prior to the charge raised in the hearings before the Finance Committee that the purpose of the advisory committee and of the War Trade Board was to drive out of business importers of dyes, American citizens, the Textile Alliance (Inc.) was informed that it was entirely proper for the alliance to proceed. Referring back to correspondence of this date, we find the following in letters from the War Trade Board to the State Department:

"October 13: Unless the Grasselli Chemical Co. and the Chemical Foundation (Inc.) will give to the Department of State assurances that the Textile Alliance (Inc.) will receive at their hands as patent owners no greater privileges than will be accorded by them to any other American importer, I fear we will have to abandon the plan to which you have been kind enough to lend your support."

On October 25, the department advised the alliance that the assurances had been given and in the same letter proceeded at length to instruct the alliance that—

"The department will interpose no objection to such importation by the importers (the reference was to reparation dyes) provided that the importation is effected through the alliance—for the ultimate benefit of the consumers, the right to be reserved to the importers to sell their dyes—to their customers at any price."

In this single instance it was provided, on account of the small quantity, consumers importing directly should receive a preference over importers, but in relation to the larger quantity covered by the Cartel offer, the department's instructions in the same letter were "in filling orders from that source the Textile Alliance will treat all consumers alike." Again, in the same letter "the opportunity for discrimination has been eradicated, dyes will be immediately available for consumers, and the rights of private importers have been reserved."

There are two sources of supply from which dyes are obtainable by consumers through the Textile Alliance (Inc.) The first source is that arranged for with the German delegation at Versailles on October 4. These dyes were referred to as the "reparation dyes." A statement follows of the quantities available now and in the future.

REPARATION DYES.

(a) Where reference is made in these notes to reparation dyes it is understood to mean those dyes that are available to the United States from reparation stocks as per inventories of August 15, 1919, rendered by the Germans and certified by them to be complete and correct.

(b) These dyes have, thus far, been only partially apportioned between the countries entitled to receive them. Of this partial apportionment the United States share is 1,500 tons, all or any part of which the United States is free to accept at any time without being committed in any way to take any portion not wanted.

NOTE 1.—The total stocks of dyes in German factories on August 15, 1919, is roughly estimated at 40,000 tons, of which one-half, say 20,000 tons, will be available to the allied and associated powers. Of these 20,000 tons only 5,200 tons have thus far been apportioned as follows:

	Tons.
United States.....	1,500
Great Britain.....	1,500
France }	
Italy }	
Belgium }	2,200
Total.....	5,200

The above apportionment merely indicates aggregate metric tons and does not represent the proportion of each individual dye that each country is to receive. The proportion of each dye that each country is to receive out of the quantity available to the allied and associated powers has thus far been fixed as follows:

	Per cent.
United States.....	29.41
Great Britain.....	29.41
France.....	15.00
Italy.....	10.00
Belgium.....	5.00
Total.....	70.88

This leaves 29.12 per cent to be divided among the allied and associated powers when peace comes into force. How this 29.12 per cent may be divided can not now be stated. When peace comes into force there will remain, say, 11,800 tons to be apportioned between the allied and associated powers, being the difference between 5,200 tons already apportioned and the total of 20,000 tons. Whether or not the United States will accept an apportionment either of the 29.12 per cent or of the 11,800 tons is not yet ascertainable.

The second source is the German manufacturers themselves, who voluntarily, also on October 4, gave to the representative of this Government, Dr. Charles H. Herty, an option covering vat colors and other colors, which the State Department subsequently agreed could be accepted by the Textile Alliance (Inc.) in its official capacity. The Textile Alliance (Inc.) on the 14th of November subsequently accepted the offer through the intermediation of the State Department. This is hereafter referred to as the Cartel option. Its im-

portance lies in the fact that the quantity of dyes immediately obtainable through the reparation source is relatively small, and it was the intent and desire of the State Department and of the advisory committee thus to provide the difference between the available supply from the reparation commission and the American consumers' requirements, for the six months' period to which the present arrangement between the alliance and the State Department applies, at prices which appear to be reasonable and with a promptitude which the offer of the German manufacturers seemed to assure.

The alliance's instructions with reference to the distribution of these colors have already been given, but attention is again called to the fact that in this respect the alliance has no discretion. It must make a distribution among the applicants in proportion to the quantities shown by their allocation certificates.

The three principal objections raised before the committee to the procedure of the alliance were as follows: The first objection was the Textile Alliance can not fix a definite price for the dyes to be imported through it. The reason for this is that while the price to be paid to the reparation commission is known in marks, the rate of exchange is not and can not be fixed. It has declined from about 5 cents, when the negotiations began, to the present level of about a cent and three-quarters. The payment will be made at the rate of exchange prevailing on the date that the dyes are delivered. In addition to this, while the insurance and freight may be calculated within reasonable limits, they can not be contracted for exactly, nor can the alliance tell how long the present arrangements will last or what its operating expenses will be. Obviously, the ratio of expenses to the business done will be largely affected by the amount of business passing through its hands, which it is likewise unable to estimate. Since the alliance is operating at cost, and has agreed to return the unexpended balance of commissions, if any, to those who have paid them, it is not in a position, as a dealer would be, to add a lump sum more than expenses to cover all possible risks and pocket the saving as its profit.

The most uncertain factor in the cost of the reparation dyes is the duty. It had been hoped that, in view of their official source and method of importation, they could be entered at cost. A rule received from the Treasury Department on December 12 states:

"The President's proclamation under which collectors are required to accept invoices and estimated duties based upon the consular certificate of depreciation attached to the invoice has no relation to the question of the foreign market value of the merchandise. It merely determines what is the entered value. Duty, however, is not assessed upon the entered value if the appraised value is higher. It might well be that in the case of an importation shown by the consular certificate attached to the invoice to be paid in depreciated currency the appraiser in finding the value would return a value very much in excess of the value stated in the invoice. Furthermore, the department has issued no instructions to collectors as to the foreign market value of the merchandise."

It is obviously impossible for the Textile Alliance to estimate the cost of reparation dyes under these conditions of uncertainty, for, assuming the entered value to be \$35,000, the appraised value may well be \$400,000, and instead of paying duties of approximately \$10,000, the collector may demand \$120,000. Within narrower limits this difficulty may also apply to the colors obtained from the Cartel offer.

The second objection raised at the hearings relates to payment required in advance for vat dyes. The German manufacturers refused to extend credits, as I am informed by Mr. Herman A. Metz, even to their own agents in this country. The alliance had every reason to expect prompt shipment, particularly of the reparation colors, as it had provided that they should be shipped in bulk. It considered arranging with bankers for such credit as would enable it to give consumers some time for payment, if not the usual dealers' terms. The difficulties were too great, and as the alliance is acting purely as the agent of the American interests concerned, it felt that they should finance each his own importation. In the case of nonvat colors there has been no such reason for haste or to expect such prompt shipment, and arrangements were therefore made that bankers' credits promptly available might be substituted for cash at the convenience of each consumer. It is probable that the committee and certain that the officers of the alliance will desire to follow this course with all importations in the future.

Complaint was also made of unnecessary delays in the work of the Textile Alliance and of the War Trade Board section. We can deal only with the former,

and respectfully submit that in this matter consumers are themselves largely to blame and that the rest of the blame rests upon the shoulders of Messrs. Kuttroff, Pickhardt & Co., whose representative, Mr. Paul Pickhardt, to-day appeared before the committee. Many of the descriptions submitted to the alliance are incomplete or fail to state that if the dye is not available in paste form it may be used as a powder. Many documents are incomplete as to signature or in execution or require amendment as the consumer forwards successive additions to his list. Messrs. Kuttroff, Pickhardt & Co. are also largely responsible for the delay, as the following statement will show: On October 10 the State Department sent to all holders of vat-dye certificates issued up to that date a notice of the appointment of the Textile Alliance (Inc.) as its exclusive representative in connection with reparation dyes. On October 28 the Textile Alliance notified the trade of its arrangements. In the meantime holders of certificates had largely assigned them to Messrs. Kuttroff, Pickhardt & Co. and to Messrs. Herman A. Metz & Co., who, on account of the low price obtainable through the War Trade Board section, considered it advisable in the interest of their customers that their certificates should be assigned to the Textile Alliance. On the 5th of November representatives of both firms were requested to assign them directly to the Textile Alliance.

Mr. Metz did so, and at all times since has lent his cordial cooperation. Messrs. Kuttroff, Pickhardt & Co. returned the licenses to the holders of the allocation certificates. This necessitated that they should again be returned to Messrs. Kuttroff, Pickhardt & Co. for cancellation before the War Trade Board would issue new licenses in favor of the Textile Alliance. This was the first of a series of steps on the part of this firm the effect of which was to cause doubt, uncertainty, and delay in the relations between the Textile Alliance and the trade. Thus, on November 19 the counsel of Messrs. Kuttroff, Pickhardt & Co. called upon the Textile Alliance for the purpose of suggesting that the alliance should make use of vat-dye licenses assigned to it only for the purpose of securing the available reparation dyes, and that the unissued portions should be returned to the consumers in order that the German importers might import the remainder through their regular channels. In consideration, he offered that if Messrs. Kuttroff, Pickhardt & Co.'s colors should arrive before those of the Textile Alliance coming from the Badische Anilin und Soda-Fabrik, to hold the Textile Alliance harmless from losses in case such dyes should be found to be in excess of consumers' requirement. Their representative said that he understood that 30 per cent of American requirements would be satisfied from the reparation source and the remainder from the Cartel offer. He recommended that the Cartel offer be allowed to lapse, as it was his opinion that the deficit in consumers' requirements should be made up through the usual commercial importing channels.

Nevertheless, on the 22d of November Messrs. Kuttroff, Pickhardt & Co. issued a circular in which they cast doubt upon the existence of any such option as their representative had discussed with the alliance and specifically stated that it did not apply to indanthrene colors. To this the alliance was obliged to reply on December 2; and Messrs. Kuttroff, Pickhardt & Co. have apparently continued their argument, although not in their own name, through the circulation of the memorandum referred to at the head of this letter, signed by 11 textile manufacturers, whose signatures—at least, in the case of one manufacturer, who has repudiated the document on the ground that it was obtained by misrepresentation—were obtained by the representatives of Messrs. Kuttroff, Pickhardt & Co. This circular has been placed before the committee by Mr. Henry B. Thompson, who testified to-day.

With this introduction we may now deal with the statement of the circular.

On page 5 it is stated that Dr. Heery was sent abroad in October to complete arrangements between the Textile Alliance (Inc.) and the reparation commission. This is untrue.

On page 6 it is stated that if the negotiations should be consummated the Textile Alliance (Inc.) would be in a position with which no individual private concern could compete. This is true only so far as it relates to the dyes obtained from the reparation source, as to which there appears to be no complaint. There is nothing known to the alliance to prevent American importers from obtaining dyes direct from the Cartel or from other manufacturers or markets of the world upon allocation certificates which may be assigned to them, at the price which they can persuade the makers to sell for.

On page No. 6 it is stated that the result of the negotiations would compel consumers to effect their importations exclusively through the designated

official agency. However, importers may buy from the official source, as has just been shown, and it is obvious that consumers may likewise buy and import through any channel that they see fit. There is certainly nothing in any requirement of the State Department nor in the attitude of the State Department as exhibited during two months of constant negotiations to justify this charge. The State Department has shown every evidence of a desire not to create an exclusive monopoly excepting in so far as the dyes obtainable from the reparation source may be considered such a monopoly.

Nor is it true that the Textile Alliance (Inc.), by averaging the prices of reparation dyes with Cartel dyes, can supply the private consumer at prices lower than a private concern, meaning presumably an importing dealer, purchasing directly from the manufacturer. For either the consumer or importer may establish his own average by buying the cheap reparation dyes through the alliance and making use of his license to buy the remainder of his requirements elsewhere. And many have already indicated their intent to do this with the entire approval of everyone concerned.

This being so the statements made on page No. 7 are obviously without force. There is nothing, for instance, to prevent importers who have established credits abroad and have incurred other heavy expenses from making use of such credits, or of export licenses from the proper authorities abroad which may have been issued upon the faith of import licenses issued in the United States.

On page No. 8 it is stated that importers are influenced in seeking to obtain supplies of the reparation dyes by a rumor current among consumers that the Textile Alliance (Inc.), would undertake to procure for any consumer all of his allotment of dyes or none at all; in other words, that the Textile Alliance (Inc.) would preclude any importer from obtaining any proportion of the dyes from the reparation commission unless the consumer would empower the Textile Alliance (Inc.), by assignment of his license to it, to procure his full allotment. We are constrained to believe that if any such rumor was current among consumers it was started as propaganda. No such rumors returned to the Textile Alliance, nor were there inquiries addressed to the alliance by consumers which would indicate the existence of such a rumor. Furthermore had there been such a rumor importers might readily have satisfied themselves as to its baselessness. Certainly Messrs. Pickhardt and Nathan might have done so in their conversations with the officers of the alliance on November 10 and 19.

The 11 signatories of the memorandum might also have satisfied themselves had they desired to do so. As a matter of fact three of them, in spite of the statements in the memorandum, finally ordered reparation vat dyes but no other vat dyes, and the unused balances of their import licenses which they first placed with the alliance and later countermanded will be available to them for import from other sources. Five of the signatories did not approach the alliance in any manner by correspondence or otherwise. One had only lately filed his allocation certificates with us but no order as yet. Two placed with the alliance their full order for vat dyes so far as known. This in itself goes far to destroy any weight that might otherwise attach to the sincerity of the memorandum.

On page 9, paragraph 1, it is claimed that the Textile Alliance (Inc.) may give a friendly consumer the dye it seeks, while on an unfriendly consumer it may force a substitute; or to discriminate between the consumer and his agent as to the kind of dye it will allot to each licensee. This statement shows complete ignorance of the arrangements made by the War Trade Board Section of the Department of State, which has kept in its own hands the "allotting" or "allocation" of dyes. The Textile Alliance (Inc.) has no power in such a case except to distribute the available supply of each separate dye to holders of licenses in proportion to the amounts called for by the licenses and the allocation certificates.

Mr. T. A. Harris was therefore under a misapprehension when he said to the committee that the Textile Alliance had delayed in allotting dyes on his application. His order to the Textile Alliance was dated December 9, received on December 10, and answered December 11, and that is all the correspondence, so far as we can ascertain by telephone, that the Textile Alliance has had with Mr. Harris's firm.

The most serious cause of annoyance, apparently, to the signatories of the memorandum, although they are all consumers of dyes, is the fact that the alliance must under its instructions from the State Department sell to the con-

sumers and to the importers at the same price and at cost, which may be lower than the importers' own prices. To this the alliance must plead guilty. It is not true that the importer, as stated on page No. 8, must sell to his consumer at a price higher than that quoted by the alliance. He may do so if he chooses, that practice being expressly authorized by the State Department as to dyes imported through the alliance by importers. There is nothing whatever to prevent an importer from importing dyes on allocation certificates assigned to him and on licenses obtained by him from other sources than the Cartel and the reparation sources, selling them at whatever prices he may choose. This fact was recognized on the 19th of November by the counsel for Kuttroff, Pickhardt & Co. (Inc.), when he proposed to the officers of the Textile Alliance (Inc.) that the Cartel option should be allowed to lapse, and undertook in case the alliance should accept the suggestion to hold the alliance harmless from losses in case dyes imported by the alliance should be found to be in excess of consumers' requirements after the arrival of Messrs. Kuttroff, Pickhardt & Co.'s own importations.

As the memorandum reiterates on pages Nos. 10 and 11 that consumers have expressed their wish that they do not desire to procure dyes through Government agencies, and that consumers are deprived of free choice, and that there is a feeling of dissatisfaction, it may be reaffirmed that the Textile Alliance (Inc.) regrets the dissatisfaction, that it believes it to be due in large part to misrepresentation and misunderstanding, and that there has been no compulsion and will be no compulsion or interference with such use of allocations and import licenses as consumers may wish to make, even where they may have been assigned to the Textile Alliance (Inc.), unless upon the faith of such action by the consumers the Textile Alliance (Inc.) shall have entered into financial engagements or commitments by which it is bound.

The Textile Alliance or its officers have no quarrel with those who are opposed to the licensing of imports, as in the case of Col. Wood, Mr. Metz, or others, or with those who desire to protect and maintain their business as importers of dyes or of other commodities. It makes this statement solely for the purpose of correcting the misapprehensions which the pamphlet and the proceedings of the committee have given rise.

At the close of the case presented by George Deming, Esq., he offered, among other exhibits, a letter from the Textile Alliance (Inc.) to the Franklin Process Co. The letter in question is as follows:

NOVEMBER 28, 1919.

FRANKLIN PROCESS Co.,

Providence, R. I.

GENTLEMEN: I am directed to acknowledge receipt of your telegram of November 28 and to inform you that you must decide for yourselves whether the risks and disadvantages attendant upon the importation of dyestuffs through the Textile Alliance are sufficiently compensated by the advantages that you may gain thereby.

As the Textile Alliance is acting in a quasi official capacity on behalf of the State Department, its officers do not consider themselves in a position to refuse to accept such business as you may tender on equal terms with other consumers. You may, however, accept this assurance that such business as they may be compelled to transact with you will be exceedingly distasteful to them.

Yours, respectfully,

TEXTILE ALLIANCE (INC.).

The president of the Textile Alliance takes the responsibility for this letter. It was written to a firm which had made a request for special privileges not available to others and which had expressed a complete lack of confidence in the management and integrity of the alliance. It may be added that in spite of this attitude on their part they obtained every advantage to which they were legitimately entitled.

Respectfully submitted,

TEXTILE ALLIANCE (INC.),
By ALBERT M. PATTERSON,
President.

DECEMBER 13, 1919.

Mr. A. M. PATTERSON,
President Textile Alliance (Inc.),
45 East Seventeenth Street, New York City.

DEAR MR. PATTERSON: With reference to your inquiry as to the earliest date at which it was possible to obtain dyes from Germany, I beg to inform you that no licenses were authorized by the committee of organization of the reparation commission for the withdrawal of reparation dyes until November 5, and actual licenses for such withdrawal, if issued at all, were not issued until some time thereafter.

Inasmuch as nonreparation dyes may not be exported until an equal amount of reparation dyes have actually been dispatched, it will be seen that neither reparation nor nonreparation dyes could have been withdrawn from Germany prior to November 5.

Very truly, yours,

ST. JOHN PERRETT,
Chief, War Trade Board Section.

Mr. DEMMING. Before closing this case I wish to call your attention to a certain matter, Mr. Chairman.

I wish to call your attention to the fact that there were certain gentlemen here who were to appear before this committee in protest against the licensing system provisions of this bill. They were sent here as accredited representatives from the National Association of Shirt Manufacturers of this country. They sent me a letter stating that they would be here for the purpose of appearing before this committee for that reason and they inclosed in that letter a copy of a telegram and a letter which they sent to Senator Watson, the chairman of this committee, in which they asked permission to appear before this committee to protest against the licensing feature of the Longworth bill.

These gentlemen were here in this room on Wednesday. They were here for the purpose of being called in the regular order. On Wednesday evening I was in the lobby of the New Willard Hotel and I met both of those gentlemen purely by accident at about a quarter of 12 o'clock, and Mr. Ralph Hunter, the chairman of the dye committee of the Shirt Manufacturers' Association, spoke to me, and I said, "Why, Mr. Hunter, are you going on to-morrow to tell your story to the committee?" and he said to me substantially this—this is my recollection—"We are in a very peculiar position. We are absolutely opposed to licenses, but we are afraid to say so. We are facing financial ruin. Some of our factories are in a very precarious state. We are at the mercy of the War Trade Board, and if we had our dyes which they have promised us we would go on in a second and tell our story and oppose the licensing provision; but we do not wish to antagonize them. We are afraid to do so, and we have not quite made up our minds what we are going to do."

In view of this, the next day I found they had disappeared and gone home, I take it.

In the light of that conversation and this letter sent to me and the telegram and the letter sent to Senator Watson, chairman of this committee, it seems to me that the necessary deduction is that some deal or arrangement has been made between these gentlemen and the War Trade Board or representatives of the association, I believe, have been persuaded not to appear before this committee.

These gentleman have been denied, for some reason, vat dyes for a period of six or seven months. They have, to my own knowledge, been endeavoring on behalf of the National Association of Shirt Manufacturers to procure vat dyes, which are absolutely necessary in their business, for a period of six or seven months. I believe it was last June or thereabouts—it must have been the latter part of May or June when they first endeavored to get a hearing before the War Trade Board to present their case. They tried to show the War Trade Board that it was necessary to secure certain of these vat dyes.

They endeavored to persuade the War Trade Board to secure licenses; no licenses were secured. Instead Dr. Herty was sent abroad to ascertain about vat dyes.

They have not secured their vat dyes, although they have been endeavoring to do so for that length of time. Consequently it seems to me that their story would have been most instructive and illuminating to the committee on the matter of the profitable workings of this system, which is now proposed to be increased in the law of this country in normal times.

If these gentlemen should appear before this committee and tell their story—and if I may, Mr. Chairman, I would like to make the suggestion that they be invited to appear before this committee and tell their story.

Senator CURTIS. Where do those gentlemen reside?

Mr. DEMMING. Mr. Ralph Hunter, chairman of the dye committee designated by the shirt makers' association for the purpose of getting vat dyes, has his official address at No. 36 Franklin Street, New York City.

Senator CURTIS. Who is the other man?

Mr. DEMMING. The other man was Mr. Lewis E. Timms, who is an officer. I do not know whether he is president of the Manhattan Shirt Co., too. Mr. Timms accompanied Mr. Hunter here for the purpose of testifying.

STATEMENT OF MR. ST. JOHN PERRET, CHIEF OF THE WAR TRADE BOARD SECTION OF THE DEPARTMENT OF STATE.

Senator CURTIS. Please state your full name and official position to the reporter.

Mr. PERRET. My name is St. John Perret. I am Chief of the War Trade Board Section of the Department of State, Washington, D. C.

Senator CURTIS. We shall be glad to hear any statement you desire to make.

Mr. PERRET. I have kept away from these meetings for the express purpose and reason that I did not desire to be thought as favoring the bill one way or another; but I was informed about two days ago that there were some criticisms being made—criticisms of the board in connection with dyestuffs. I thought I should best be apprised by attending these meetings. I must enter a most vigorous protest against the insinuations of the gentleman who has just addressed you, but I must claim the privilege of not testifying until after I have consulted with the Secretary of State.

Mr. CHOATE. Mr. Chairman, Dr. Herty calls my attention to the fact that the quotation which was read by Mr. Sykes a few minutes ago was part of a quotation in full taken from the famous Sweitzer

report, so that the 9.60 cents, or something, on anilin oil in the report which has been read refers to and is part of Dr. Sweitzer's statement of their cost in the previous year, not 1916. It is not Dr. Herty's statement at all.

Mr. SYKES. I owe Dr. Herty an apology. I read it as being his.

ADDITIONAL STATEMENT OF MR. FRANK D. CHENEY, REPRESENTING CHENEY BROS., SILK MANUFACTURERS, SOUTH MANCHESTER, CONN., ALSO MEMBER OF THE ADVISORY DYE COMMITTEE.

Senator CURTIS. Give your full name and business to the the reporter?

Mr. CHENEY. I am Frank D. Cheney, representing Cheney Bros., silk manufacturers, South Manchester, Conn.; I also am a member of the advisory dye committee.

I desire to make the correction of an unintentional error which was in the letter presented by Mr. Thompson.

In the letter of the advisory committee presented by Mr. Thompson to this committee, page 1, paragraph 2, after the word "official" should be inserted the word "position."

In order to correct an unintentional injustice which I did yesterday to the War Trade Board, in not stating their policy with sufficient clearness, I desire to read this statement:

When the application of a consumer for the importation of a color is refused on the grounds of ample domestic production, he is advised that his application has been refused for that reason. Should the consumer request the War Trade Board Section to advise him of the source of such supply the War Trade Board Section refers him to the American Dye Institute. The War Trade Board itself has not undertaken to notify the consumer of the name of all producers. Accordingly, an unnamed manufacturer would have been furnished an opportunity to make just criticism on the part of a governmental agency. It was felt that this responsibility should be assumed by the only organization of manufacturers namely, the American Dyes Institute, which represents practically all of the manufacturers. The American Dyes Institute agreed to furnish the names of all manufacturers of a particular dye in such a case to the consumer and in this connection agreed to give the names, not only of its own members but of all other manufacturers who might not be members. The American Dyes Institute agreed to do this only upon condition that in letter refusing the application the consumer should be referred to the American Dyes Institute only when after receipt of the letter of refusal he applies to the War Trade Board Section for information.

In addition I would like to read this letter.

Senator CURTIS. What date is it?

Mr. CHENEY. It is dated December 13, 1919.

The letter is as follows:

WAR TRADE BOARD,
Washington, December 13, 1919.

Mr. A. M. PATTERSON,
President Textile Alliance (Inc.),
45 East Seventeenth Street, New York City.

DEAR MR. PATTERSON: With reference to your inquiry as to the earliest date at which it was possible to obtain dyes from Germany, I beg to inform you that no licenses were authorized by the committee of organization of the reparation commission for the withdrawal of reparation dyes until November 5, and actual licenses for such withdrawal, if issued at all, were not issued until some time thereafter.

Inasmuch as nonreparation dyes may not be exported until an equal amount of reparation dyes have actually been dispatched, it will be seen that neither

reparation nor nonreparation dyes could have been withdrawn from Germany prior to November 5.

Very truly, yours,

ST. JOHN PERRET,
Chief War Trade Board Section.

Senator WATSON. I desire at this time to insert here in the record a copy of a letter addressed to the Hon. Stephen G. Porter, Congressman from Pennsylvania, which is as follows:

HON. STEPHEN G. PORTER,
House of Representatives.

SIR: I have the honor to acknowledge the receipt of your letter of October 31, 1919, addressed to Mr. Lay, acting foreign trade adviser, making inquiry relative to the status of dyestuffs and your subsequent letter of November 7, 1919, in regard to the same matter.

The War Trade Board (by Executive order of the President, now the War Trade Board Section of the Department of State), so far as the control of imports is concerned, derives its authority from section 2 of the trading with the enemy act. It had always been the opinion of the War Trade Board, and it is now the opinion of this department, that the trading with the enemy act was enacted purely as a war measure. Accordingly, it has always been believed that the War Trade Board should function solely as a war agency. For this reason import restrictions were imposed during the war primarily for the purpose of conserving tonnage to divert it to war usages. The necessity for such conservation having disappeared after the signing of the armistice of November 11, 1918, the War Trade Board began to remove those restrictions as rapidly as possible. Since the conclusion of the armistice there have been presented to the War Trade Board numerous requests that import restrictions be maintained or instituted for the purpose of protecting industries and stabilizing prices.

Consistently with the belief expressed above, these requests were not acceded to on the theory that the enactment of such protective measures appeared to be the exclusive prerogative of the Congress, and that to maintain or impose restrictions in such cases would be a clear case of supererogation on the part of the War Trade Board.

The control over the importation of dyes, dyestuffs, and related chemicals of German origin was maintained as an exception to the above-stated policy because of the peculiar and special circumstances which were involved. The War Trade Board were advised that a bill had been introduced in Congress for the purpose of protecting the American dye industry because of its relation to the problem of national defense. The War Trade Board was urgently requested to maintain the control as an interim measure against the day when the introduced legislation would become a law or would fail. Accordingly, the War Trade Board agreed to make the exception because of the emergencies of the case and to maintain the control temporarily, not for the purpose of protecting the industry for its own sake but because of its relation to the problem of national defense.

In order that the control thus maintained might be properly administered the War Trade Board appointed an advisory committee on dyes, on which consumers and manufacturers have equal expert representation. Inasmuch as the War Trade Board was exercising the control as an interim measure against the possibility of legislation already introduced, the War Trade Board believed that, in formulating their policies in relation to the control, every effort should be made to conform to, and not to exceed, the control contemplated by the legislation. Accordingly, the War Trade Board limited its control to the very dyes, dyestuffs, and related chemicals which were enumerated in the Longworth bill. The War Trade Board also borrowed textually the language of that bill in adopting the policy of authorizing the importation of the controlled commodities when the same are not obtainable from United States sources, or, if obtainable from those sources, when they are not obtainable on reasonable terms as to price, quality, and delivery.

In the early part of September, 1919, a need of certain quantities of vat dyes of German origin having been made manifest in this country, the dye advisory committee informed the War Trade Board Section that those dyes were not obtainable from United States sources, and recommended that importations of quantities sufficient to meet the requirements of consumers for a six months' period should be permitted. The dye advisory committee also

recommended to the War Trade Board Section that, in authorizing the importation of the aforesaid quantities of dyes, consumers should be required to import the same exclusively through a designated official agency.

The purpose of this recommendation was, avowedly, to bring about the elimination, as agencies of importation, of the former American agents of German dye manufacturers. The dye advisory committee, as well as a large number of manufacturers, stated to the War Trade Board Section that in their opinion any substantial importation through those agencies would endanger the American industry. I instructed the War Trade Board Section to accede to the recommendation of the advisory committee to the extent of permitting importations to satisfy the six months' requirements of consumers, but to inform the committee that the department, howsoever much it desired to protect the American industry for reasons of national defense, could not compel consumers to effect their importations exclusively through a designated official agency; that the designation of such official agency would partake of the nature of an exclusive monopoly, and that such exclusive monopoly would be repugnant in that it would be a discrimination against American citizens who were engaged in the business of importing.

Accordingly, an allocation of license privileges to import a six months' supply of vat dyes of German origin into this country was made among consumers on October 1, and consumers were advised that they themselves, or their assignees of the allocation certificates, could apply to the War Trade Board Section and obtain, upon surrender of the certificates, licenses authorizing the importation of the quantities stipulated in the certificates.

In the latter part of September the need of certain quantities of dyes of German origin, other than vat dyes, having been made manifest in this country the dye advisory committee recommended to the War Trade Board Section that importation of quantities sufficient to meet the requirements of consumers for a six months' period should be permitted. In this connection the dye advisory committee informed the War Trade Board Section that vat dyes are not produced in this country. Accordingly when the War Trade Board Section, on October 8, advised consumers to file their applications for allocation certificates the War Trade Board Section, mindful of the provisions of section 503 (b) of the Longworth bill, advised consumers as follows:

"Allocations will be made only when the articles desired to be imported are unobtainable from United States sources, or, though obtainable from United States sources, are unobtainable on reasonable terms as to prices, quality, and delivery."

The applications which have been received will be considered by the advisory committee at a meeting to be held on November 10, and at that meeting an allocation of license privileges will be made among the consumers. As in the case of vat dyes, and for the same reasons of policy that prevailed then, consumers, upon receipt of their allocation certificates, will be advised that they themselves or their assignees of the certificates may apply to the War Trade Board Section and obtain, upon surrender of the certificates, licenses authorizing the importation of the quantities stipulated in the certificates.

The dye advisory committee upon being informed of the policy of this department, as stated above in relation to the forthcoming allocation, informed the War Trade Board Section that many dyes made in this country will do the same work as other dyes not produced in this country, and that accordingly allocation certificates should be denied in every case where an equivalent or substitute dye which is produced in this country will do the same work as the dye sought to be imported.

On instructions from me the committee has been advised by the War Trade Board Section that the stated policy of this department, in connection with the forthcoming allocation, was to permit the issuance of allocation certificates in all cases when the articles sought to be imported are unobtainable from United States sources, or, though obtainable from United States sources, are unobtainable on reasonable terms as to prices, quality, and delivery.

I appreciate that the substitutions which the committee recommends may be of appreciable benefit to the American industry, but I have deemed it expedient to instruct the War Trade Board Section that substitutes and equivalents, howsoever satisfactory, should not be forced upon unwilling consumers. In issuing these instructions I was moved by the following considerations:

In the first place, as stated above, the present control of the War Trade Board Section should not, I believe, go beyond that which is contemplated in the pending legislation. The Longworth bill does not, in my opinion, authorize substitutes and equivalents.

In the second place, I fear that the dye advisory committee and the War Trade Board Section will find it extremely difficult to decide upon a formula of reasonableness for price, quality, and delivery, which, after being defined, must be applied to the application. In adopting this formula, however accurate it might be, the dye advisory committee and the War Trade Board Section, in my belief, will invite criticism on the part of many consumers. However, the administrative difficulties which the dye advisory committee and the War Trade Board Section will experience in establishing the formula referred to above, are difficulties which the legislation itself suggests, and to that extent the control does not extend beyond that which is contemplated in the present legislation. However, the legislation does not authorize substitutes and equivalents, and I feel that if I should give my sanction thereto the War Trade Board Section and the dye advisory committee would find it more difficult to suffer the criticism of unwilling consumers because in that case the control would have been carried far beyond that which the legislation contemplates.

I have instructed the War Trade Board Section, however, to inform the dye advisory committee that if the committee agrees unanimously that a substitute or an equivalent will do the same work as the dye sought to be imported, I will agree that the decision of the committee should be referred to the consumer, and that if the consumer refuses to accept the recommendations of the committee, then an allocation certificate will be issued to such consumer entitling him to import the very dye he has applied for.

You will conclude from the foregoing that having agreed to maintain the present control as an interim measure of protection against the day when the present legislation shall either fail or be adopted, it has been the policy of the War Trade Board and of the Department of State to go no further than the legislation itself. The Longworth bill permits of no discrimination in the matter of importation and authorizes no substitution in the dyes themselves. When the need for the controlled product has been ascertained, the act makes the issuance of the license mandatory. In my judgment the extension of the present control beyond the scope of the contemplated legislation, for the very purpose of discriminating between importers and of forcing substitutes upon unwilling consumers, would be not only impolite, but the very clearest case of supererogation of congressional authority by this department.

I have the honor to be, sir, your obedient servant.

Senator WATSON. I also wish to have inserted in the record a telegram from Mr. R. Hunter, chairman of the National Association of Shirt Manufacturers, under date of December 6, 1919; also letter of same date confirming telegram. They are as follows:

NEW YORK, December 6, 1919.

Senator JAMES E. WATSON.

Senate Building, Washington, D. C.:

Dyes committee of National Association of Shirt Manufacturers begs permission for a hearing before your committee on the Longworth bill investigation being conducted by you, and will appear any time requested.

R. HUNTER, *Chairman,*
320 Broadway, New York.

NATIONAL ASSOCIATION OF SHIRT MANUFACTURERS,

New York, N. Y., December 6, 1919.

Senator JAMES E. WATSON,

Senate Building, Washington, D. C.

DEAR SIR: We beg to confirm our wire sent to you this day as follows:

"Dye committee of National Association of Shirt Manufacturers begs permission for a hearing on the Longworth bill investigation being conducted by you, and will appear any time requested."

We beg this opportunity of presenting to you and your committee the position that the shirt manufacturers find themselves in; also our efforts during the

past five months with the War Trade Board to obtain a supply of needed dyes to relieve the critical situation.

Our committee is ready to appear before you at any time to meet your convenience, and await advices when we are wanted.

Hoping that this hearing will be granted to us, I am,

Yours, truly,

R. HUNTER, *Chairman,*
820 Broadway, New York.

(Senator Watson also inserted the following statements:)

STATEMENT OF THE NATIONAL ASSOCIATION OF SHIRT MANUFACTURERS, 320 BROADWAY, NEW YORK, N. Y.

NEW YORK, December 15, 1919.

HON. JAMES E. WATSON,

Finance Committee, United States Senate,

Washington, D. C.

DEAR MR. CHAIRMAN: I understand that on last Saturday, December 13, Mr. Denning appeared before your committee in opposition to the Longworth bill for the protection of American dyes and stated that I, as one of the committee of the National Association of Shirt Manufacturers, had said to him that we did not testify before the committee because we were afraid to do so in anticipation that the War Trade Board would discriminate against us in the issuing of licenses for the importation of foreign dyes.

I want to say that this committee went to Washington for the purpose of ascertaining what the situation was with respect to the pending Longworth bill, and concluded that upon reflection it was unnecessary for us to be heard. This statement made by Mr. Denning was wholly untrue and has no foundation whatever.

Yours, truly,

RALPH HUNTER,
Chairman Dyes Committee.

NEW YORK, December 19, 1919.

HON. JAMES E. WATSON,

United States Senate, Washington, D. C.

SIR: The statements made before your committee by Mr. Denning with regard to the Shirt Manufacturers' Association were based on information that came to the undersigned from direct contact with the representatives of the Shirt Manufacturers' Association in Washington.

These statements were made, in the first place, by Mr. Timm, of the Manhattan Shirt Co.; Mr. Ralph E. Hunter, of Hall, Hartwell & Co., and their legal representative in Col. John P. Wood's room at the Hotel Willard on Wednesday evening, December 10; and, in the second place, to the undersigned by Mr. Hunter, on the Congressional Limited returning from Washington Friday afternoon, December 12. The undersigned will be glad to place the details of these conversations before you if you so wish.

We wish to state that there is no intention on our part of making any accusations as to dishonesty or immorality in any transaction, agreement, or deal which may have been entered into as between the shirt people and those representing the dye interests. Our feeling is, knowing the desperate condition of the shirt manufacturers, that they felt compelled to do anything that they could that would assure them immediate relief from a present condition that is disastrous. Also, we feel that the men who are on the dye advisory committee of the War Trade Board are a very high type of honorable, honest business men, however mistaken, and that the transaction as disclosed clearly and unmistakably illustrates conditions that will inevitably result from any licensing system that may be established vesting arbitrary control in the interest of one industry that vitally affects so many others. The motives of those representing the dyestuffs interests in desiring to prevent the shirt manufacturers from presenting their difficulties must be clear, and the necessity which compelled the shirt interests to gain relief to-day at the sacrifice of what they have stated in conversation is safety in the future, must also be understood.

Respectfully,

GEORGE B. SANFORD.
FREDERICK K. NIXON.
J. J. NEVINS.

STATEMENT OF MR. FRANCIS P. GARVAN, ALIEN PROPERTY CUSTODIAN.

Senator CURTIS. Please state your name and occupation to the reporter.

Mr. GARVAN. My name is Francis P. Garvan, Alien Property Custodian.

Senator CURTIS. We shall be glad to hear anything you may wish to say.

Mr. GARVAN. I feel that it has become necessary for me to come here and testify, as my personality has been injected into this discussion because of the position that I happened to occupy during this war. There are certain things within the knowledge of the Government which it is my duty to place before you, and which bear upon the legislation you are now considering.

I have no desire to enter into any personality or any dispute with anyone, and I have gone over my papers and I think I have eliminated everything I could which mentioned any individual.

However, to illustrate my point, there are certain documents which I must lay before your committee, and I wish you to consider that my entire motive and my only motive is, that you should know the historical background of this legislation and of this necessity upon which you are asked to legislate.

When we went into the Alien Property Custodian's office, among the first things we were asked to take over were the agencies of the German dye works here. That caused us to study the history of the relation between this country and Germany. We found that immediately upon the declaration of war, to wit, August 1, 1914, a dye embargo—

Senator NUGENT (interposing). To whom do you refer when you say "we"?

Mr. GARVAN. The Alien Property Custodian. I was then at the head of the Bureau of Investigation of the Alien Property Custodian. I came here some time in November, 1917, shortly after the declaration of war, right after the act was enacted. This was immediately upon the declaration of the Great War in August, 1914.

Germany declared an embargo on dyestuffs. That only lasted a few days. On August 31 Germany repealed her embargo and her policy from time to time varied, as it seemed to her interests to either allow dyestuffs to go out or to cut them off altogether. But there were two shipments of dyestuffs allowed to this country subsequent to the declaration of the war, on the *Mantanas*, and the steamship *Sun*. This was about a month and a half supply.

Senator NUGENT. When were those shipments made?

Mr. GARVAN. In October of 1914, or about that time. Later efforts were made to bring other shipments of dyes, but they were not successful. Then there arose a demand in this country that some position be taken by our Government in regard to the English blockade, and there arose from Germany a demand that in return for the relief to America by the importation of dyestuffs that she should change her policy—or diplomatic policy—toward England in reference to the blockade.

That culminated on March 6, 1915, in the following letter being served upon the Secretary of State, Hon. William J. Bryan, Secretary of State, Washington, D. C. The letter is as follows:

NEW YORK, March 6, 1915.

HON. WILLIAM J. BRYAN,

Secretary of State, Washington, D. C.

MY DEAR MR. BRYAN: Referring to my letter of yesterday regarding the dyestuff situation, I beg to say that I received the following cable this morning from Germany via Milan: "Latest developments make further shipments of dyestuffs impossible." The cable was sent to me by Dr. Adolph Haenser, the president of the "Verein zur Wahrung der Interessen der Chemischen Industrie, Deutschlands," which is composed of the various chemical and dyestuff manufacturers of Germany, with headquarters in Berlin, and shows the attitude of German manufacturers of dyestuffs in the present crisis.

It is safe to assume that they will take every precaution and go to any length to prevent their products reaching consumers of enemy countries, and unless some agreement can be reached to have the present condition modified, the manufacturers of this country will suffer fully as much as those of belligerent countries.

Yours, very truly,

H. A. METZ.

That was the first official notice served upon this Government that our necessity for dyes would not be satisfied by Germany without a variation of our policy toward England.

Mr. METZ. May I state that at that time that letter was written at the request of the State Department? They had requested me to do that.

Mr. GARVAN (continuing). The next paper which I wish to show will show that the policy rapidly developed to force pressure upon our Government by reason of the necessities of the dye users in this country. The condition of the dye users had become quite acute. This paper was taken from the files of Dr. Albert. It is a telegram to the foreign office in Berlin. This letter decoded reads as follows:

Serial No. 432 of March 13, 1915. It is reported to me by Hossenfelder,

who was the trade counselor in this country—I believe consul general of all the German consulates in this country, located in New York (continuing reading):

Telegram No. 4, that the stock of dyes in this country is so small that by a German embargo about 4,000,000 American workmen might be thrown out of employment.

BERNSTORFF.

WASHINGTON, D. C., March 14, 1915.

IMPERIAL GERMAN EMBASSY,

J. A. 1794.

Copy respectfully sent to Privy Councillor Albert, New York, for kind inspection.

THE IMPERIAL AMBASSADOR.
By HATZFELDT.

It was sent to Germany to bring pressure upon us.

That was followed by the final order to shut off dyestuffs in this country. It was dated April 17, 1915, and reads as follows:

MILLINGTON BEHREN,

Nine Berlin:

Hamilton Yerkes urgently request preventing all Hoechst and similar shipments. Inform immediately.

CHARLES SUCHARD.

We then found in Dr. Albert's file the explanation of this cable, dated April 19, 1915. It follows:

NEW YORK, April 19, 1915.

DEAR MR. HOSSENFELDER (Hossenfelder was acting imperial consul general): Sunday night the following wireless message went to Berlin through the agency of the Deutsche Bank:

"Hamilton associates Yerkes urgently requests to prevent all Hoechst and similar shipments. Inform immediately."

"Hamilton" means "Embassy," I am Yerkes. Unfortunately there was no code word for consulate general, so we had to designate you by the word "associates." In the stress of business I had no time to ask your assent, as you know we were agreed on the matter.

"The reference to 'Hoechst' is meant to convey at the same time a warning in regard to Mr. Metz. I assume that this is understood over there. I purposely refrained from direct mention of Mr. Metz as well as a more definite characterization of the dyestuffs, because it had to be taken into account that the American Government will be informed of the contents of the message, both directly and indirectly through the English. For evident reasons it would not be advisable that the advice from official sources here, not to ship dyestuffs and potash, should come to the attention of the American authorities.

"Copy of the letter of the foreign trade adviser of the State Department follows."

"With kind regards,

"YOUR DEVOTED,

"DR. HOSSENFELDER,

"Acting Imperial Consul General,
"New York."

Senator CALDER. Who is that signed by?

Mr. GARVAN. Dr. Albert. You can tell. He says "I am Yerkes."

Senator WATSON. I take, Mr. Garvan, that this association is for the purpose of showing the necessity, in the opinion of the Alien Property Custodian, of taking over the German patents at that time and the German business.

Mr. GARVAN. I also want to show you that on that day, in April, 1915, we were in the same position that we are to-day, and that the same system threatens us to-day, to a diminished degree, it is true, but only to the extent that it has been diminished by the progress that has been made by the American dye manufacturers. I ask to be allowed to develop that. I am not introducing that for the sake of past soreness, but I am asking to introduce it to bring the matter up to and show how it applies to our situation to-day. Then, having turned off the stopper on our supply of dyes from Germany, they then gave orders to all the representatives of the so-called big six in America to do all they could to intensify the strain and our necessities. That I will show you by the following papers:

The New York World of April 28, 1915, printed the following editorial:

HELPING US OUT.

Two large German chemical and aniline dye concerns are reported to be establishing in New Jersey to supply American demands hitherto supplied from Germany.

There are some singular omissions in the news. So far as known, these German concerns have made no preliminary inquiry about high tariff prospects for aniline dyes or the outlook for a Republican victory in next year's elections. They have not promised to extend their plants here if more tariff protection is given, or threatened to dismantle them if it is not.

Perhaps they are counting on a long war and its continued exclusion of German commerce from the seas. Perhaps they calculate that whether the war is long or short, labor will be scarce and high-priced in Germany for many

years. At all events, it is becoming evident that if American genius and enterprise are not equal to the task under existing favorable conditions of making the country independent of Germany in the matter of aniline dyes, German enterprise, cut off at home by a destructive war, will be glad to do it for us.

That editorial brought forth the following letter from Capt. Boy-Ed, whom you know, which said—Boy-Ed wrote to Albert immediately upon his return, as follows:

[Imperial German embassy, naval attaché. B. No. 5567.]

NEW YORK, April 28, 1915.

To his honor PRIVY COUNCILOR ALBERT.

45 Broadway, New York City.

MY DEAR PRIVY COUNCILOR: 1. It is, of course, unnecessary to call your attention to the brilliant article which is reprinted in to-day's Staatszeitung.

I shall be one of thousands who would like to see this article circulated in millions of copies. You will surely find ways and means to do that. Especially that excellent rhetorical question should be exploited whether the United States would indeed have delivered arms to Japan in case of a war with England (under the silent assumption that only a one-sided export of arms would be possible) and should be sent as far as possible for an express answer to all the pro-British American newspapers.

2. To-day's World contains the inclosed little article on the alleged erection of dyestuff factories in New Jersey by Germany.

In case you can take no steps to prevent an undertaking of this kind, I beg you to state whose else attention I could call to the matter.

With cordial and recognized attachment,

Always yours devotedly,

K. Boy-Ed, *Commander*.

Mr. Albert answered him as follows:

APRIL 28, 1915.

VERY HONORABLE CAPTAIN: I will not read the first paragraph, as it has nothing to do with dyestuffs. The second and last paragraphs of the letter are as follows:

With regard to dyes, I got into touch with local experts in order to determine what truth there is in the news. According to my knowledge of things, the matter is a fake, inasmuch as our factories have bound themselves orally and by word of honor to do nothing in the present situation which might help the United States.

Many thanks for every suggestion. In case the news in paragraph 2 is confirmed, I will inform the State secretary of the interior.

With hearty greetings.

Senator WATSON. What year was that?

Mr. GARVAN. April 28, 1915.

Senator WATSON. That is two years before we got into the war?

Mr. GARVAN. Yes, sir. So we have here an attempt both by their agents here and by the people abroad to bring every particle of suffering and pressure upon America in order to affect us in our governmental attitude. That is further shown by the extent to which they were willing to go by their refusing or neglecting to ship salvarsan. In the words of Mr. Metz, whose testimony I have here, he states that, as for salvarsan, Germany wanted the United States "to starve to death."

Contemplate for a moment what this means in view of the fact that we are supposed to have millions of syphilitics here. Think what an extension of the disease, and what an intensification of suffering and distress Germany was willing to impose upon her best market in order to obtain her imperial will.

But America did not cringe to the Germans. Her people began to get busy, increased our few small dye establishments, erected others, called upon the people to endure, and from that time on an ever-increasing independence of the American textile industries and other dependent industries has been accomplished, and the possibility of exercising such wrongful pressure by any other nation has steadily diminished. The same is true as to salvarsan. We got busy, mastered its manufacture, until to-day we have increased its consumption ten times and reduced its cost from the German cost of \$3.50 per treatment to 60 cents.

To go back a moment, their point of view in one of their wavering intervals before their final decision in 1915 may perhaps be instructive.

At that time, I will say, it is due to Mr. Metz to say that at all times he did his best to get over dyestuffs to this country. Mr. Metz went to Germany in October, 1914, with numerous letters of introduction from Bernstorff and from the different people, and this was the viewpoint of Albert at that time, as disclosed by the letter which he gave to Mr. Metz to present to the people over there. The letter is as follows:

NEW YORK, November 16, 1914.

MY DEAR BENEFACTORS AND FRIENDS,

Assembled in Hohen Hause, Wilhelmstrasse, 74;

Perhaps by the time when you receive these lines Herr H. A. Metz, of New York, will call with a letter of introduction. I wish earnestly to request you to take good care of him and treat him very nicely. Maybe you will take him to breakfast some time or show him other favors after the American fashion, in the event that Excellenz Richter or Dr. Muller do not do it. I am afraid they will be too busy.

At the same time I call your attention to something which you will have the kindness to bring before the proper authorities:

In considering all the favors to which Herr Metz is entitled it must not be forgotten that he is a competitor of the other dye works. For that reason I have just cabled you that the bonds covering reexport of dyestuffs are to be deposited with me. Also in allotting ship space for return freight it must be remembered that the other chemical works are to have a word to say. I earnestly recommend that this exportation of dyestuffs be somewhat more favored than has heretofore been the case, perhaps through my own suggestion, as otherwise there is danger that America itself will take up the production. Plans are already being prepared for a high protective tariff, which will be taken up by the Congress which meets in December. As Metz is a Member of the Congress, he is the right man to fight this measure.

On the other hand, the entire production of dyes should not be handed over to him, otherwise he might use the opportunity to eliminate his competitors. He is the real type of the "smart" American, who as a matter of course uses every situation for his own business purposes. Perhaps I may also to ask you specially to bring this to the attention of the proper authorities.

With hearty greetings.

Your respectful admirer,

ALBERT.

Senator WATSON. Do you know whether or not that letter was ever brought to the attention of Mr. Metz?

Mr. GARVAN. He carried it with him.

Mr. METZ. Just want to say that I never saw such a letter, and if I carried it the contents were not known to me personally. I carried dozens of letters.

Mr. GARVAN. This letter was a letter which Mr. Metz carried with him. He probably never read it.

Mr. METZ. I never saw a letter like that.

Senator WATSON. Did it not state that Mr. Metz would appear with a letter of introduction?

Mr. GARVAN. There were a half dozen letters of introduction; whether this particular letter went in the ambassador's pouch I do not know. That is the only one that refers to the tying up of the American dye industry.

Senator WATSON. What I was trying to get at was whether or not Mr. Metz had knowledge of that letter or had carried it over with him.

Mr. GARVAN. I am not introducing that letter to show anything about Mr. Metz. I am introducing it to show the German mind toward the American.

Senator WATSON. I understand your idea, but I wanted the other information if you could give it.

Mr. GARVAN. Then, again, on March 3, 1916.

Senator CURTIS. As a result of that visit of Mr. Metz did we get dyestuffs?

Mr. GARVAN. Not at that time; later we did, in the *Deutschland's* shipments. Mr. Metz can correct me if I am not correct.

Mr. METZ. We got four shipments, and I got salvarsan after that.

Mr. GARVAN. Within three weeks after the deliberate attempt in April, 1915, to cripple our \$3,000,000,000 of industry dependent upon dyes came the sinking of the *Lusitania*. This, as you know, was followed by other outrages and a constant growing anti-German feeling in America. This growth of feeling and the acts of the German Government causing it came to be discussed among the German representatives, and in reference to the subject we now have in hand some took the side that the withholding of dyes from America was a useless irritation and not effective, while another party still insisted upon its economic value to Germany. This discussion is best shown by a report of Consul General Hossenfelder, dated March 3, 1916, to his excellency the imperial chancellor, Dr. von Bethman-Hollweg, which is as follows:

(File No. 245C.)

J. No. 2019.

K. No. 102.

NEW YORK, March 3, 1916.

The proceedings which have taken place here during the last weeks in the domain of domestic and foreign politics make it seem proper, in my opinion, to treat connectedly anew our economic-political relations to the United States.

The revolt, certainly without example, which has broken out in Congress against the President on account of his attitude in the submarine boat questions has not the least thing to do with the feeling in the country toward Germany. According to the explanations given by Your Excellency and by Under State Secretary Zimmermann, the people were convinced that Germany had reached the limit of its complaisance; they saw themselves placed, through the President, before the danger of a war with Germany, and through their chosen Representatives made him understand that they did not want war and would prevent it by every means. In this decision the determining factor was the consideration that a break with Germany would have incalculable consequence for the United States and that no sufficient reason was at hand to take a step fraught with such consequences. Again, the conviction that a break with Germany is to be avoided in the interest of the United States is not based, as might be supposed, on the fear of the German Empire, but on the provision that the Americans, in case they take a hand in the conflict, would have to raise war costs for the Allies, and, most of all, that the country would be divided into two hostile camps by a participation in the European war, out of which, under increasing embitterment, severe internal conflicts could develop. Sober business sense and cool calculation between the stakes and the possible gain have guided

the American peoples, not by any means a change in their sympathies for the individual nations waging war. This statement seems to me necessary in order to meet those who, in spite of all experience, stick to the illusion that a transformation of feeling in favor of Germany can be detected, and lay claim to every incident by which our interests are not directly injured as a proof of the correctness of their view.

Germany and the United States, even after the outbreak of the war, were willing to carry on commerce with each other. This commerce was tied up merely by England, which wants to prevent Germany from drawing necessary materials from abroad on the one hand and on the other of improving her finances by the sale of her own products. For this reason the relation between the United States and England is, for the duration of the war, of far-reaching significance also for our economic relations to the Union. Hitherto the United States has accepted the injury to its commerce by England, has borne the loss arising therefrom, and has taken no steps to force the abolition of the existing situation in its essentials contrary to international law. Does there exist now in reality any well-founded prospect that a change is taking place in this attitude? This question I must answer with an unconditional "No."

Among us the view has plainly hitherto found zealous advocates that the United States would proceed against England and the English aggressions as soon as we shall have yielded to American wishes in the *Lusitania* affair. As is well known to your Excellency, I have always considered this view to be a grievous mistake. If my conviction hitherto was based merely on personal observations and inferences, I believe now I am justified in assuming that the incidents of the last few weeks have brought out the feeling of the Government here without concealment and (in a manner) recognizable by everybody. We meet in Washington only hostile feelings and conscious partisanship. However, the fact remains that the chief trend of the politics of the Federal Government is determined by internal political pressure and counterpressure.

So far as the feeling throughout the country is concerned, the English aggressions, especially the molestation of American travelers, the confiscation of mail, and the supervision of American business by British diplomatic and consular representatives has recently beyond doubt aroused strong dislike. But the bearers of this bad humor, which is openly expressed very often, are those in the main who have been directly or indirectly hit and who in their totality do not make up the whole of public opinion by a long shot. There exists only an invitation which makes the wish for a remedy become vocal in these special cases but which is not in the remotest strong enough to break the bonds sealed by race, language, and views of life which bind this country to England or from the feeling of mortification to arouse sympathies for the enemies of England. The longer the war lasts the clearer it will become, even to the prepossessed American, that England is sorely fighting for her existence. His ethics allows the American regardlessly to exploit the embarrassing position of the fellow members of his race to his own advantage. Nothing lies farther away from him than to take the side of Germany in this struggle for Anglo-Saxon supremacy. He can not at all, therefore, wish in his heart that his country should hinder England from wounding Germany or that he should furnish Germany the means of being able to continue the battle against England. Ample provision is made here that the question whether the lack of certain raw materials will not finally force Germany to a peace is kept continually before the eyes of the American public. I am, therefore, not able to see upon what a justified hope for an "about face" in popular opinion in our favor could be based.

Economic considerations, i. e., their own advantage, for high finance here and the industry dependent upon it for the stock exchange and all those who live from the manufacture of arms, ammunition, and war material, point the way into the English camp, as I have already explained in earlier reports. They have all the most urgent interests in the preservation of England and in following an American policy which takes account of English needs. In regard to the political influence lodged in these groups, I need not spread myself further here in view of former reports rendered.

On the other hand, a different relation exists with the producers of raw materials who are robbed by England of the possibility of selling their products to the Central Powers, and with those business circles and branches of industry which need German wares and German raw material. With both the interest in the continuation of commerce with Germany stands in the foreground.

Among the producers of raw materials the cotton planters occupy the first place. I can only repeat here what I have already elucidated in another place,

that the cotton planters are not suffering distress, that their pressure meets a stronger counter pressure, and that they, with their possible consideration, will find no hearing in Washington as long as the prices of cotton are maintained at a proper level. That is the case at the present time, and, according to all reckoning, will be the case for an ample period to come. If later the prices for cotton should fall below a certain level, it not only lies within the realm of possibility to remedy the complaints of the planters by Government measures, but England also will be reminded of her promise previously given to be willing to support the cotton market if necessary. On wheat, which is at a very much higher price than before the war, the farmers have made enormous profits. For the copper market other conditions hold, as the conditions of a whole fraction of the population does not depend on it. Incidentally, the prices are extraordinarily high. The consumption of a whole list of other articles has so increased as a result of the war, both here and in the foreign lands hostile to us, that the loss of the demand from the Central Powers is being more than equalized. From the group of producers of raw materials also no pressure promising results is to be expected. That the army of importers have not to-day the interest in the maintenance of unhindered commercial intercourse with Germany as at the beginning of the war, because their business energy has been applied to other ends, the business expert has already explained in his report No. 3, Part II, of the 14th of this month. The movement emanating from the importers has therefore, with the lapse of time, lost very considerably in extent and significance.

Neither through money nor the granting of credit, nor by any other means, can that critical situation be relieved which has been called forth by the removal of certain articles which are obtainable only in Germany. These articles are chiefly potash, chemicals, and dyestuffs. Potash is desired by agriculture inclusive of the cotton-planters, all the more urgently since even last year sufficient fertilizer could not be brought to the soil. To enumerate the industries which are suffering from the scarcity of German chemicals would lead too far. I may, however, mention that the cry for help which comes from the world of physicians is becoming louder and louder and more and more insistent. The country, however, is being hit hardest by the lack of dyestuffs which makes itself felt more and more every day in regard to which I may refer to the report of the business expert No. 5, Part II, of the 15th of this month. What the United States is able to produce in dyestuffs is neither in quality nor in shades in the remotest sufficient to meet the existing demand. It is now acknowledged here on all sides that the reports to the contrary of Mr. Norton are not only too optimistic but directly untrue. With these, the assurance of Mr. Redfield, Secretary of Commerce, at whose suggestion Norton's reports were made, have lost their value. Of the agitation brought about by the Government there is left only the effort to carry through some legislation by which great hindrances are to be put in the way of the importation of dyestuffs in the future. In estimating the effect which will be produced by cutting off the importation of potash, chemicals, and dyestuffs it should be taken into consideration that the circle of persons affected is very extraordinarily large. Through the lack of dyestuffs alone not only is a whole list of important industries (wool, cotton, leather, paper industry, etc.) gradually made lame, but for the great public, living becomes more expensive both through the rise in price as well as through the small durability of all products for whose production colors are used. We are here, unquestionably, face to face with conditions which are without a parallel in the past.

When I balance the pros and cons with each other I come to the following conclusions in regard to Germany. If we, at some calculable future time, should be restricted to American articles in order to be able to carry on the war, something which would certainly not escape the official American representatives in Germany and which would not remain hidden from England, we would not get these articles because England would not permit it and the dominant factors in the United States likewise do not wish it. If the Government here on account of individual English aggressions should screw itself up to inconsiderate language in its notes addressed to England, it is to be assumed that these notes are first and foremost intended for home consumption. That the United States should decide, in case of necessity, to give emphasis to its demands by measures of compulsion, I consider impossible before as well as after. Besides, for example even a threat of an embargo on munitions and war materials would make little impression on England at present, since such an

embargo would hit America much harder than the continuation of the suppression of commercial intercourse with the Central Powers.

If the idea of the possibility that the United States, in order to carry through its demands, could use measures of compulsion or of retaliation is dropped, the fact still remains that England in many important things is dependent upon the support and the good will of the Union to a far-reaching degree, and could, therefore, see itself forced voluntarily to yield to certain American wishes, even if the fulfillment of these wishes touched English interests. The situation created by the lack of potash, chemicals, and dyestuffs will make a decision necessary within a calculable period. I consider it, therefore, to be probable that the American Government, which can not escape its obligation in relation to its own country, will demand from England the unmo-lestled exchange of the German articles mentioned for American products, like wool, etc. If this should take place and England should show itself inclined to yield to the demands, which is very doubtful, the question still remains open whether a real gain is thereby achieved for Germany. I must answer this question in the negative.

In his report No. 3, Part II, of the 14th of this month, already mentioned, the business expert has treated the changes which have taken place in the economic domain here as the immediate consequences of the war. He has explained that not only a far-reaching dislike to Germany and German products has gained a footing here—and, indeed, in the influential business circles—but that zealous efforts are being made to render themselves independent of Germany in the industrial field; that especially the elevation of tariff barriers and the sharpening of procedure in collecting tariffs is favored by both great parties. On the basis of his searching investigations he has come to the conclusion that after the end of the war we will be compelled to build up our export business to the United States anew from the bottom up. I agree with his arguments in all points.

The conviction that the United States is chosen to draw permanent advantages without effort out of the economic exhaustion of the nations involved in war has become a sort of dogma to the American. We, on the other hand, upon whom war has inflicted deep wounds, will naturally not feel any inclination after the war to delay the healing of these wounds by allowing a neutral of strength in the economic domain to follow the grievous passage at arms just concluded. In the transaction with the United States (Tariff Navigation) for which we must make ourselves ready after the war, we shall have, therefore, an extraordinarily difficult situation. In these transactions the circumstance will be of such a great weight that Germany, victorious in all the theaters of war during the war has been compelled to put up with a neutrality existing only in name, a neutrality, of the mendacity of which people here are fully conscious. As I am acquainted with the quite ridiculous belief of the American in his own superiority and its consequences, I consider it extraordinarily important that a counterpoise be created here. The opportunity for it is at hand. Without needing to run the risk which in the intercourse of the nations is bound up with every arrangement of war measures, we now have in our hand the means of showing the American by withholding potash, chemicals, and dyestuffs that he can not do without Germany; we can bring before his eyes what value appropriate commercial relations with Germany have for his own hand. After the war the opportunity for a practical demonstration of our strength and his dependence will not exist unless we allow it to come to a trade war. If we allow the American to relieve the critical situation in which he is placed by pressure upon England we shall show ourselves in his eyes only as not equal to the situation and shall uselessly play our chief card. Since, as I have argued above, we shall not receive the articles which we unconditionally need for the continuation of the war, from America, the alleviation which, for example, the occasional exchange of a quantity of dyestuffs for a quantity of cotton may afford, is, in my opinion from the German viewpoint no equivalent for that which the American receives. Therefore, we should, according to my conviction, hold ourselves absolutely passive in relation to the proposals for the exportation of potash, chemicals, and dyestuffs, and, if the opportunity arises, make the sanction for them not dependent upon the consent for an exchange of articles but upon the abolition en bloc of all the hindrances to intercourse contrary to international law which have been instituted by England. The impossibility of fulfilling this demand would merely contribute to give the effects of the lack of German articles a very intensive shape. In political regards we have nothing to hope from the United States during the war and the time following on the

treaty of peace which will be dominated by the immediate recollection of the war. Experience has taught us that our willingness to meet half way has been answered by setting up new demands. As I have occupied this position from the very beginning, I may indeed repeat it here once more after the events have spoken.

In conclusion I should like to refer still to a phenomenon which no one here can pass over. It concerns the attitude of the large German firms or large firms representing German interests. It is striking in what an increasing degree these firms, with a disregard of the cause of all Germany are concerned only about their own business welfare and their profits in money, since the danger that we might sacrifice our position as a great power in this war, appears to them to be averted. On this fact, the justification for the contradiction can be measured which might easily be raised directly or indirectly to the views of certain business circles represented here. The prospects for large profits are most weighty among the representatives of the dyestuffs industry. Therefore, in these circles the doctrine is most loudly championed that the resumption of exports even without a *quid pro quo* and an exchange of wares must be Germany's principal aim in commercial politics.

The chemists whose judgment as specialists is not determined by the commercial directors over them, unreservedly acknowledge that the building up of a chemical industry of equal rank in the United States will take years under the best circumstances, that it is, besides, hardly possible without the help of the talents trained in Germany. What can take place in years will take place whether we furnish dyestuffs now or not. For our national economy some million dollars which flow into the pockets of the dye industry are of small significance. As long as we buy in Scandinavia, Holland, and the Balkan countries, the rate of exchange of the Imperial mark will be unfavorably influenced in the United States also. The ideal means of supporting the rate of exchange is the sale of German securities, for the systematic working up of the field a large market is to be found here.

A copy of the report goes to the Imperial German Embassy.

HOSSENFELDER.

To His Excellency the Imperial Chancellor,
Dr. VON BETHMANN-HOLLWEG.

[Translated by J. P. Hoskins.]

I also desire to submit for your consideration some further letters from Dr. Hauser, head of the Farbwerke Hoechst Dye Works and also president of the German Society for the Preservation of German Commercial Interests.

HOECHST A. MAIN, June 20, 1913.

FARBWERKE VORM. MEISTER LUCIUS & BRUNING.

Hoechst am Main.

MY DEAR MR. METZ: I received your two letters of the 4th and 10th of this month.

As regards hydrosulfite, I can only explain to you once more that we invoice exactly according to the lowest market prices here, that we naturally deduct packing and freight from the duty invoice.

Your communications about Bayer interested us greatly. In the meantime I have also heard personally from Mr. von Boettinger, as you telegraphed to us, that Elberfeld have established a new Bayer Co., and apparently also a special company for the pharmacy department; for the erstwhile process this new establishment will certainly not be of much use to them. The handing over of the papers to Dr. Hess seems to have been a real joke.

It is very interesting, that you now receive the samples of the competing factories on the part of the dyers for examination. I can nevertheless imagine that an uncomfortable situation may sometime arise for you because of it.

We are naturally not interested that hydro-blue or carbazol colors should be placed on the free list; would not, however, on our part come forth directly against Cassella; you will therefore on your part omit any direct work against Cassella. I also repeat, as I have already informed you in my communication of June 9, my opinion, that the best for all of us would be, if certain dyestuffs, including the alizarin dyes, would pay about 15 per cent duty, and only indigo remains on the free list. I should consider it a great success were you successful in leading up to such a change in the tariff.

Mr. Hinrichs wrote us on the 9th of this month, and gave us once more, in an inclosure, his drawn-up agreement, which, however, contains nothing new. I answered him to-day, according to inclosed summary, and hope that he will now be able to take requisite measures. Against a deposit of the shares for us in England (perhaps at Speyer Bros. in London) we have naturally no objection; on the contrary, it would be, as you yourself rightly say, still more convenient for us to have the deposit in England.

Mr. Widemann was here recently, and journeyed away yesterday. I did not find him looking well, and had the impression that he was truly in need of a rest. I really heard nothing new from him.

With best greetings,

Yours, respectfully,

DR. HAEUSER.

FARBWERKE VORM. MEISTER LUCIUS & BRUNING.

Hochest am Main.

HÖCHEST A/M., May 14, 1913.

MY DEAR MR. METZ: I received your letters of the 1st and 5th instant and extend my best thanks for the interesting news contained therein. In the interim I wrote you two letters on the 8th instant, copies of which I inclose herewith, and from them you will see that we at least desire to accede to your wishes. Should extraordinary difficulties present themselves, we will quickly overcome them. A trip across the water right now I would not relish, but if it can not be otherwise arranged, I will have to decide to do so. I believe, however, that I can correctly judge the situation over here, and that it is possible for me to reach the same conclusion as you have. In this regard you are perfectly right, that attention has been attracted to the activities of the chemical industry concerns, and that the American Government secures information regarding them.

I beg you to have patience with Hinrichs; he is rather peculiar, but on the other hand he is capable and dependable.

The other firms here are also agitated over the situation. We must allow each of them, even Kalle & Co., to do that which from the nature of their peculiar circumstances, they find the proper course to pursue. What concerns you and ourselves, if we agree upon the changes you propose, we at least set aside any ground for complaint.

With reference to the drawback as to our correspondence with Hinrichs, it is so arranged that it can be presented to the Government in unrecognizable shape, being in the nature of a private code, the necessity of which I regret. Mr. Hinrichs writes us in his last letter of the 30th ultimo, if matters of interest are not received, that it is not necessary to produce such correspondence, but only receipts and such matters. Hinrichs, however, did not follow my wishes as to receipts, etc. Under these circumstances it appears to me that the most charitable and safest plan is not to induce Mr. Hinrichs to make use of the correspondence.

Your idea that Kuttroff remains with the native Elberfeld Co. in a certain clerical capacity does not meet with the approval of Messrs. Von Elberfeld and Von Ludwigshafen.

I can readily imagine that you are unusually busy in Washington now. The Congressional Record, which you were kind enough to send me, I will read with much interest. From it one can best picture the situation.

The Badische is naturally not much pleased that allzarin has to pay a duty of 10 per cent, whereas the indanthren and the remaining anthracenderivate must pay full duty. We trust, however, that you will be able to push through allzarins without any duty and have the duty on dyestuffs reduced. It would at any rate be very nice, though I can not really believe it possible, after we were so badly cut up by the revision of the tariff. I beg of you to forecast exactly the best results obtainable in delivering to your f. o. b. European ports.

For the kindness shown my wife by your sending her an invitation to attend the opening session of the House of Representatives, I thank you many times in her behalf.

With best wishes,

Yours, sincerely,

DR. HAEUSER.

Confidential.

HOECHST AM MAIN, August 5, 1915.

DEAR MR. METZ: Your friendly letter of the 14th ult. received and I send my best thanks for your esteemed communication. I am still awaiting the receipt of the revised accounts sent by Mr. Spielhagen.

Regarding the Bethlehem Coal & Iron Co. and the Deutsche Bank, I have heard nothing, and I can hardly believe that under existing conditions the Deutsche Bank would support any such undertaking, to the detriment of the German dyestuff industry.

That Bayer is in back of it, I believe even less, for I know from only recent reports that no German dye factory even considers, during the present shortage of chemicals, to manufacture anything new over there. Bayer would certainly not undertake, as far as one can see, to take up something new, when the few articles (blue, vesuvin, Bismark brown, fuchsin) have already been delivered by them over there.

We lay great stress upon the fact that you personally will not participate in any manufacturing enterprise.

The present conditions can not last much longer. If our successful movement in Russia continues in the same ratio as during the past week, the Russians will get war-weary, and they will then be compelled to sue for a separate peace, which would quickly change the situation.

As soon as normal conditions return, those who took advantage of the present abnormal and uncertain conditions to build up new enterprises will later have to suffer heavily.

I thank you for your interesting report on indigo shipments from China.

With best wishes.

UNSIGNED.

Perhaps the best historical picture of the entire matter was expressed in Dr. Albert's long cable to his home Government, dated April 26, 1916, as follows:

DR. ALBERT'S CABLE ON THE EXPORT OF DYESTUFFS.

69A

APRIL 26, 1919.

The policy of withholding dyestuffs was at the beginning of the war without doubt the only possible one. The hope was entertained of bringing the American industries which were solely dependent upon German deliveries of dyestuffs into the position that they would have to insist on the importation of dyestuffs under the conditions demanded by Germany.

This policy has been in part successful in so far as a great dearth of dyestuffs has beyond all doubt arisen. The industries concerned have developed a lively activity in order to induce the Government to accept the German conditions—export of dyestuffs only in return for the importation of goods to Germany. But it has been demonstrated, nevertheless, that the political pressure of these circles was not strong enough to cause the American Government to force England to give up this blockade on imports.

In the meantime the lack of dyestuffs has, to be sure, not been eliminated, but it has been in many respects mitigated. The public has once become accustomed to ask for articles which are dyed with colors produced here in the country. Moreover, a certain development of the American dyestuff industry has taken place. This, to be sure, is not in a position to compete with German industry in the most important and most numerous products, but has, nevertheless, assured itself of a certain market territory. A lively demand for protective tariffs and for clauses in the tariff legislation which shall prevent "dumping" has been called into existence. By emphasizing the national element a certain pressure has been exerted on the American Government which can, to be sure, hardly have as its result the rearing up of an American dyestuff industry equal to competition, but which may easily lead to the result that legislation embarrassing in many respects will be introduced.

The German Government has been made responsible for the famine in dyestuffs, as the press of the Allies has succeeded in velling the real state of the case in a very skillful way. The German standpoint was understood in interested circles at the beginning. But when the withholding of dyestuffs exerted no influence on the attitude of the American Government in relation to the English blockade, the uselessness of this procedure should have been recog-

nized in the opinion of many Americans. As that did not come to pass, motives were sought for and found in the anu (endeavor) that the German Government, by cutting off dyestuffs, wanted to hinder the development of the American textile industry in South America. Accordingly, the arguments which undoubtedly influenced the English policy were turned against us. In view of the great sensitiveness which all South American questions meet in respect of the Monroe doctrine, an unpleasant political impression has been thereby created.

The effort of the Allies to put the blockade against Germany into effective shape is lately no longer restricting itself to the prevention of importation. Since importation from the countries bordering on Germany can not be prevented, attempt has been made to sharpen the effect of the blockade by preventing payment for this importation. Not only the exportation of German wares, but also most of all the creation of German credit by the sale of securities is made difficult in every way possible. As it was openly expressed, the Allies want to prevent the formation (establishment) of every new German credit abroad. As Germany in fact has large imports for which it can not pay entirely by exports into neighboring countries, and as the sale of securities has been rendered difficult for various reasons, the German rate of exchange has, in fact, started on a downward path. The Allies take advantage of that very skillfully to show that Germany has reached the end of its resources. The declining rate of exchange, they argue, shows an exhaustion of German credit. With these arguments they reconcile to a certain extent that part of the public which considers the blockade illegal, but for humanitarian reasons long for a swift and, if possible, bloodless ending of the war. From this point of view every means which brings about a strengthening of the rate of exchange is of the greatest importance.

It therefore appears especially desirable to acquire credit in America by the release of dyestuffs. This credit, on the basis of a quantity of 15,000 tons at to-day's prices, might yield a sum of twenty to thirty million dollars. If this sum is paid in an appropriate way and a correspondingly skillful use is made of it, it is easily possible to influence the rate of exchange thereby. It is not a question of bringing the exchange up to a definite point by this sum. But an upward movement can be effected. If such a movement sets in, other forces will work in the same direction. Most of all, bear speculation (short selling), which has been carried on to a considerable extent, will be discouraged. Besides, it is to be assumed that a rise in the rate of exchange will exert a favorable influence on the sale of the German war loans. A low rate of exchange certainly invites many a one to buy; a declining rate, however, discourages the owners of securities, deters them from new purchases, and leads to a certain depression in all circles coming into question.

Different objections have been raised against this. It has been argued that the sum is not sufficient to bring about a lasting improvement in the rate of exchange. The rate would decline again, and with that the purpose of the Allies to show the weakness of Germany in a falling rate of exchange would be attained. Of course, it can not be told to-day whether the attempt will be successful or not. But the following can be assumed with certainty: If \$30,000,000 with proper use can not hold up a decline in the rate of exchange, then the manipulations of the Allies without such a counter influence must bring about a far worse repression. A second objection is this: The submissiveness which we show in this field, it is asserted, plainly shows Germany's necessity to mobilize its last reserves. There is no doubt that this argument will be used by the allied press. But the fact must not be overlooked that a successful move by Germany in this field will be very unwelcome to the Allies. It will not be hard to prove that the sale of comparatively small lots is to be regarded as an accommodating attitude toward American consumers, and not as a sign of weakness.

As a matter of principle we do not surrender our standpoint in relation to the Allies. By the creation of American credit we thwart the blockade of exports attempted by them, which, as a matter of principle, is certainly just as important as the attempt, and, moreover, the unsuccessful attempt, to thwart the blockade on imports by withholding dyestuffs.

As far as the fear is concerned that Germany's compliance in relation to the Americans might be regarded as weakness, and might thereby render difficult our other negotiations, this argument is certainly without foundation. The expositions of principles with the United States in regard to the submarine boat question has reached such a stage that comparatively subordinate questions are without influence.

Senator WATSON. What is the date of that?

Mr. GARVAN. The 26th of April, 1916.

Their change of policy is shown from the fact that they discussed the 15,000 tons that were to come in to equalize the mark. The result of that was the shipment of the concentrated dyes by the undersea boats.

Senator WATSON. When did the undersea boats get in?

Mr. GARVAN. One was docked in November.

Mr. METZ. One boat arrived in June, 1916, and the other in November, 1916. The *Bremen* had a big cargo, but she never arrived. She was lost.

Mr. GARVAN. The direct result indicated a change in this policy, the new idea being to send undersea boats.

Mr. Bernstorff, however, seems to have gone too far to satisfy his own Government in stating that their policy had completely reversed. On May 21, 1916, Bernstorff received the following:

For Privy Councillor Albert.

BERLIN, May 21, 1916.

Foreign Office, 11U2235, No. 47.

His Excellency the Imperial Ambassador,

COUNT V. BERNSTORFF,
Washington, D. C.:

In the New Yorker Staatszeitung of April 16 we find the note printed, concerning aniline dyes, supposedly directed by Your Excellency to Lansing. Therein is stated:

"Under these conditions (?) the Imperial Government is, if necessary, even prepared to put forth every effort to have German chemical factories, in so far as circumstances will allow, to put aside all other work and manufacture such colors as are especially urgently needed in the American market."

In this especial attention should be given that unnecessary competition is not made against the American dyestuff industry. This announcement, which does not correspond to the facts, is likely to bring forth discord in the interested circles here, or will result in difficulties (inconveniences) to our industry. I shall look forward to a report by the next mail if you please, which will be necessary in explanation of the information given out and which goes beyond the limits of the authority given you.

ZIMMERMAN.

And then Count von Bernstorff explained:

Secret.

For Privy Councillor ALBERT,
Imperial German Embassy.

A No. 322.

In reply to the official notice of 23 IV 16 No. 182 and of 21 V '16—No. 11 20 2235.

RYE, N. Y., June 21, 1916.

On file (dyestuffs).

In the envelope.

Post Code (cipher).

Among the reasons which were determinative for the refusal to export dyestuffs without equivalent, the indirect effect of this refusal on the English blockade was not only the principal one, but also the reason in regard to which it would have been difficult for the Imperial Government to form a judgment of its own. On this account I expressly emphasized the fact in radiogram No. 695 of March 26, 1916, that agreement existed between the consulate general and myself in regard to the elimination of this reason, as had become clear in a thoroughgoing discussion with the consulate general, together

with the consultation of persons interested. Regarding the remaining reasons contained in the memorandum of the consulate general of March 24, 1916—the shaping of the rate of exchange, reaction on the sale of the war loan, damage to our credit, the effect of a compliance on the politico-commercial negotiations after the war, the demand in the U. S. for sales to South America—I had no occasion to make a report to Your Excellency, wholly aside from the fact that I regarded the reasons as of secondary character and as not valid, since the arguments determinant in this case could be judged better in Berlin than here. I had, therefore, particularly in view of the brevity imposed by the radiogram and of the circumstances that the American Government will receive knowledge of the content of the telegram, no reason to go into these arguments or to mention the attitude of the consulate general.

But in so far as the purely formal question, whether the Consulate General agreed with my proposal, came into consideration, apart from the pertinent considerations, I felt that I might presuppose it as known to your Excellency that the administrator of the Consulate General at this time is accustomed to contradict in every case my suggestion offered by me—whether it is a question of political, politico-commercial, economic, or propagandist measure—and to give his expression to his differing opinion not only without delay in a report to your Excellency but also with the extension of his criticism to the policy followed in general by the Imperial Government in reference to the United States, publicly in the German Club in the presence of numerous members. I, therefore, assumed that your Excellency would presuppose the opposition of Consul Hossenfelder, as given, in the present case also and restricted myself, for this reason, to the establishment of the agreement on the most important point which was not to be assumed without further explanation.

I mention expressly only Consul Hossenfelder because, to my sincere regret, in view of the state of his health, I am no longer able to attribute any importance whatever to the opinion of Mr. Waetzoldt. Mr. Waetzoldt is so reduced in memory, in his judgment, and his ability to work, that he is no longer able to cope with the present continual change of conditions, and stands under the influence of the arguments occasionally delivered to him, which, according to the nature of things, leads him to share in the opinion of Consul Hossenfelder in regards to reports and memoranda in writing. The fact that he also signed the memorandum in regard to dyestuffs can not be taken into consideration. Characteristic in this regard is the reference to Mr. Waetzoldt's opinion in the report of the Consulate General of April 26, 1916—Jr. No. 4612—concerning the reaction of the release of dye tufts on public opinion here, since Mr. Waetzoldt a few days later, at a meeting of the committee of dyestuffs importers, representatives of the Republic Trading Corporation and their attorneys agreed to the contrary (opposite) opinion.

The German reproduction of the note about the question of coal-tar dyes contained in the New York Staats-Zeitung of April 21, 1916, is a retranslation from the English text. The passage in question runs as follows, in the original note:

"Under these conditions the Imperial Government, if need be, is even ready to work to the end that the German chemical factories, in so far as it is at all compatible with the conditions, be relieved of other work and produce those colors which are needed with especial urgency in the American market."

For the comprehension of this declaration I may observe that the purpose of my proposal to sanction the exportation of dyestuffs was either to achieve the politico-financial effects bound up with it, or, and this was from the outset the more probable case, to shove the blame for the nondelivery of dyestuffs upon England. The purpose of the measure was, therefore, in its essentials, a political one in so far as the deep-rooted dissatisfaction which embraced wide groups on account of the refusal to release German dyestuffs, should be done away with, and a convenient means of agitation be snatched from the English. This succeeded in full measure. In order to attain the result, nevertheless, it was necessary in the next place to prevent our accommodating spirit at the time from being construed as a bluff. In explanation of the former German attitude, it had been pleaded here from different sides that Germany was not in a position to deliver dyestuffs for the reason that the chemical factories were overwhelmed with orders for explosive materials. This defense of the German attitude, intelligible especially from the standpoint of importers here, had established itself so well here, it was held up to me among others, even in the State Department, that without a corresponding counterstatement every

change of Germany in her attitude hitherto would have been construed as a disloyal deception.

From the objective point of view there was no objection to the declaration in so far as, in consequence of its nonobligatory wording, its execution depended from the outset of the free discretion of the German Government. In what way I, with such a declaration, went beyond the authority conferred upon me, I am not able to comprehend. I feel justified in regarding it as my task to bring a communication ordered by you, before the American Government in that form which exerts the greatest possible influence in our favor on public opinion, presupposed that no inadmissible objective concessions are made thereby. It depends so much the more on a corresponding form since, as your Excellency knows, official notes on the part of the Germans are at this time the only effective means of influencing public opinion in this country. It is, therefore, of the greatest importance that such notes receive that wording which, according to a profound knowledge and appreciation of conditions here, appears necessary.

BERNSTORFF.

I think, gentlemen, that I have introduced enough to show to you that even prior to 1916 the dye industries of Germany were utterly and absolutely under the central control of the Government, and that the central control of the Government was able to use those dye industries at will for such governmental purposes as it desired.

It has been shown here that in 1916 they became one great trust, called the I. G., and it might be inferred that this was due to war conditions, but I want to show to you that it was but the logical carrying out of a scheme long thought out, of long years' standing, which had for its object the control of the world's dye markets and through that control of the world's dye markets the possible destruction or limitation of all the dependent industries, not only of this country, but of every country, to the advantage of those industries as established in Germany itself.

This was wholly apart from her settled purpose that by destroying the chemical industry of all other nations she sought to leave them impotent in war. In 1910, that farseeing and able Senator, the late Mr. Aldrich, of Rhode Island, obtained the translation of the principal authoritative book upon the German banks and upon the cartel system. This book was entitled "The Great German Banks and Their Concentration in Connection with the Economic Development of Germany," by J. Riesser, Geheimer Justizrat and professor at the University of Berlin. In order that the country might exercise prevision, this translation, at Senator Aldrich's request, was printed as a Senate document, and is known as volume 43, Senate Documents, Sixty-first Congress, second session. In this volume, at page 724, the author, after recounting the combination into the "Big Six," goes on to say:

It is self-evident that this development has not yet reached its final goal. There is even now an agreement between the Badische Anilin-und Sodafabrik and the Höchst Dye Works, by which they act in common in fixing the selling price of artificial indigo manufactured by both. It is quite likely that the Höchst-Cassella-Kalle & Co. combination and the other triple alliance (Badische Anilinfabrik, Bayer, and the Aktiengesellschaft für Anilinfabrikation) will gradually get together in one way or another and at some more or less distant future time form a consolidation of all aniline dye works.

It is our contention that the general scheme of the Germans was that this supremacy should go on and that it had been decided upon a long time ago, continued until there was one institution, namely, the I. G., and that thereafter, under the guidance of the I. G., the

chemical industry of Germany, supreme in the world, would then become the means of aiding all other industries dependent upon dyes in Germany by withholding from similar industries in other countries the best of their dye products and by favoring the home industries in prices, or otherwise, as occasion arose.

In other words, the textile industry and all other dependent industries are faced to-day with a choice of two licensing systems, one inaugurated by our own Government on behalf of domestic dye manufacturers, and the other consisting of Herr von Weinberg, the head of the I. G., working at all times the will of his Government. There is not a textile, carpet, leather, or other dye-using manufacturer in this country who can to-day receive 1 pound, except at the personal behest of Von Weinberg, and except for the protection he is insured under the peace treaty, which provides that for a period of five years the Reparation Commission shall have an option upon 25 per cent of the production of the German works. The failure to pass the licensing system would allow Kuttroff and Pickhardt and Metz, and the other German agents to destroy the protection of that Reparation Commission's agreement, for no agency of the Government would dare exercise this option if they were in danger of meeting the open competition of German direct representation here. But if a licensing system as provided in the bill is established, the Tariff Commission can act cooperatively with the Reparation Commission and draw the needs of this country from that supply until such time as our industry has made itself 100 per cent independent.

I ask you, gentlemen, to consider the condition this country would have been in on that date in 1916, when all the chemical industries of Germany were united in the I. G., if the war had not come with its alarm and its instruction, through her failure to heed that warning of Senator Aldrich in 1910. But the war and its consequences has given us a dye industry upon whose development depends the extent of our independence and freedom from this potential danger. The dependent industries have been short-sighted in the past. Are they not all the more so now, when, with these facts before them, they oppose the measures which the dye industry claims are necessary to its development? We can not treat the peril as past; if anyone has attempted to do so, let them contemplate the following documents:

KUTTROFF, PICKHARDT & Co. (INC.),

No. 128 Duane Street, New York, November 22, 1919.

DEAR SIR: AS considerable confusion has arisen respecting the importation of indanthrene and other coal-tar dyes, we submit the following:

It is our understanding that the Government adheres to its policy to have no official dealings in dyes except to the extent that the textile alliance was made the official agency to bring over the dyes acquired through the reparation commission. After the quantity of dyes acquired through the reparation commission is exhausted, and further supplies are needed, recourse must be had to what may be at the free disposal of manufacturers. The public press has recently reported that Dr. Herty obtained an option on indanthrene dyes; these reports are apparently erroneous, and we have to-day received information from abroad that no option has been given for indanthrene dyes. We are in a position to procure a substantial quantity of these goods, licenses were originally issued to us, we placed orders abroad, and we procured export licenses. However, in our desire to accelerate deliveries of those dyes to our customers, we surrendered many export licenses to the textile alliance.

If the full six months' allotment can not be secured from the reparation commission, we feel confident that the textile alliance will facilitate consumers in a readjustment of their licenses in order that they may procure their pro rata share of the dyes controlled by the reparation commission and the balance through us.

We offer you our services in this matter. Our charge will be 10 per cent commission on final cost.

Any license plan will always make for delay and it is to be hoped that Congress, which we understand will take up this matter shortly, will be advised by consumers that license of imports is prejudicial to their interests and should not be adopted.

It is to be hoped that normal conditions may soon prevail again and that we may import such goods as are needed by the textile manufacturers, keep them in stock, and meet requirements promptly.

Yours, very truly,

KUTTROFF, PICKHARDT & Co. (INC.).
FRED'K KUTTROFF, *Secretary*.

NOVEMBER 14, 1919 (X7380)

To Anilfabrik, Ludwigshafenrheim.

We fully expect modification Government regulations which will permit us to confirm our orders. This will enable you to maintain your position that all goods to this country outside reparation goods should come to us.

PURPURE (K. P. & Co.)

These documents show that the methods of April, 1915, are the methods of to-day. We sought to obtain six months' supply, which the necessities of to-day's production of the dependent industries demand. The I. G. does not want this licensing system passed; it therefore uses the strain upon the industries to force opposition to this system.

Senator NUGENT. What year?

Mr. GARVAN. This year.

But at any rate we did accomplish two things. We lent our support to the people in Paris at the peace treaty and provided against just that personal domination of the German service. We got that by urging upon them the agreement which is in the treaty whereby for five years the Allies have at their disposition 50 per cent of the products up to that date manufactured, and control over 25 per cent to be manufactured during the next five years; because not only we but England and France realized just such things as this. They realized that when this cartel was completed in 1916 it had at its command all Government assistance. Badische color means color of the royal family; that they were dependent entirely upon the will of Germany and that it was her weapon by which she could have forced any terms she wanted to upon the industries of any country.

We then tried to get the supplies for the people of this country.

This story was told by Dr. Herty but it has not been told you. He found the dyes and we should have the dyes on our docks in New York for the relief of all the industries of America. You must remember too that they were asked to submit bids, it was widespread, every need for six months. The allocations were made as you all know. The orders were sent over to Dr. Herty, and were forwarded to Von Weinberg. Everything was satisfactory until the agent of Von Weinberg in this country turned the key and America to-day can not get the dyes she needs.

November 14, 1919, that eventful cablegram was sent which I have just read you, to which came reply, "Sorry we can't renew your option."

Senator WATSON. What is the date of that?

Mr. GARVAN. November 14, 1919, this last month.

Senator WATSON. Do I understand this was a cablegram sent to this New York firm?

Mr. GARVAN. No, sir; it was sent to the German firm by the New York firm of Kuttroff, Pickhardt & Co. (Inc.).

Senator NUGENT. Is the Pickhardt who testified here yesterday a member of the firm just named by you?

Mr. GARVAN. He is related. There are other cablegrams which went through in code which we have not made out yet.

Senator WATSON. Then you interpret that between the firm here and the man over there at the head of the establishment, Von Weinberg, an arrangement by which the house here was to be the sole recipient of dyes coming to this country, except what actually were taken by the reparation commission.

Mr. GARVAN. You see only 30 per cent of our needs we got through the reparation commission. The other 70 per cent Dr. Herty was to get by means of a written agreement with Von Weinberg to be furnished from the German stock.

Dr. Herty returned. We met, tabulated all the needs of America, and arranged the money to pay for them and arranged for a system of distribution.

The K. & P. Co. saw that we were inaugurating the system and that it was likely to be a success; and seeing that America was about to be free from annoyance as to dyes for about six months, they desired to have the licensing system appear a failure; sent that personal telegram and immediately backfired a telegram, "We can't fill the option—the option is not to be extended."

Senator WATSON. At the same time did they decline to send these dyes through this company to these people? Does it prohibit the dyes coming to this country or is the object of this whole thing on the part of these people here to secure the sole agency?

Mr. GARVAN. It is their idea to deal through this sole agency. As I have shown by their cablegram of November 14, 1919, and their letter of November 22, 1919, they sought to bring the system into discredit and to bring as many of their customers, who are anxiously waiting for these dyes, down before you in condemnation of this proposed licensing system.

Senator WATSON. To whom is that addressed?

Mr. GARVAN. To the trade, I suppose. It says "dear sir." It is a circular I got, and I think sent to their customers.

Now, gentlemen of the committee, Senator Watson points out, and I think his question implies a request for an explanation of why we are so anxious that these importers be not reestablished as the regular importers. That necessitates my telling you the condition which we found when we went into the dye factories or dye agencies of this country. They were six in number. You know the six, Senator Watson?

Senator WATSON. Yes.

Mr. GARVAN. Of that number, Berlin and Kalle were purely sales agents. I do not believe they amounted to nearly as much as the

others in this country; there was no special evidence of their activity except as a part of the group. They are being liquidated because there was nothing left but cash assets and goods and name; that is all. They had no manufactories here.

The first one and the most important one of these others was Bayer, at the head of which was Dr. Schweitzer. Dr. Hugo Schweitzer we found was, through the general spread of these agencies, the head of the secret service of Germany in America, and that the entire espionage and survey practically of our business here in America was done through these dye agencies.

SENATOR CALDER. This man you mention, was he of German nationality?

MR. GARVAN. He was an American citizen, but I think German born, although I will not say about that. I have a sketch of him which will show. Dr. Schweitzer had his number from the secret service in Berlin, given by the imperial minister of war, 963192637, in Berlin.

It had been the principle of Germany to guard this industry as she guarded her life. It has been the principle that nobody outside of Germany should get a toehold into ownership of any of these concerns prior to 1913, but in the prosecutions in New Jersey under the Sherman antitrust law, it was shown that they were openly and manifestly agents. Then they were threatened by prosecution because of connection with Germany, and doing business with Germany—and we have all the correspondence—and they sought by more or less successful camouflage to set up ownership by an independent company in this country. That I show you as the first instance almost that we have of their actual disregard of any laws that can be passed here in America. Their correspondence will show you at length the brazen way in which they talked to their people here of evading our laws.

You have been told about the question of corruption. To show you that the so-called reform of 1913 was another conscienceless camouflage just going through the matter of form, I desire to read to you one letter. It is a letter from Dr. Haeuser to Mr. Metz, dated March 30, 1914. You remember those settlements and the payment of \$40,000 and all that took place in 1913, and then you recall how we were told that these people had reformed and started upon a new régime. We find this from Dr. Haeuser, the same gentleman who has been quoted so often. He was the head of Hoechst, and also president of the Society for the Preservation of German Business in the World. Here is the letter:

[Translation.]

HÖECHST A/MAIN, March 30, 1914.

MY DEAR MR. METZ: I received your two favors of the 3d and 13th of this month and assume that in the meantime you received my letter of the 6th of this month. Your statements interest me greatly and have had my full attention in every detail.

The matter in regard to the fighting of the graft money conditions seems now, through the founding of the Textile Alliance, to have found a certain ending, and it seems to me very proper that you immediately sign.

For also proper I consider your action in refusing the ideas of the United States Worsted Co. to bind yourself to a conventional penalty. Our position so far as the question of new organization you have in the meantime learned out of my writing of the 8th of this month. I must say that the more I think about the

matter the less I can see that with such a re-(new) organization, so far as the Sherman law comes into consideration, can anything be materially changed. Even a new company would have to stand in the same relation to us as is the case of the F. H. Comp. There exists the fact that we paid you \$200,000, and that this payment, exactly as the Farbwerke-Hoescht Comp., the new company would have to give us certain guaranties. Everything has been done to avoid any violation of the Sherman law, and if bill No. 13860, which you mention, is passed, then it will be clear that even so far as indigo is concerned no violation against the Sherman law will have taken place.

(This refers to the fact that indigo was a patented product, and therefore the fixing of prices would be justified.)

So far as "extras" are concerned, I am of the opinion that this practically amounts to simply a transition period and that the same will rapidly go backward. At any rate, all our endeavors must be in this direction. Your idea that the paying out of extras in future could be done through a third party in cash, as for instance through your carpet mill at Worcester, I do not find happy (sound). You give yourself through this into the hands of such third party, who could at any moment turn against you. To me it seems the idea of increasing the provisions (commissions) of Gagnebin, Widmann, etc., much more right. Perhaps it would be advisable to adopt a mixed system between the raising of the commission for Widmann and your former procedure.

It is not quite clear to me what difference there would be in the situation if you, instead of one-half the dividends on the business of the Farbwerke, as heretofore, in future only credit us with one-quarter. In reality at the present time you do not credit the half, but you credit (send) us only, after deducting the extras, the part remaining. This payment to us is purely your personal matter, has nothing whatever to do with the F. H. Co., and is nobody else's business. It is this, the compensation therefore we allowed a very considerable amount of about \$300,000 for which you bought the shares back, to stand and that we let you privately participate in our business with a certain amount.

So far as our other agreements are concerned I have no objection to having you send these back; our entire relationship is really a confidential relationship, and it will be and must without agreements so continue in the future as in the past.

Regarding the charging of your account in your letter of March 3, page 5, I have to remark that it is not entirely clear, as in the past year, besides the \$100,000 you also according to your letter of October 14, 1913, have kept back a further dividend of \$50,000 for extras. As you do not mention these last \$50,000 at all, so it seems to me that you already used this in the previous year for extras. Will you please confirm this? Your personal credit with the Farbwerke-Hoescht Co. has in the meantime also grown considerably, and it does seem necessary that you again bring this to a balance as soon as possible. I also wish very much that you might be saved against such losses like with the Finishing Co. in future.

From the correspondence I also see that the question of the payment of Hinrich's bill is not yet in order. It seems to me proper, as you at last suggest, that you pay the bill and charge it on extras.

I was glad to learn that the business is so far satisfactory. We will have to be satisfied that the profit on individual transactions will continue to get smaller and that the loss can only be equalized through energetic work. With kindest regards,

Yours, etc.,

DR. HAEUSER.

P. S.—To Mr. Hein please extend my best wishes for his jubilee.—H.

There are other letters of like effect, but I do not think that reading them would add anything to this matter.

Senator NUGENT. What is the significance of the word "extras?"

Mr. GARVAN. Extras means money given to the dyers.

Senator NUGENT. That is graft?

Mr. GARVAN. Yes, sir.

Senator WATSON. That means pure and simple graft?

Mr. GARVAN. Yes, sir.

Mr. METZ. I will explain that after you get through.

Mr. GARVAN. I will be very glad to have you do so, and you might, at the same time, explain the letter of February 6, 1916, from the same man to you.

I want to go on with their activities here. Dr. Schweitzer, as I say, then became the head of the German Secret Service in America, working through these different agencies. Dr. Schweitzer was the inventor of the idea of buying the New York Evening Mail. Dr. Schweitzer was the provider of funds for starting the German Educational Union or whatever it was, that distributed German "classics." I have forgotten the title. Dr. Schweitzer was the man who met Dr. Albert when he arrived here. He was the man who furnished him his automobile. He is the man to whom Dr. Albert turned over the balance of his funds, \$1,800,000, on the dock when he left. Dr. Schweitzer spent millions of dollars in this country in espionage and unlawful work. It was perfectly easy for them. The money never went through Bayer's books. They had profits from the China house, and from South American houses; and profits came from all over the world and was paid out personally, and nobody can find a book entry of it. That amounted to some million and a half dollars a year before we went into the war. Dr. Schweitzer conducted the corner by which he got phenol and carbolic acid. I would like to read you just exactly the praise he got from the Imperial Government of Germany on that score. He made contracts for carbolic acid which the allies were crazy to get for explosives, and which was turned into other lines, as Dr. Bogert showed you carbolic acid could be turned into for manufacturing other things, and the effect of which is best described in Dr. Albert's praise:

The breadth of high-mindedness with which you at that time immediately entered into the plan has borne fruit as follows: One and a half million pounds of carbolic acid have been kept from the Allies. Out of this one and a half million pounds of carbolic acid four and one-half million pounds of picric acid can be produced. This tremendous quantity of explosives stuffs has been withheld from the Allies by your contract. In order to give one an idea of this enormous quantity the following figures are of interest:

Four million five hundred thousand pounds equals 2,250 tons of explosives. A railroad freight car is loaded with 20 tons of explosives. The 2,250 tons would, therefore, fill 112 railway cars. A freight train with explosives consist chiefly of 40 freight cars, so that the 4,500,000 pounds of explosives would fill three railroad trains with 40 cars each.

Now, one should picture to himself what a military coup would be accomplished by an army leader if he should succeed in destroying three railroad trains of 40 cars, containing four and a half million pounds of explosives.

Of still greater and more beneficial effect is the support which you have afforded to the purchase of bromine. We have a well-founded hope that, with the exclusion of perhaps small quantities, we shall be in a position to buy up the total production of the country. Bromine, together with chloral, is used in making nitric gases, which are of such great importance in trench warfare. Without bromine these nitric gases are of slight effect; in connection with bromine, they are of terrible effect. Bromine is produced only in the United States and Germany. While, therefore, the material is on hand in satisfactory quantities for the Germans, the Allies are entirely dependent upon importation from America.

Senator NUGENT. What are you reading from?

Mr. GARVAN. I am reading from Dr. Albert's letter to Dr. Schweitzer praising him for his accomplishment in this matter. This happens to be in printed form, which I am using for convenience, but I have the letter.

These are only a few of the activities of these agencies; I might go through them all—well, it is of no use, because, as I said, it does not get us anywhere. But, I tell you, this was the whole structure of the espionage, and I have books on it. There is not a phase of commercial life that these agencies over here would not make weekly and monthly scientific and careful reports to Germany on. They were soldiers in the army of Germany. The intent of Germany, of the great chemical industry, was carried out by them. If they have changed, of course, we are all grateful; but, I will say, if they have changed they will not continue to be agents for I. G., because the I. G. has not changed, nor has its purposes changed, which are to control as far as they can the industry of the world.

Now, I want to show you just how that affects the situation here. You ask why a high protective tariff would not be sufficient. As I have told you, there is a certain necessity for dyes in this country to-day, without the shipment that is coming over, that is acute in some lines. I mean in some colors. Manufacturers feel that strain and are bringing pressure to bear to get them, as far as they can. That necessity is only in diminished degree the same necessity created in 1915. No matter how high you put the tariff it is within the power of the representatives of I. G. here to go out to the people in these industries that are under strain, and state the necessity for these specific colors, and say to them: Yes, we have got the color that you need, that you must have, or your factory will close, but we will not give it to you unless you make a 10-year contract with us. It is within their power to say: We will not give you this dye unless you take all of your supplies from us, and make a 5-year or a 10-year contract with us for all your dyes.

You know that the country needs vat dyes badly to-day. You know that Mr. du Pont is about to relieve that necessity, but it will possibly be a month or two or possibly three months, before the full capacity of the country will be relieved, whereas these mills using them need them to-day. Isn't it within the power of the representatives of the I. G. to go to them and say, Yes, we will relieve that necessity, but only on condition that you make a long-term contract with us for all of your vat dyes—

Senator NUGENT (interposing). Where—

Mr. GARVAN (continuing). One moment. I will prove it by their own documents. Where would Mr. du Pont be with his large investment and earnest effort when he came out three months hence? He would find that the markets of America had been foreclosed against him. Would they do anything like that? The question is answered by the fact that they have done things like that. I will show it to you—

Senator NUGENT (interposing). May I interrupt you?

Mr. GARVAN. Yes.

Senator NUGENT. To whom do you refer when you speak of the agents of I. G.?

Mr. GARVAN. We have only seen two of them here, Mr. Metz and Mr. Rickhardt. I think they have both frankly admitted that they represent one Hoechst and the other Badische.

Senator NUGENT. You refer, then, to agents in this country handling German dyes manufactured by these six German establishments, do you?

Mr. GARVAN. Yes, sir; which are now one.

Senator NUGENT. I understand.

Mr. GARVAN. You remember that indigo was, first, a German monopoly. And then England learned to make indigo, and then Switzerland learned to make indigo. Let us see how Germany protected themselves against possible competition there:

HÖCHST A/M, September 20, 1919.

Indigo convention.

Very confidential.

For the purpose of rendering more difficult any competition that might develop toward the business, the customers should now be notified that they should make their contracts for supplies now for a period of two years, and, of course, at prices with discount allowances which depend upon the two-year quantity amount.

Customers who get a 20 per cent discount on an order of 5,000 Ko. per year will get the benefit of the 10,000 Ko. prices, with a two-year contract, for 10,000 Ko. at 20 per cent off; also those whose order now amounts to 2,500 Ko. per year on which they get 20 per cent will get the 5,000 Ko. prices on a two-years' contract, less 20 per cent; and those firms whose yearly consumption only amounted to a few casks per year—if they sign a contract for at least 1,000 Ko. for two years, 20 per cent—will enjoy the 1,000 Ko. prices.

In the case of larger contracts, the advantage will lie in the granting of a larger discount—I am afraid that Mr. Metz was reminiscent—according to the quantities contracted for. For example, customers whose early needs amount to 15,000 Ko. at 20 per cent and who can now close a two-year contract for 30,000 Ko., 20 per cent, will enjoy the benefit of an extra 1 per cent, as well as those firms who will now close a 50,000 Ko. 20 per cent contract, instead of a 25,000 Ko. 20 per cent contract, will enjoy the benefit of an extra 2 per cent instead of 1 per cent, etc.

Furthermore, the following circumstances have been provided for:

1. The increase of a contract should now, as heretofore, only start six months from the date of the conclusion of the contract. The contingency of a two-year contract can, therefore, also be extended to cover a now existing contract in the case of those consumers whose six months' time period has not yet expired.

2. It is allowed, even if the amount of the contract has not been entirely taken up after the expiration of the first year's consumption of the quantities contracted for, in as far as they are entitled to a discount, to grant the discount due on them. Examples: A customer who up to date used 50,000 Ko. 20 per cent per year closes a two-year contract for 100,000 Ko. 20 per cent, and has accordingly the right to a 3 per cent discount.

Consequently, after taking 50,000 Ko. 20 per cent he should be entitled to calculate a 2 per cent discount while he will enjoy 3 per cent upon the delivery of a further 50,000 Ko. 20 per cent, and upon the first half of the remainder 1 per cent.

It is understood that, even though he gets the discount accruing to the quantities already delivered before the settlement of the entire contract, he is not relieved from his obligation to take the remainder of the amount which he pledged himself to take.

3. Customers must close a contract for the whole quantity which comprises their normal consumption for two years; however, they are permitted to increase same within six months from the date of the contract in the event that they think that they will require a larger quantity than that for which they contracted.

4. On the other hand, it is not allowed that a customer who only arranged for a small quantity as his total consumption for two years, or only closed a contract for a one-year supply, should later be permitted to increase same.

5. The prolongation of the period of time for ordering provided for thus far being three months, it also remains in force for two-year contracts—therefore, as if the order period were actually two and one-quarter years.

* * * * *

6. The amounts contracted for must be accepted under all circumstances within the period of time arranged for their delivery, and an extension of the

duration of the delivery time, with the exception of the above-mentioned three months, can not be considered any more.

To provide for such customers whose two-year consumption will be larger than was provided for in the previously planned scale, and to encourage them to make such large contracts now for two years, the discount scale continues as follows:

To be discounted:

For contracts of 300,000 Ko. 20 c/c in 2 years 6.

For contracts of 450,000 Ko. 20 c/c in 2 years 6½.

For contracts of 600,000 Ko. 20 c/c in 2 years 7.

For contracts of 900,000 Ko. 20 c/c in 2 years 7½.

Very truly,

HAUSER.

Dealers and exporters are prohibited from enjoying the aforementioned advantages.

Senator WATSON. What are you reading from?

Mr. GARVAN. A letter from Höchst to the Metz Agency in America, to their agency here.

Senator WATSON. When was that written?

Mr. GARVAN. In 1909.

Senator CALDER. Ten years ago?

Mr. GARVAN. Yes, sir.

Now, in 1913, we carried it right down to date; in 1913, when the prosecutions in this country threatened the indigo convention as being against the Sherman antitrust law, and to show you of what value, for instance, your laws may be which might be passed unless they take into consideration the history of the people whom you are trying to protect against. Let me show you what happened after they were prosecuted under the Sherman antitrust law:

FARBWERKE VORM MEISTER LUCIUS & BRUNING,
Höchst am Main, September 3, 1913.

[Confidential.]

Indigo Convention, America.

Taking into consideration our various verbal discussions of this affair we inform you that our patent lawyer in the United States has entirely changed his view of the whole situation after another thorough examination. He now believes that one can not exonerate the upholding of the common sales prices in the existing patent situation, that it has to do with a patented article. We are then in the same position regarding indigo, as toward the other conventions.

Unquestionably the conditions are not so advantageous in any convention as in the indigo convention, and in case of an attack, much could be said in favor of the same. Our lawyers have pointed out, after taking into consideration all the arguments which can be brought up, that the indigo convention also would fall under the Sherman law, because it is certain that the indigo prices over there would be cheaper than they are now, if no understanding between our two firms existed.

Since the indigo convention has already often been introduced, especially in the newspapers and in legal dealings, we are of the opinion that we should not hesitate to suspend the price agreement for America. Since, however, in this convention only our two firms come into consideration, we believe that it will be possible to take certain preventive measures, so that a sharp competitive struggle shall not ensue, which would surely be only to the disadvantage of our common interests.

We allow ourselves to offer you the following suggestions—

And that was to take the three names mentioned, and which a while ago I did not mention, which took a large part of the indigo production at that time, and go to them and make special terms.

* * * * *

So to acquire a certain assurance in this direction we suggest that each firm shall place at the disposal of their sales houses that quantity that they delivered over there last year, with 5 per cent added, for this and for the coming year. Since 1912 was a good year, and a margin of still 5 per cent is planned, this quantity will not be too scant. Should the total sale, however, rise still more, it can always be raised, as we can exchange figures quarter yearly and control the stock.

In this manner it can be arranged that no salesman must refuse indigo to a customer whom he is serving at the time, and, on the other hand, that he does not control so much goods that by price swinging he can force possession of that of the others. Furthermore, it should be explained to the sales houses that we can not as yet book sales to them dating after 1916 and that they, should they once be able to do business for which they desire goods after this date, must notify us here beforehand; we would then have to reach an understanding among ourselves.

We are looking forward to your reply whether you agree to these suggestions.

Yours, truly,

BADISCHE ANILIN & SODA FABRIK RUMPLF.

Senator NUGENT. By whom is that letter signed?

Mr. GARVAN. The Badische people; and it is to Kuttroff, Pickhardt & Co.

Then, under date of June 13, 1914, they write:

Ludwigshafen write under date of June 13, 1914:

Indigo price reduction.

We refer to our respects of even date to the Badische Co. regarding cost prices of indigo.

For your information we are sending you a German circular, together with the supplement, "Technik," etc., in order that you may conceive the idea how we carry into effect the price reduction in this country.

The Badische Co. advised us in memorandum of May 26 (I. 730) that Klipstein made trial deliveries of from 50 to 100 barrels to the Amoskeag Manufacturing Co., Bliss Fabyan & Co., and the American Printing Co. Such large quantities can hardly be called trial lots. It goes to show that these firms do not consider themselves obliged to take their entire requirements from us and from Hüechst. It will, therefore, be necessary to watch these firms closely and we hope that in future you will succeed in keeping Klipstein away from these consumers.

How they were going to do it we will show you in a moment; how they were going to break it up.

The considerable reduction of the "R" sorts, especially of "R B," is thought of as a measure of competitive struggle against hydron blue. We refer to the German circular we are also sending you, which contains all the necessary information. We request an early report regarding the prospects with the new prices at the Amoskeag Manufacturing Co. (combination of ordinary indigo plus indigo R B), and it will also interest us to know if there are any prospects at the American Printing Co., of introducing indigo R B D in place of hydron blue 2 B.

We were unable to make arrangements with Hüechst for the carrying out of the price reduction and the renewal of the contracts in the United States, as it is well known that this is not admissible. We only have come to the agreement that each firm should advise their respective American friends that it would be in the interest of the indigo business, if they also were to make the reduction in the selling prices; that is, corresponding to the reduction in the cost prices:

One cent on the selling price for the ordinary sort indigo.

Two cents on the selling price for the ordinary "R" sorts.

There is no change in the situation as talked over with you last January, viz. there is no intention to increase the sales by underselling at the expense of Metz.

I will show you the two sides of this picture—one writing to Metz and the other writing to Kuttroff, Pickhardt & Co.:

Of course, you must also look out that Metz acts in the same manner and does not disturb our possessions. Our request at the time, not to make new

contracts extending later than 1916, naturally is to-day invalid. We hope that this time the campaign of renewal of contracts will wind up without incidents, in order that you as well as Metz may retain each one's possessions.

That is how Badische treated it. Now, how did Höchst treat it?

HÖCHST A/M, June 8, 1914.

Strictly confidential.

MY DEAR MR. METZ: Herewith I am notifying you, in strictest confidence, that we have decided upon a change in the price of indigo. An official letter to you from the Farbwerke, and from the Badische to Mr. Kuttroff, goes off by mail at once.

Both letters, the wording of which were not previously arranged, go off on the same steamer, so that every one will be informed simultaneously. I will wire the name of the steamer to you in plenty of time so that you can prepare yourself and so manage that you can go out and approach the indigo consumers immediately upon receipt of the letter and to try, on this occasion, to win over something from the Badische trade for our goods by means of a new settlement.

As per our arrangement with the Badische over here, the new price is only to be granted to those customers who make a new four-year contract.

This contract can be made with the present, or if the customer wishes to change, also with a new indigo contractor, and in the latter case the present contractor must deliver the rest of the old contract at the new price and may not make a new contract at a lower price, the condition for a concession on the price of the rest of the present contract.

Consequently, the new price is only granted to consumers after they have made a new four-year contract, either with the old or with a new purveyor. Whoever makes no new contract must continue to pay the old.

You will note that it says—

This information is strictly confidential and you must attempt nothing until the official letter is in your possession.

I have here a number of letters which are interesting, I should say, alone to the committee, because they bear upon the way these people have attempted to influence legislation in the past. They show something that is only just for the committee's consideration as to the process. It can be placed in the record, but I do not see any particular point in reading them out here at this time.

Senator CURTIS. Submit such of them as you think ought to be printed.

Mr. GARVAN. I will submit them for the committee.

Senator CURTIS. You do not care to have them printed in the record?

Mr. GARVAN. Oh, I do not care. It is submitted for the committee's consideration.

Senator CURTIS. You may submit for the information of the committee anything that you wish us to look over.

Mr. GARVAN. All right.

It has been the regular course for them to bring pressure upon consumers who are suffering and who come in all innocence to bring pressure to bear upon you. It is my contention that it is a most short-sighted policy to let the inconveniences of the licensing system—which are at their peak now, and we are providing for a six-months' supply, and Kuttroff, Pickhardt & Co. will have to take back that telegram when protest is made to the State Department—interfere with our proper consideration of this matter now. And some way or other, when some form of peace treaty, which some day may be made, there is no question about these provisions being in the treaty; in fact, I think your own Finance Committee stated that so far as

these branches of the peace treaty are concerned, there is no question about them.

Senator WATSON. Have you canceled these licenses?

Mr. GARVAN. No; these licenses are in the hands of the Textile Alliance, and they are waiting to hear—until Weinberg withdraws his refusal to fulfill, which he undoubtedly will have to do.

Senator WATSON. Have any licenses been granted to importers which have been canceled?

Mr. GARVAN. You will have to ask the State Department.

As I started to say, we are at the peak of the inconveniences of the licensing system. As I explained to you, these gentlemen can go out into the country and work upon the necessity of the consumers of dyes. There is one point that I did not make clear: If there are 20 great consumers of dyes, and take the mention of the shirt makers, who are in distress, there is no question about that; and if one mill, which is dyeing for shirts is short of dyes, and if these agents go to them and get them to consent to make a 10-year contract in order to rely upon the fact that they will get these dyes, they then compel the other 19 mills to make a similar contract, because then they will be able to put goods upon the market, to-morrow, say, which their rivals can not compete with. The industry must advance together. Therefore, in no time the whole 20 would be compelled, for their business safety, to make the same form of contract. That opens the matter for full line forcing. Upon a high tariff they can work upon the necessities of this leather man or that leather man, or this textile manufacturer or that textile manufacturer, and can say: "We will not give you this dye unless you let us furnish you entirely."

Gentlemen of the committee, you can pass all the laws you want to pass, and make them mountain high, and it will not reach the situation. The agent can say: "I have not enough dye. I have only enough for those people who buy all their dyes from us." Is that a crime? On the other hand, if there is some system by which the market of America may be open for the investor who has invested his money and made a dye, that is all we are after. What the method is, I do not think anybody cares.

There are just one or two other points I want to make: I want to reiterate the fact that we are under a licensing system from Germany now, and will be until we receive our independence due to dye manufacture here.

Senator CALDER. Has it been the practice of German manufacturers to make contracts as long as 10 years? You spoke of long contracts.

Mr. GARVAN. I read one that was four years, and that is all I know.

Mr. METZ. That is the only one, as to indigo.

Mr. GARVAN. It is their practice to make them long, apparently; and if the necessities of the situation and their own interest demand, no doubt they will make them. Ten years, as stated by me, was only a figure of speech.

Senator NUGENT. It would be to their advantage to do it wouldn't it?

Mr. GARVAN. Certainly.

Senator NUGENT. Under existing conditions, more particularly?

Mr. GARVAN. Yes.

Senator CALDER. If they could?

Mr. GARVAN. They could if 1 mill out of 20 gave way, for the rivals of that mill would have to go to them. Otherwise, they would put goods on the market dyed with a better dye, and the others would have to go to it. And then the other 19 would have to contract for their dyes, and if they demanded 10 years' contracts, they would have to make them.

I have only touched upon the position and the activities of these chemical organizations which came before us during the last period of two years, and it was a realization of those conditions which led us to form the Chemical Foundation, which led us to see the necessity of taking over these American patents, because they had never been used as anything but weapons against America. If we gave them to the public, they would not be any protection; there would be nobody to look after their infringement by the Germans after the war. There was no way by which we could give them to any public organization or department of the Government. We had it looked into carefully by Judge Gray, of Delaware, and after full consideration we had the Chemical Foundation formed. As a quasi public institution, as nearly public institution as possible, under the control of trustees—and Senator Calder can speak for the standing of Mr. Dodge, Mr. Bannard, and Judge Ingraham, and the other men of high type who have achieved their ambitions in life and who could not possibly use it for themselves. There is nothing in the books of the organization which this committee can not see for themselves or can not send anybody else to see for them. Senator Watson asked if there was the possibility, if the trustees went crooked or the officers went crooked, that it might get into bad hands and become a monopoly. No, gentlemen, there will be 500 stockholders, composed of the smartest and ablest business firms in America. There are 137 now, whose names I will offer to you to be inserted in the record, and 500 of the biggest firms and organizations in America will be in it, each one owning one share of stock in the Chemical Foundation, and everything will be under the protection of the advisory committee. For instance, in dyes, all the dye manufacturers will be interested, with a dye-manufacturing committee. In drugs, all of the drug manufacturers, which will have a drug-manufacturing committee. In chemicals it will be the same.

(The paper submitted by Mr. Garvan is here printed in full in the record, as follows:)

LIST OF THE STOCKHOLDERS OF THE CHEMICAL FOUNDATION (INC.).

The Abbott Laboratories.	F. E. Attacus.
Althouse Chemical Co.	Ault & Wiborg.
The Aluminum Co. of America.	Baker & Co. (Inc.).
American Aniline Products.	H. J. Baker Bros.
American Cellulose & Chemical Manufacturing Co.	George A. Ball.
American Chemical Society.	Joseph Bancroft Sons.
American Cotton Oil Co.	Barrett Co.
American Platinum Works.	Bayer & Co.
American Printing Co.	Bethlehem Steel Co.
Aniline Dye & Chemical Co. (Inc.).	Bischoff & Co.
Arnold Print Works.	Borne-Sermser Co.
Armour Fertilizer Works.	H. Bower Chemical Co.
Astlinook Co.	Bronx Co.
Atlantic Dyestuff Co.	Butterworth Judson Corporation.
	John Campbell & Co. (Inc.).

Capudine Chemical Co.
 Central Dyestuff and Chemical Co.
 Antoni Chapel.
 Cheney Bros.
 Titro Chemical Co.
 R. H. Comey & Co.
 Commercial Research Co.
 Consolidated Color and Chemical Co.
 Contact Process Co.
 Crocker Burbank & Co.
 Samuel A. Crozer.
 John C. Dehls.
 Diamond Alkali Co.
 Dicks-David Co.
 Digestive Ferments Co.
 John M. Dorr.
 Dow Chemical Co.
 E. I. DePont de Nemours Co.
 Winthrop C. Durfee Dye Products & Chemical Co.
 Eastern Drug Co.
 Electric Boat Co.
 Electro Bleaching Gas Co.
 Charles Engelhardt.
 Essankay Products Co.
 Essex Aniline Works.
 General Bakelite Co.
 General Ceramics Co.
 General Chemical Co.
 Genessee Pure Food Co.
 Grasselli Chemical Co.
 Hanovia Chemical Co.
 Hardwick & Magee Co.
 Heller & Merz.
 Hercules Powder Co.
 Hess & Goldsmith.
 Huyden Chemical Co.
 Hooker Electro Chemical Co.
 Irvington Smelting & Refining Works.
 Isco Chemical Co.
 Johnson & Johnson.
 Kelly Springfield Co.
 E. C. Klipstein.
 Walter E. Knipe & Sons.
 La Belle Iron Works.
 Lackawanna Steel Co.
 Lohm & Fink.
 Lewiston Bleaching & Dye Works.
 Eli Lily Co.
 Lindsay Light Co.
 Lonsdale Co.
 Lowell Bleachery.
 John Lucas & Co. (Inc.).
 Mallinckrodt Chemical Co.
 Marden-Orth & Hastings.
 Francis P. Maxwell.
 Merck & Co.
 William S. Merrill & Co.
 Merrimac Chemical Co.
 Metals Disintegrating Co.
 H. A. Metz Laboratories (Inc.).
 George L. Gilmore.
 Millville Manufacturing Co.
 Monroe Drug Co.
 Monsanto Chemical Co.
 G. H. Morrill.
 Mount Hope Finishing Co.
 Mutual Chemical Co. of America.
 National Ammonia Co.
 National Aniline & Chemical Co.
 National Electrolytic Co.
 National Silk Dyeing Co.
 Naugatuck Chemical Works.
 New Bedford & Agawan Finishing Co.
 Newport Chemical Works.
 Niagara Alkali Co.
 Ohio Chemical & Manufacturing Co.
 Pacific Mills.
 Park-Davis Co.
 Patchett Worsted Co.
 Peerless Color Co.
 Pennsylvania Salt Co.
 Permutit Co.
 Charles Pfizer.
 Philadelphia Textile Machinery Co.
 Philadelphia Tapestry Mills.
 Powers, Weightman & Rosengarten.
 Rector Chemical Co.
 Rhodia Chemical Co.
 Roessler-Hasslacher Co.
 Sayles Finishing Plant.
 Schlesseln & Co.
 Solvay Process.
 Semet Solvay Co.
 Sherwin-Williams.
 Frederick Stearns & Co.
 J. L. Stisel.
 E. R. Squibb & Son.
 Tartar Chemical Works.
 Union Carbide and Carbon Co.
 Union Bleaching and Finishing Co.
 United Piece Dye Works.
 United States Color and Chemical Co.
 United States Finishing Co.
 United States Industrial Alcohol Co.
 Upjohn & Co.
 Viscollide & Co.
 Wanskuk Co.
 West Virginia Pulp and Paper Co.
 Western Electric Co.
 Jacques-Wolfe Co.
 Youngstown Sheet and Tube Co.
 Zinseer & Co.

Senator CALDER. I was not here when the side in favor of the licensing system testified. Was any evidence given in this committee about the Chemical Foundation?

Mr. GARVAN. Oh, just in a general way. There was very little said about it.

Senator CALDER. I would like, if you will, to tell me how it was organized, and how the capital stock was arrived at, and what was paid for the patents?

Mr. GARVAN. Having all this history, which I have only touched upon and picked out the salients without bothering you with the other, before me, the situation is this: We saw these patents there, which were of no benefit as they stood. It would be of no benefit to the Dupont's or anybody else to develop them, if after the war Germany could come over and exercise the rights under the patent. So they had to be sold. They could be given to the country, but that wouldn't attain any purpose at all, because there would be nobody to enforce them as against Germans bringing goods in under them after the war. They would be just like patents under discoveries of people in the Patent Office, or people in the Department of Agriculture—they go fallow until some smart German comes along, takes them over to his laboratory in Germany, makes some little addition, and then makes them a going concern. We looked around. There was no institution that we could sell them to. Our attention was first attracted to it and to the danger we were in when we sold Bayer & Co. We had not thought of it before. Bayer had a number of patents. And right there I might add, the number of patents does not of itself amount to anything. A company may have a hundred patents around one compound. But they are very valuable when properly protected and put to use. We sold Bayer & Co. That was a going concern. That was the only concern that had any real property. It was at Rensselaer, New York. They had quite a big property and a tremendously valuable establishment, the aspirin business. They were making great big money. We sold it, I think, for \$5,400,000. The Sterling Products Co. are conducting the drug end, and the Grasselli Chemical Co. are taking the dye end of the patents, etc. We saw this situation. Here was the Grasselli Chemical Co., a great, big, powerful corporation, and they could go ahead, but there was no property attaching to the other patents, no buildings, or machinery, or organization, or anything. They could go ahead and buy these other patents for very little and have a monopoly for sure, and then they could just sit back and collect a royalty from the Germans after the war. They did not have to manufacture anything; they did not have to go into business.

So I conceived the idea of forming the Chemical Foundation and putting all these patents into a quasi-public corporation, which would develop them and give them to chemical companies throughout the country. The way the salvarsan had worked out encouraged us. Mr. Metz was in fear of a monopoly here, he was not afraid of I. G. in Germany. The best answer is the Chemical Foundation. We have licensed six people to make salvarsan. Mr. Metz is the most successful one. We have given it to Squibbs, and three, I think, altogether.

Senator CALDER. The Chemical Foundation?

Mr. GARVAN. Yes, sir.

Mr. METZ. No; the Federal Trade Commission.

Mr. GARVAN. Well, they will have to come to us. The price has gone down to 35 cents—

Mr. METZ (interposing). No: to 60 cents.

Mr. GARVAN. Well, the price has gone down to 60 cents.

To continue: So, then, we had this board of trustees, composed of Mr. Otto T. Bennard, the president of the New York Trust Co., a very successful man, and a trustee of Yale University; and he has just been made the head of the Harkness Foundation. He is a man whose name is synonymous with character and public service in New York City. Then there is Mr. Cleveland H. Dodge, whom you know as being beyond influence in any of this business. Then there is Judge George L. Ingraham, who for 35 years has been arbiter on all questions of ethics for the New York bar, and was judge of the appellate division until retired for age, having been often offered higher courts throughout his life. Then there is Ralph H. Stone, president of the Detroit Trust Co., whom you know very well, because he had organized the trust system of the Alien Property Custodian's office as a war worker. Then there is Benjamin Griswold, jr., of Alexander Brown & Sons, Baltimore, an old, well-established and conservative house. These gentlemen had consented to act as the advisory committee for the Alien Property Custodian on questions of the sale of German property. So they have been seeing every side of this activity of the Germans and knew the whole thing, and we asked them to act as trustees in this new organization. They do not hold a share of stock. They do not receive a cent of compensation. They have the nomination of all officers, and then they said, because of my knowledge of these conditions, which I have described to you to-day, and of everybody connected with the issues involved, that I become president, also without pay, until such time as the foundation becomes a going concern. I got two friends of mine to serve with me without pay—one as a vice president, who is with J. G. White & Co., a \$25,000 man, to establish our system, and another man to establish the system of bookkeeping. We have on our pay roll three chemists, one at \$5,000. And Dr. Chandler, who has consented to come down and tell us the value of these patents for \$200 a month. We have one young man investigating infringements, and so on.

Senator CALDER. How many patents did they take over?

Mr. GARVAN. Four thousand.

Senator CALDER. The Alien Property Custodian sold them these patents?

Mr. GARVAN. It was by private sale by the President.

Senator CALDER. For how much money?

Mr. GARVAN. \$250,000.

Senator CALDER. Will these patents be of any great value some day?

Mr. GARVAN. They may or may not. They would be to any person who was going to try to make money out of them. For instance, anybody who owned these patents and wanted to make money out of them would not be urging you to pass this licensing bill. He would be sitting back asking for as large an amount of German goods to come in as possible, because then he could collect the highest kind of royalty from their coming in. It is a great loss of royalty to the Chemical Foundation to urge the licensing system, but that is not the reason for the Foundation. It is to assist, encourage, and promote American industry. Take salvarsan, and that is the most valuable one—

Senator CALDER (interposing). The most valuable patent?

Mr. GARVAN. Yes, sir. That patent in the hands of a private individual who wanted to confine the manufacture to one man and maintain the price of \$3.50, would be worth any amount of money, because 10,000,000 syphilitics would want it. We gave it free to the New York State Board of Health, to Massachusetts State Board of Health, and will give it free to any State board of health which will equip itself to manufacture it safely. The Foundation will never get anything from them. We want, by experimentation, to help cure disease. Of course, that patent is not worth anything; I mean, as far as income is concerned, because we want it to help the public and not to make money out of it.

Take the Badische patent on vats dyes; that is susceptible of income, but there is no income possible until somebody in America successfully manufactures the dyes—except upon importation, like this one here. It was suggested that 10 per cent was put upon it—Mr. Metz suggested as a license fee on that, coming in. That was fixed when the allocation right was given to the German agents here. It has been the policy of the executive committee of the Foundation to charge to any manufacturer whatever was needed to encourage him 2 per cent, 3 per cent, or 5 per cent, just whatever was necessary to encourage him to manufacture. But when a German agent wanted to import it we thought it proper to impose the 10 per cent royalty.

Senator CALDER. The men whom you referred to, all of whom I know to be men of unquestionable integrity, may some day retire, and the control of this thing might pass out of their hands and into others; is there a tremendous possibility in that?

Mr. GARVAN. With 500 stockholders in the leading firms in America? The stock is nontransferable. Each man is going to own one share of stock. Just look at the names.

Senator CALDER. Senator Sutherland says it is all in the record. Is this a repetition?

Mr. GARVAN. I am very anxious to make this statement as fully as possible, because I do not want to have any rumors or anything to interfere with this case. I am pleased and delighted to answer questions to the fullest.

Senator CALDER. I am very anxious, too, for information, because the situation would indicate that there is a great possibility of tremendous profits for some people.

Mr. GARVAN. If you can take any lawyer in America and he can point out the possibility where the Foundation could ever be used except to serve the best interests of the entire American people we stand ready to amend it in any way, shape, or form necessary. If these trustees get crooked—heaven pardon me for expressing the idea. Any one of these stockholders could walk into court and dissolve the trust agreement, and you would have the industries of America owning the company. I am reminded that they have two shares apiece of the common or voting stock. As I tell you, they are the people who own the corporation. The trustees are self-perpetuating. You have to imagine that if one dies the other four will appoint a crooked man in order to get the idea that anything might happen. They will appoint a man of their own caliber, of course. It will be continuing. At any time they might do any crooked thing—a stockholder can walk into court and dissolve them. What

can they do if they do go crooked? The charter provides that they must issue licenses.

Senator NUGENT. At the end of 17 years it will pass out of existence?

Mr. GARVAN. Except this, we hope this Foundation will never pass out of existence will it not?

Senator NUGENT. It will so far as the patents are concerned?

Mr. GARVAN. Yes. All these dye factories, or a number of them, and they will all follow, have passed resolutions which places their entire laboratory equipment at the service of the American medical profession, who will lay out a plan for experimentation, which can be done right along with the work of the dye men for the benefit of any investigations that our medical fraternity wants made for it.

Senator CALDER. These patents cover dyestuffs?

Mr. GARVAN. No, sir. There may be some related things.

Senator CALDER. Other than chemicals?

Mr. GARVAN. No, sir; there may be some related things.

Senator CALDER. I mean other than drugs or related things.

Mr. GARVAN. No, sir.

Mr. CHOATE. It covers some apparatus.

Mr. GARVAN. Is there any question anybody would like to ask about this Chemical Foundation?

It is our pride. It is something we are proud of. And I think it is like the licensing system. Gentlemen, the thing to find out in connection with legislation is, what I. G. does not want. You are legislating against I. G. It is what they are afraid of. Have you heard one of them do anything but sit with smiles when you are levying the highest tariff you can levy? No; it is the Chemical Foundation and the licensing system that rankles in their hearts. It is these two ideas they are against. Licensing system may be an unfortunate word, and I have no suggestion as to what form it should take, but it is that idea I want to introduce.

Senator NUGENT. A very large number of those patents will expire within 17 years, will they not?

Mr. GARVAN. They are expiring all the time.

Senator NUGENT. All of them will expire before the expiration of that time?

Mr. GARVAN. Yes, sir. That is why the trust agreement was made for 17 years.

It is a Delaware corporation, and it was suggested that that brought it very close to the Du Pont. The reason for it was that Judge Grey was our legal adviser in the matter, and we formed the corporation in Delaware because that was the one State we knew of that would allow stock to be trustee for 17 years, while New York only allows it 5 years. That is the reason it was formed in Delaware, and yet the accusation was made against it in one of the hearings that it was near the Du Pont.

Senator NUGENT. Those patents are the property of the 500 stockholders of the Chemical Foundation?

Mr. GARVAN. Yes, sir; but they can never derive beyond 6 per cent on the money they put in. Five hundred thousand dollars was put in and \$250,000 was paid to the Government, leaving \$250,000 working capital until such time as the people began to manufacture, and we can get royalties. We have only received \$15,000 in royalties

by this terrible corporation, although it has been organized for more than a year; and it is because the stuff is not being manufactured yet to any great extent. But a stockholder can only receive 6 per cent on the actual cash put in. All the balance, if there is any balance, of profits must be spent by the trustees for the encouragement of chemical advancement in America, either by way of encouraging in colleges or scholarships or the establishment of research laboratories, or whatever in their judgment they may see fit to devote that surplus to. So that, so far as I can see, nobody on earth could make anything out of it except the common benefit to America. Nobody draws salaries except the chemists at work finding out what is in these patents.

I now offer in evidence the constitution and by-laws of the organization, which shows it is an industries-owned institution:

CONSTITUTION AND BY-LAWS, CHEMICAL FOUNDATION ADVISORY COMMITTEE.

ARTICLE I.—*Name.*

The name of this committee shall be the Chemical Foundation Advisory Committee.

ARTICLE II.

The Chemical Foundation Advisory Committee is established subject to the supervision and control of the board of directors and president of the Chemical Foundation (Inc.), to promote in all lawful ways the interests, objects, and purposes of the Chemical Foundation (Inc.), to cooperate in an advisory capacity with the foundation in the determination of its general policies and of its policies regarding the forms, limitations, and distribution of licenses under its patents, and to render such other services to the Chemical Foundation (Inc.), as may be deemed beneficial to the Chemical Foundation (Inc.), and to the public safety and welfare.

ARTICLE III.—*Organization of the committee.*

SECTION 1. The advisory committee shall consist of the president and vice president of the Chemical Foundation (Inc.), a representative of the American Dyes Institute, and a representative of the Manufacturing Chemists' Association of the United States, to be respectively chosen by each association; the chairman of the section committees and not to exceed five committeemen at large, to be chosen by the president of the Chemical Foundation (Inc.).

The advisory committee shall supervise and direct investigation of any and all matters which the board of directors or president of the Chemical Foundation (Inc.), may refer to it, and shall report thereon to said board of directors or president, shall appoint such special subcommittees as it may deem necessary, and may abolish the same, and shall have such other powers and duties as may be given to it from time to time by the president and board of directors of the Chemical Foundation (Inc.).

SEC. 2. *Meetings of the advisory committee.*—A meeting of the advisory committee shall be held immediately after the annual meetings of the section committees, as hereinafter provided for. Regular monthly meetings shall be held at 2.30 o'clock, p. m., on the third Wednesday of each month, and special meetings may be held at the call of the president or vice president of the Chemical Foundation (Inc.), or by request in writing to the secretary signed by three members of the advisory committee. At least five days' notice of such meetings shall be given to each member of the advisory committee. Five members of the advisory committee shall constitute a quorum.

ARTICLE IV.—*Officers.*

SECTION 1. The officers of the advisory committee shall be a chairman, a vice chairman, who shall be respectively the president and vice president of the Chemical Foundation (Inc.), and a secretary, who shall be elected annually by the advisory committee at its annual meeting. The secretary shall hold

office for one year and until his successor shall have been elected and shall have accepted office. Any vacancies in office shall be filled by the advisory committee. The secretary need not be a member of the committee.

SEC. 2. The chairman shall preside at all meetings of the advisory committee. He shall be a member, *ex officio*, of all sections and all committees and shall perform such duties as are necessarily incident to his office.

In the absence or disability of the chairman his duties shall be performed by the vice chairman. The vice chairman shall be a member, *ex officio*, of all sections and all committees.

SEC. 3. The secretary shall keep a record of the proceedings of the advisory committee and of all other meetings of which a record shall be deemed advisable by the advisory committee. It shall be the duty of the secretary to issue notices for all meetings of the advisory committee. He shall perform such other duties as may be delegated to him by the advisory committee.

ARTICLE V.—*Organization of sections.*

SECTION 1. The stockholders of the Chemical Foundation (Inc.) shall be divided into the following sections for the purpose of assembling in groups of like or kindred interest:

1. Dyes and intermediates.
2. Pharmaceuticals and medicinal chemicals.
3. General chemicals and fertilizers.
4. Textiles, including dyers and finishers.

Additional sections shall be formed from time to time when in the opinion of the president or board of directors of the Chemical Foundation (Inc.) there is a sufficient number of stockholders of like or kindred interest to justify their formation.

Each stockholder shall designate the section into which assignment is desired and shall be so assigned. No stockholder shall be assigned to more than one section except upon approval of the president or vice president of the Chemical Foundation (Inc.).

SEC. 2. Sections shall be represented by a section committee of not less than three, elected by and from the membership of each section. The chairman and vice chairman of the advisory committee shall be *ex-officio* members of all sections and all committees.

SEC. 3. Each section may adopt its own rules and regulations, provided such are not inconsistent with the constitution and by-laws of the advisory committee.

SEC. 4. Each section shall elect its section committee at the time of the annual meeting, or at the time of any special meeting of the stockholders called for the purpose. Section committees shall have power to elect their own chairman and to fill vacancies. No person shall be chairman of more than one section committee. Each chairman of a section committee shall be *ipso facto* a member of the advisory committee.

ARTICLE VI.—*Section meetings.*

SECTION 1. *Annual meeting.*—The annual meeting of all sections shall be held immediately following the annual stockholders' meeting of the Chemical Foundation (Inc.) and at the same place.

SEC. 2. *Special meetings.*—The secretary shall call a special meeting of any section or section committee whenever directed to do so by the advisory committee, or whenever requested in writing to do so by five or more members of the particular section. Each such request in writing shall state the object or objects for which the meeting is desired, and no object not so stated shall be acted upon at the meeting.

SEC. 3. *Notice of meeting.*—At least 14 days' written notice or 7 days' telegraphic notice of the annual meeting or of any special meeting shall be sent by the secretary to each member. Notice of each special meeting shall set forth the object or objects for which it is called.

SEC. 4. *Quorum.*—A quorum at any annual or special meeting of any section shall be not less than three members in person or by proxy, unless and until such section shall by resolution otherwise provide. Less than a quorum may adjourn any meeting for a period not longer than 20 days.

SEC. 3. Each member shall be entitled to one vote, irrespective of the amount of stock of the Chemical Foundation (Inc.), held, and may vote in person or by proxy, provided the proxy be duly executed in writing within two months

prior to the meeting at which it is presented for use. A proxy given for any meeting shall, unless notice of revocation is delivered to the presiding officer, hold good for adjournment of that meeting.

ARTICLE VII.—*Resignation and withdrawal.*

Any member may withdraw from any section by giving written notice of resignation to the secretary, and any member who ceases to be a stockholder of the Chemical Foundation (Inc.), shall ipso facto cease to be a section member.

ARTICLE VIII.—*Amendments.*

The constitution and by-laws may be amended at any meeting of the stockholders of the Chemical Foundation (Inc.), by a vote of two-thirds of the members present in person or by proxy, provided a copy of the amendment or the substance thereof shall have been given in the notice calling the meeting.

The advisory committee may amend the constitution and by-laws at any meeting by a vote of two-thirds of the members present, subject to ratification at the next succeeding meeting of the stockholders of the Chemical Foundation (Inc.).

MR. GARVAN. It may be of interest to the committee to see Dr. Schweitzer's analysis of the 1916 tariff. By it you can see that they were not afraid of that.

Dyestuffs.
I (Von Igel).
Jr. No. 1048

File 317.

NEW YORK, January 26, 1917.

I am respectfully transmitting to Your Excellency an expert opinion on the effect of the new duties on dyestuffs handed over to me from an expert source (Dr. Hugo Schweitzer-Bradische Anilinfabrik-Baden Aniline Factory). As the matter is still in a fluid state and possibly still other changes in the legislation—of which I inclose a copy—will have to be reckoned with, I refrain from more detailed explanation until further notice. I suggest, however, that the expert judgment be passed on to Berlin.

To his excellency, the Imperial Ambassador, COUNT VON BERNSTORFF,
Washington, D. C.

(Translated by J. P. Hoskins.)

The influence of the new customs tariff and its prospective effect on German importation, and on the development of the American industry into an export industry, and on the chances of the American dyestuff industry in the world market must be considered from two points of view:

1. *During a long war.*—Should the war still continue for years, then, of course, the industry here would be very much furthered and would have a great boom. The United States does not lack raw materials for the manufacture of dyestuffs of any kind whatsoever. The only product necessary for manufacture that must be imported is saltpeter. The question of price does not play any part in this either. For as long as dyestuffs can not be imported and must be produced here, the question whether the price of manufacture is higher or lower makes no difference. A longer war will bring the further danger that the plants can be amortized from the great earnings which can be made, and that the factories after the peace can carry on competition with the German dyestuffs more easily.

The difficulties in manufacture, which are incomparably greater in the manufacture of intermediate products than in the manufacture of dyestuffs from imported derivatives, will be gradually overcome. The greatest lack is that of technically trained chemists. It seems that American industry is trying to emancipate itself in this respect, by importing chemists from Switzerland. One of the largest of the newly founded factories is said to have engaged, together with 30 chemists, Maurice Ceresole who was lately professor of technical chemistry at the University of Zurich, and formerly manager of the French branch of the Baden Aniline and Soda Factory, and had worked still earlier, together with myself, in the Badische Aniline-und Soda fabrik in

Ludwigshafen, in order to help build up the American dyestuffs industry here. I have not yet succeeded in finding out which factory has employed these chemists.

How difficult the production of derivatives is, is apparent from a letter which was sent to an American manufacturer by the French branch of the Badische Anilin-und Soda fabrik, on September 13, 1915, i. e., over a year after the outbreak of the war, and which in the translation runs as follows:

"We are purchasers of beta-naphthel, beta-naph rylamine, diphenylamine, dimethylaniline. Will you please tell me whether you sell these products, and in case you do, please inform us of your conditions and the quantities you can offer us.

"At the same time we beg you to inform us of other raw materials of interest for the manufacture of dyestuffs which you may have to offer us, aside from those mentioned above.

"In case your answer should be negative, we should be obliged to you if you would kindly indicate to us the address of firms to whom we could address ourselves with prospect of success."

The contents of this letter proves that the branch of the Badische Anilin-und Soda fabrik, which has existed since that time, to be sure from derivatives which were delivered by the manufactory in Ludwigshafen, could not itself manufacture such simple intermediate products as beta-naphthel, beta-naphthylamine, diphenylamine, and dimethylaniline. This branch had, besides, the advantage that chemists stood at its disposal which had been trained in the German factory and had been sent by the same to France in order to produce as serviceable dyestuffs as those manufactured in Germany.

The manufacture of the derivatives offers much greater difficulties for an industry still in the process of development, for the reason that such an incredibly large variety of products is necessary. In a well-developed industry, like that of the Germans, a technical use is found in the end for all these products. In a less well-developed industry and in an industry which is only in the process of development, great hindrances stand in the way of the utilization of these derivatives; many can not be used at all, and thus become waste products. The price of these derivatives which can be utilized is thereby increased to an incredible degree. In order to make the manufacture and utilization of these derivatives more graphic I subjoin the inclosed table, which shows how many derivatives of a single anthracite coal tar raw product—namely, nathaline—are combined with a single basic substance, benzidine, in order to form dyestuffs. In a well-developed industry all these products are manufactured and ultimately find utilization. Those whose names appear in quadrates are used directly for the manufacture of colors; those which are inclosed in ovals are at the present time not yet utilized but are subjects of scientific investigation and will ultimately find suitable utilization.

The manufacture of derivatives stands in Germany on such an incredibly high plane that the prices for the manufactured articles are very low. It would take American industry many, many years before the same, even if it will ever be possible at all, could produce these derivatives as shapely as German industry does. In order to show these differences of price, the following examples may be cited:

	It cost in 1908 in Germany, per pound.	Imported to America under the tariff at that time.
Aniline oil.....	\$9.28	\$11.60
Paranitraniline.....	16.00	24.00
H-acid.....	23.29	34.50
Alpha-naphthylamine.....	6.20	7.75
R salt.....	9.68	14.50
Amido-G-salt.....	17.60	26.75
Freund acid.....	11.60	17.25
Cleve acid.....	11.60	17.25
Gamma.....	29.36	44.00
Salicylic acid.....	12.06	26.01
Tolidine.....	26.40	33.00
Benzidine.....	24.20	30.26

These are figures which American industry will never attain. It can be assumed with certainty that the most of these products can not be manufactured here at three to four times the price.

The wonderfully developed technique of derivatives will, therefore, for many years to come give German industry a preponderance over all other lands in which the derivative industry has first to be built up.

2. *After the peace.*—The question, what prospective effect the customs duties will have on German importation, on the development of American industry into an exporting industry, and upon its chances in the world market, can be answered by a single argument:

The new tariff divides the products used and manufactured in the dyestuff industry into three groups—raw products, half products (derivatives), and dyes. While the raw products are imported free of duty, on the half products and the dyes, in addition to an ad valorem duty, a specific duty of 2½ cents per pound and 5 cents per pound for the dyestuffs is levied.

Happily, the following dyes are excluded from this specific duty: "Except natural and synthetic alizarin and dyes obtained from alizarin, anthracene, and carbazol, natural and synthetic indigo and all indigoids, whether or not obtained from indigo, and medicinals and flavors." This exception may well become the sheet anchor of the German industry. The dyestuffs which are excepted from this specific duty are the so-called vat dyes, and these vat dyes are a comparatively modern achievement of the German dye technique and are in general regarded as the most genuine dyes.

The preeminent enduring qualities of these products have already brought it about, and will do it even more so in the future than the older anthracite coal-tar dyes, which in many respects are inferior to the vat dyes, will be driven from the market. The manufacture of these vat dyes is very complicated and can be undertaken only in a very highly developed industry. It is wholly out of the question that a new industry like the American can take up the manufacture of these vat dyestuffs, and it may well take a very long time before the dyestuff industry outside of Germany can concern itself with the manufacture of these complicated products. Here the very greatest exertions will not make it possible to cope with the competition of Germany. In our considerations it is of still further importance that these vat dyes are much dearer than the ordinary anthracite coal-tar dyestuffs, which is readily explicable in view of the difficulties of manufacture. But in spite of this higher price, the vat dyestuffs, on account of superior tinctorial qualities, are finding a more and more widely extended sphere of application in all fields of the textile, leather, paper, etc., industry.

The history of American tariff legislation has shown that in general a protective tariff of 30 per cent ad valorem does not afford sufficient protection to create an American industry. If this was the case with the old anthracite coal-tar dyestuffs, of which only a few staple kinds were ever manufactured here, and these for the most part from derivatives which were imported from Germany, a protective tariff of 30 per cent is, of course, absolutely insufficient for the most complicated vat dyestuffs.

In recognition of this fact the new tariff provides the specific duties in order to provide a far greater protection for the American industry.

But the new tariff now specifies the following in regard to the specific duties:

"But if, at the expiration of five years from the date of the passage of this act, the President finds that there is not being manufactured or produced within the United States as much as 60 per cent in value of the domestic consumption of the articles mentioned in Group II and III of section 500, he shall by proclamation so declare, whereupon the special duties imposed by this section on such articles shall no longer be assessed, levied or collected."

Here is where the German industry must apply the lever. It must, in any case, of these vat dyes which must be regarded as the "highest quality" goods of the industry, dispose of in the American market more than 40 per cent of the total consumption in derivatives and dyestuffs, in order that the President will be in the position to abolish the specific duties. If this is actually made possible, and the President must abolish these specific duties, then the German industry will be in the same position as before the war, and has only to deal with the duty of 30 per cent ad valorem, which, as has already been elucidated above, was insufficient in the past to create an American industry.

That it should be as easy as child play for German industry to sell as much vat dyestuffs in the United States that the value of the same will amount to

"60 per cent in value of the domestic consumption of the article mentioned in Group II and III of section 500," is apparent from the following considerations.

1. The vat dyestuffs have in the past, and will even more so in the future, supplant the old anthracite coal-tar dyestuffs.

2. The money value of the vat dyestuffs is uncommonly higher than the money value of the old anthracite coal-tar dyestuffs.

3. The importation from Germany of these vat dyes amounts to-day already to 27.63 per cent of the money value of the total dyestuffs importation.

From the statements of the Chemical Journal of the year 1914, we gather for the year 1913 the following figures for imports into the United States:

		Per cent of whole.	
Indigo-----	\$1, 316,913	18. 08	
Alizarian -----	178, 587	1. 77	
Anthracene dyestuffs-----	1, 207, 037	12. 78	27. 63
Aniline dyestuffs-----	7, 288, 471	72. 40	
Total-----	10, 071, 008	100. 03	

In this connection, however, we must pay regard to the fact that Germany in the year 1913 exported to the United States derivatives to the value of \$1,086,300. The foregoing percentage of 27.63 is somewhat lowered thereby. On the other hand, the production of the old aniline dyestuffs out of derivatives which have been imported from Germany would naturally decrease from the increased exportation of vat dyes, so that in our reckoning the value of the derivatives can, in fact, be entirely neglected.

The high price of vat dyes, which is, on the average, four or five times as much as that of the old aniline dyestuff consumption. From a recently published list it turns out that 511 dyes, to the value of \$7,500,000 have been imported into America; that is, the average import value of a dye amounts to \$14,000. In this list four vat dyes are given which, altogether, were worth \$214,000; so that the average price of \$14,000 for dyestuffs, in the case of all dyestuffs, rises to about \$50,000 for the vat dyes, i. e., amount to about four times the average value.

When the time shall have come that the German industry will import more than 40 per cent of the vat dyes, and in America less than 80 per cent of the value of the domestic consumption will be manufactured, then great difficulties in the calculation of these figures will emerge, and it will depend on the party politics of the President at that time whether he will make an honest effort to abolish the specific duty or not. How is this "value of the domestic consumption" to be reckoned? How will the customs prices be taken into consideration in connection with the freight rates and with the expenses of insurance and of business? In the case of the domestic industry, how will the expenditures for amortization, for general business expenses, trade-mark, and patent ownership be counted in the calculation?

From these arguments it is clear that the salvation of the Germany dyestuff industry is to be sought in the development of vat dyestuffs chemistry. The tendency to develop this field to the highest degree possible existed already before the outbreak of the war. The new tariff brings, then, no change in this line. For the industry after the war also no change would arise in this regard, since in any case Germany will be compelled to manufacture and to export high-grade goods in the entire industrial field in contrast to articles demanded in large quantities, which can, little by little, be produced in all countries.

In the competition in the field of goods demanded in quantities German industry will in the end not fare much worse under the new tariff, since by the manufacture of derivatives forced upon American industry the dyestuff manufactured thereof, will stand them at a much dearer price, so that the old tariff rate of 30 per cent ad valorem will mean a still smaller protection for the American industry. This will not, of course, come completely to light until the specific duties have been abolished; but even if these specific duties are not abolished, the higher prices of derivatives will tend more and more to eliminate the difference between the protection which the old percentage of 30 per cent plus specific duties afford.

Mr. GARVAN. I want also to offer in evidence an article by Dr. Schweitzer, who knew more about this chemical business than any other man in America. He was a great scientist and a very able man. He wrote this article, called "The Chemist War," which gives exactly the situation a year or two ago in the chemical world:

THE CHEMISTS' WAR.

"We fear German efficiency." That is the reason assigned by the editor of the most prominent Anglo-American newspaper of New York for the anti-German attitude of his possibilities. The efficiency of the German Nation is indeed wonderful, but instead of inciting our antagonism it should serve as a lesson, it should arouse our admiration, and, above all, should cause us to apply ourselves as industriously and as indefatigably as the Germans do, so that we shall no longer fear them, but emulate and even surpass them. Our task compared with that of the Germans should be relatively simple, as we have natural resources superior to those possessed by any other nation, and, unlike the citizens of European countries, we inhabit a continent which is secure against all aggression.

In no other field has German efficiency proven its superiority more than in that of chemistry. While this was undisputed before the present war, it is no exaggeration to state to-day that the German chemist has so far contributed as much, if not more, to the success of the campaign than the strategist, the Army and the Navy, and that, therefore, the present holocaust may be justly called the chemists' war.

Germany, deprived of all imports by the sea power of England, has been transferred into a self-supporting country by the chemist. This necessitated a readjustment along the whole line. Food for the people and fodder for animals had to be provided within the confines of the empire. Materials had to be manufactured which hitherto had been imported, and substitutes had to be improvised for raw materials, the supplies of which had been cut off by the English blockade.

The most remarkable results have thus been achieved in agricultural chemistry, and nothing has been of greater consequence than the method by which Germany will render herself forever independent of the importation of fodder, for which she was obliged to expend annually \$250,000,000. Most of this money went to the United States for so-called concentrated feed—cottonseed oil cakes, corn oil cakes, and similar by-products—the export of which has contributed largely to the profits of the agricultural industries of our country, and, therefore, to the prosperity of our farmers, especially those of the South and Middle West.

It will be of general interest to describe how this great deed was accomplished. It has been known for some time that in the process of fermentation; that is, the conversion of sugars into alcohol by means of certain lower orders of plants, such as yeast, albuminous substances are generated by the growth of the yeast. But the amount of such albumen was very small, in fact its formation during alcoholic fermentation, was considered most undesirable, as owing to its presence fusel oil and other impurities were produced. About 1910 it was realized, however, that the albuminous matter contained in yeast might be of value as a food for human beings and as fodder. Experiments were at once undertaken in a most systematic and comprehensive way by the Institute for the Fermentation Industry in Berlin, and soon two varieties, a pressed food yeast and a pressed fodder yeast, were obtained which were found to give highly satisfactory results in practical feeding experiments. The only trouble was the small yield of albumen which made the process unprofitable. During the last few months this difficulty has been overcome, and on April 3 public announcement was made of the complete success of this process. The favorable results were brought about by carrying out the fermentation in the presence of sulphate of ammonia as a source of nitrogen, which by the metabolism of the yeast is converted from its inorganic into its organic form (albumen).

From 100 parts of sugar by the use of 52 parts of ammonium sulphate 270 parts of pressed yeast have been obtained; indeed, experiments have been published according to which 100 parts of sugar furnish 100 parts of water-free dry yeast. Yet even these incredible yields and the fact that Germany is the largest producer of sugar in the world, would have availed nothing if

sulphate of ammonium, the nutrient of the yeast, could not be procured at an economical cost.

But chemical ingenuity also provided a source for this material, which is likewise employed very largely as a nitrogen fertilizer. It has always been recovered as a by-product in the coking of coal, an industry in which Germany leads the world. But largely it has been produced on an extremely large scale by direct combination of hydrogen and nitrogen, as carried out exclusively in Germany. The nitrogen needed in the manufacture of sulphate of ammonium is obtained from the atmospheric air and in this form is converted into albumen by the yeast. We have here the most interesting and most direct transformation of nitrogen from the air in food albumen. Hitherto this conversion has been most complicated. The inorganic ammonium sulphate has served as a fertilizer for bread cereals and those grains and plants which are used as fodder; animals are raised on this and, when slaughtered, their meat furnishes a large part of the albumen contained in our food. How complex and tedious this process is appears from the following fact: Cereals and plants require from six to eight weeks for their development; they grow only during about one-third of the year—the months of May, June, and July—while their production is restricted by the area on which crops can be raised. The animals require space for their keeping, and they must be tended with extreme care.

On the other hand, yeast plants develop very quickly and attain their full growth within a few days. They thrive in any kind of receptacle independent of rain or shine; they need no light, and can be grown all the year round.

The production of yeast is not a new departure; in fact, large amounts are to-day produced in the distillery industry, in the brewing of beer and the manufacture of wine. The yeast formed in these processes of fermentation is a by-product which, after compression, is extensively employed in the baking of bread, cake, etc.

In the new fermentation processes, however, the main object is the production of yeast which is intended to be used as an albuminous food for human beings and animals.

2. Besides its value as an economical substitute for animal albumen, yeast will be preferred by many people who have an aversion to meat or who consider the slaughter of animals for food purposes cruel and disgusting. Its importance will be further realized by bearing in mind that it affords the vegetarian the required amount of an albumen which as regards nutritive properties is ever superior to meat albumen, since it contains 2 per cent of lecithin, which is of great value as a nerve food and tonic. Yeast also contains vitamins which are so necessary for nutrition, and the absence of which in our dietary is the cause of much sickness. Take, for example, beriberi, a disease which is caused by the eating of polished rice from which the vitamins, which are present in the hulls, have been removed. Meat, on the other hand, is said to be the cause of various diseases, such as gout, arteriosclerosis, kidney affections, etc.

As far as the price of this yeast is concerned, it is stated that the amount purchasable with 1 mark (24 cents) yields 904 calories, while 1 mark's worth of beef gives only 623 calories, and that 1 pound of dry yeast is equivalent to 3.3 pounds of medium beef.

As mentioned above, the economic production of the new food yeast could not possibly have been of such enormous importance if the German chemists had not also provided in the nitrogen from the air a new and profitable source for the manufacture of sulphate of ammonium. Hitherto atmospheric nitrogen could be utilized only where cheap water power was available. This was solely the case in Norway, and consequently very large plants were established there in which nitrogen obtained from the air was converted into nitric acid and nitrates. The cost of power per certain units in Norway was about \$4.50, compared with \$18,000 in Niagara Falls. Owing to the existence of inexhaustible deposits of lignite coal in the neighborhood of Cologne and in Anhalt, the Germans are able to produce the same unit at \$7.50. Although this price at first might be higher than that of Norway, it means in reality greater cheapness all around. There is hardly any industrial development in Norway, and almost all chemicals and apparatus must be imported and the finished products exported. As this is not necessary in Germany, where, in addition to a highly organized industry, there exists the most perfect and cheapest inland water transportation system, the price of \$7.50 compared with \$4.50 in Norway is actually cheaper.

With this cheap power Germany utilizes the nitrogen from the air not only for the manufacture of nitric acids and nitrates, but also for the production of ammonia, ammonium sulphate, and calcium cyanamide. Indeed, new nitrogen compounds have been lately discovered, which threaten to revolutionize our present system of fertilization. This new industry, to which the war has given the impetus, has assumed such dimensions and has given such unexpected results that the Government requested the German Parliament to grant an imperial monopoly for all these nitrogenous materials. The chemical industries are fighting such measures, because it is believed that they would interfere with the development of the new method. From the documents published relative to this nitrogen monopoly it appears that chemical compounds have been discovered, the efficiency of which as nitrogenous fertilizers allows the production of a material suitable as a universal fertilizer. To-day nitrogenous fertilizers are employed mainly in two forms, namely, as saltpeter (Chile saltpeter), which is a nitric acid salt, and as sulphate of ammonium, which is an ammonium salt. It is the task of the intelligent farmer to decide at what time in the season and for what crops one or the other or mixtures of these forms must be employed. The universal nitrogenous fertilizer which the German chemist has discovered is very likely a new substance which unites the nitric and ammonia forms in chemical combination, and is perhaps more economically produced than nitrate of ammonium, which is already known as such a compound and in great favor as artificial fertilizer.

That this new scientific achievement will prove of momentous importance appears from the fact that the great chemical works which supply the world with dyestuffs, synthetic remedies, photographic developers, artificial perfume, etc., have entered the field and have become important factors in the artificial fertilizer industry of Germany. The peace negotiations will undoubtedly culminate in the conclusion of commercial treaties between the nations. What an enormous power will be exercised by that nation when possessing such a universal fertilizer and practically world-wide monopoly of potash salts will have something to sell that every farmer in the civilized world absolutely requires.

There will be a big rush for the Teutonic band wagon and all the ideas of a nation boycott of the Germans, or of an ostracism of Germany's traders and manufacturers will quickly vanish in thin air.

In the synthesis of ammonia, either pure ammonia itself, or ammonium carbonate is obtained, neither of which are suitable for direct employment as fertilizers or yeast nutrient. They must first be changed into sulphate of ammonium and for this conversion sulphuric acid is necessary. This latter product is obtained in Germany very largely from Spanish ores, or from sulphur imported from the United States.

On account of the war there has been a marked advance in the prices of sulphuric acid and the problem arose how to procure the acid necessary for ammonium sulphate at such low figures as to make the use of this material possible. This task was solved in the most ingenious manner. In Germany large quantities of minerals consisting of sulphate of calcium (gypsum) and sulphate of magnesium are found. It was always known that these chemicals in reaction with ammonium carbonate, furnish directly ammonium sulphate, but no practical use has ever been made of this theoretical fact. The exigencies of the war, however, caused the testing of this reaction on a factory scale and to-day, without the use of foreign material, and without the trouble of manufacturing sulphuric acid—by a simple chemical transportation—the desired object has been economically and successfully attained.

In their endeavor to free themselves forever from the importation of ores for the production of sulphuric acid, the German chemists went one step further and succeeded in substituting these domestic materials, namely, sulphate of barium and magnesium for the Spanish ores and our sulphur. Sulphate of barium and magnesium are reduced by means of coal to their sulphides, which are decomposed by carbonic acid into the carbonates and sulphuretted hydrogen. The latter furnished sulphurous acid and sulphur, either of which may be employed for the manufacture of sulphuric acid. And so sulphuric acid is the most indispensable material in all chemical enterprises; the war thus taught the German chemist how to render his country independent of foreign trade conditions in this most vital branch of his profession.

Bearing in mind these stupendous efforts expended in the manufacture of artificial foodstuffs, it is interesting to note how, even in Germany, where economy is practiced to such an extent, valuable sources of natural food materials had been neglected in time of peace.

When the English blockade, however, threatened to starve the women and children of the empire a careful inventory of the natural resources was taken. It was ascertained that certain plants which had been regarded useless weeds possessed considerable food values. Fourteen wild-growing vegetables were found which furnished substitutes for spinach, while five plants supplied excellent materials for salads. But of still greater significance is the fact that nature offered nine varieties of root rich in starch and affording wholesome aliment for man and beast. These unexpected sources of nutritive material will in the future further threaten our export trade to Germany, which has so largely consisted of foodstuffs.

On the other hand, the following demonstration of efficiency is worthy of report:

Among the visitors to New York on the occasion of the International Congress of Applied Chemistry in 1912 were two professors of the agricultural high school in Berlin, Dr. Foth and Dr. Parrow, who both are well remembered by their American colleagues.

Scarcely had the German Army occupied Belgium and northern France when Dr. Foth was called there to supervise the agricultural resources of the captured territory, and Dr. Parrow was appointed to the same office in Russian Poland. Both scientists at once took charge of the sugar-beet and potato crops and their utilization in the interest of the invading armies and the civilian population.

We are also exporting large quantities of oil and fats to Germany, especially animal fat from our slaughterhouse industries, and cottonseed oil. By a treatment with hydrogen the German chemist transformed cheap grades of oils, fatty wastes of all kinds, and, most important of all, the fish oils of the Swedish and Norwegian fisheries, into edible fats. Our business in these materials may also be threatened by the cultivation of the sunflower, the seed of which furnishes an excellent oil, which is already largely used for food purposes in Russia. As sunflowers grow almost anywhere, sufficient seed might be raised from which oil could be obtained as substitute for our cottonseed oil. For Germany this oil would be of further advantage, as when mixed with the distillation products of lignite coal it affords excellent lubricating oils to replace our best cylinder oil, etc.

For this purpose Italian olive oil has already been imported during the war in large quantities, but this traffic is now interrupted owing to Italy's entrance into the war.

As curiosities in the search for foodstuffs we might further mention the attempt of the chemist to utilize the fresh blood of slaughtered animals, which contains highly nutritious substances. Long before the war bread made with the addition of fresh blood to the dough was eaten in some parts of Europe, especially in Finland. This tastes like black rye bread, is very nutritious, and very economical. It is interesting to note here that during certain religious festivities a confection consisting of chocolate and fresh blood is sold in Naples and eaten by the ladies with great relish.

The agricultural chemist has also undertaken the task of supplying Germany with a substitute for cotton which can no longer be procured from us. Although it is realized that there are enormous difficulties in the way, a great deal has already been accomplished. Paper spun into threads in special machines serves as substitute for cotton and jute in the manufacture of bags, etc., which need not stand heavy wear and tear. For the manufacture of gun-cotton cellulose is employed, which is produced from wood pulp by the various refining processes now known. By a preliminary treatment with acid and steam and subsequent solution in liquids, such as Schweitzer's reagent, in alkali-bisulfuric of carbon (viscose treatment), common wood pulp is converted into a highly purified cellulose, which for many nitration purposes is superior to cotton fiber. It has already been known for years that for the manufacture of celluloid certain tissue papers give better results than cotton.

Millions of bales of cotton, which might have relieved the congested American market, and might have yielded large profits to our southern farmers, instead of lying in our warehouses or piers, might have gone up in smoke (?) as smokeless powder, if the Germans could have imported them and employed them for the manufacture of gun-cotton, etc.

Even in war time people must think of such frivolous things as dresses and clothes and the German chemists are hard put to improvise substitutes for the ordinary cotton fabrics. Curious to relate, they have made marked progress in this respect. The nettle fiber, which was largely used in Europe as a

textile material prior to the introduction of cotton, has again attracted much attention. Most interesting reports are being published and patents being taken out for the utilization of the last fiber of willow bark. Willow boughs are valued as material for weaving baskets. A special school for the cultivation of willow trees—a remarkable demonstration of German efficiency—exists in Graudens, West Prussia. Director Brickwedele, of this school, about 10 years ago, suggested the use of the last fiber of willow bark as a textile fiber, since he found it to be very strong and of fine structure. It surpasses hemp fibers and closely approaches cotton fiber in purity and textile strength. According to the patented processes the bark is first spread and dried either by exposure to the air and sun or to artificial heat in a drying room. It is then packed in small holes, which may be kept for years without injury or decomposition. The bark is then treated in an alkaline bath for about five to eight hours, dried and freed from tannins, and then mechanically freed from wooden fibers like hemp and flax. The fiber thus obtained furnishes an excellent substitute for cotton and is especially recommended for surgical purposes, as it possesses great power of absorption. It also furnishes an excellent paper.

All these endeavors to substitute cotton may appear ridiculous to us who have been brought up with the idea that "cotton is king," and that we have been destined by fate to supply this fiber to the civilized world. The farmers who cultivated the madder root and the planters who raised indigo were also inclined to jest when they were apprised of the fact that German chemists had succeeded in reproducing in the laboratories the dyes which their crops furnished, but when the manufactured materials drove the natural products from the markets and left the farmers and planters without a job, hilarity ceased. History may repeat itself and willow bark and nettle, or some other substitute raised on German soil may, in the near future, depose King Cotton. The German chemist has a duty to perform, and with his perseverance and application he does not shrink from any problem however difficult it might appear to outsiders.

The rearing of silkworms and the production of silk are also undertaken with great zeal. Mulberry trees, the leaves of which are fed to the caterpillars, thrive very well in South Germany and in the Rhine Province. This industry is to be developed, not so much to make Germany independent of the importation of raw silk, but for the reason that this occupation offers easy and profitable work to war cripples and invalids—work which can be done in about six weeks of the year.

The chemist has also succeeded in replacing the product of the camphor tree, which before the war had been obtained from Japan, and is of great importance in medicine and in the manufacture of smokeless powder. It is now made artificially in the factory, and it has been found that synthetic camphor not only surpasses the natural in medicinal efficiency, but that it is of greater purity, a stronger disinfectant and cheaper, at least as long as war prices prevail.

The German chemist, who has already solved the problem of manufacturing synthetic rubber, will perhaps also tackle the problem of making Germany independent of rubber imports in another direction. The milkweed plant, which belongs to the *Asclepias* family, furnishes a latex which resembles that of the cheaper grades of rubber. Although the amount of rubber is small and the quality poor, yet the chemist need not despair if he remembers that the sugar beet first used in sugar making contained only 4 per cent of a very superior grade of sugar, while to-day it furnishes 22 to 24 per cent of sugar of such high quality as to be indescribable from the first cane sugar.

Great ingenuity is displayed by the metallurgical chemist in replacing copper by other metals. As a result, the consumption of copper for use for war purposes and for the arts is considerably reduced. With its inexhaustible supply of iron and steel, and its wealth of zinc and a domestic supply of copper amounting to an annual production of 40,000 tons, Germany is in an excellent position to manufacture substitutes for copper. Gun and rifle cartridges, and the fuse-heads of grenades are made of soft iron, with a small percentage of copper and zinc. Buttons, button-facings for helmets, belt buckles, which were formerly made of brass, are now made of alloys free from copper.

In the electrical industry iron and steel wire are used exclusively. Long distance electric power transmissions are being conducted over cables manufactured of aluminum.

In machinery construction and journal bearings, brass is entirely replaced by steel and iron. Instead of massive bronze, hollow bronze castings, or iron or steel castings coated or covered with bronze, are employed.

Next to steel and iron, aluminum and magnesium play a prominent part as substitutes for copper. It has been found that an aluminum-magnesium alloy possesses great advantage over the latter as an electrical conductor. Magnesium is said to be useful for many purposes for which aluminum is being employed to-day. This is a very important discovery, because Germany has enormous supplies of magnesium chloride, a by-product of the potash industry, which has been considered worthless up to now. Two large factories, started during the war, are now producing magnesium.

While magnesium may thus be obtained from a domestic source, aluminum has been hitherto made from *bauxite*, a mineral imported from France. The necessities of the war forced the chemist to look for a domestic raw material for this important metal. He now uses a cheaper grade of *bauxite* found in Carinthia, Dalmatia, and Hungary. But more wonderful still he has succeeded in extracting from cheap clays, which are found in great abundance throughout Germany, a pure aluminum which serves as an excellent raw material for the manufacture of aluminum. Two factories are working these processes and Germany will remain forever independent of these foreign countries, Switzerland and the United States, upon which so far it has relied for supplies of this metal.

Long before the war varied uses were made of aluminum instead of copper, and in recent years the latter has successfully challenged the heavier metal in almost every branch of electrical engineering.

According to a statement in *London Times* of January 15, 1915, aluminum has been employed on most of the more important power transmission lines of recent years, the two largest power plants in the world being equipped with aluminum conductors exclusively, one alone absorbing nearly 3,000 tons of the metal. Aluminum is also used largely for short distance power distribution in central stations, railways, etc.; the whole of the feeder connections in the new Westminster (London) power station, for instance, consists of aluminum, while the entire insulated feeder system of the Paris tramways is made of the same metal, the latter absorbing several hundred tons.

It has been estimated that in America 20 per cent of the total output of aluminum is utilized for electrical conductors. The English war office ranks among the principal consumers of the metal for this purpose. It is of interest to record that Capt. Scott, of Antarctic fame, employed aluminum wire for the portable telephone installation which he took with him to the South Pole.

Actual implements of war, in the manufacture of which the chemist exhibits his remarkable ingenuity, are the various kinds of gunpowder, explosives, and primers used in cartridges, grenades, shrapnels, bombs, torpedoes, etc. Each of these instruments of destruction requires special grades and mixtures of smokeless powder and of high explosives, such as picric acid, *trotyl* (T. N. T.), etc. All these materials are produced from nitric acid on the one hand and cotton, carbolic acid, and toluol on the other.

Nitric acid is generally prepared from Chile saltpeter and sulphuric acid, but in Norway, as described above, it is made from nitrogen of the air, and in Germany from ammonia and calcium cyanamide, which themselves are obtained from the nitrogen of the air.

These recently developed sources assure to Germany an unlimited supply of nitric acid, not only for all war purposes, but for general industrial use.

Germany has also an inexhaustible supply of benzol and toluol owing to her vast coking industries in which these materials are recovered as by-products. As regards cotton, however, there is great deficiency and, as stated before, the various kinds of refined cellulose and paper must now serve for the production of smokeless powder.

In view of the fact that this country is furnishing vast amounts of ammunition to the Allies, it may be instructive to describe how its export has affected our legitimate chemical industries. How great the injury inflicted is, the following instances will show: Nitric acid, which we make from Chile saltpeter and sulphuric acid, has advanced from 3½ cents per pound to 14 cents and at present can not be bought at all.

The same is true of sulphuric acid. In fact there is such a demand for this acid that one manufacturer of legitimate chemicals is compelled to ship it in tank cars from the Pacific coast and pay for goods worth \$15 a ton \$30,000 in freight.

The havoc thus wrought in our industries is irreparable. Benzol and toluol, which are the most important starting materials for the production of dye-stuffs and synthetic remedies, are, unfortunately, also employed in the manufacture of high explosives, and therefore at present are not available for the needs of humanity.

Benzol, which cost about 25 cents per gallon before the war, now costs \$1 per gallon; and toluol, which has always been cheaper than benzol, is sold at present at the exorbitant price of \$5 a gallon.

Benzol furnishes phenol, which in turn is converted into picric acid by nitration; from toluol trinitrotoluol, which as an explosive is superior to picric acid, is derived in the same manner. Phenol, our most common, effective, and cheapest disinfectant, has become well-nigh a luxury. While previous to the war it sold at about 9 cents per pound, it now fetches \$1.50 per pound.

The prices of trinitrotoluol have been the subject of parliamentary inquiries in England, from which it appeared that the product was sold to the English Government at \$1 per pound and to the French and Russians at \$1.35 per pound. Even at the cost of \$5,000 per gallon of toluol, meaning about 65 cents per pound, from which 3 pounds of trinitrotoluol are produced, these prices afford enormous profits to the American brokers, because 1 pound of trinitrotoluol only costs about 30 cents to produce. The poor allies, France and Russia, thus pay him \$1 clear profit for every pound of the much-desired trinitrotoluol.

However gratifying such profits might be they become insignificant, and, in fact turn into heavy losses, when we consider our legitimate industries are suffering. For every workman profitably employed in the manufacture of arms and ammunition there are at least 100 idle laborers in the textile industries.

How seriously our manufacturing and trade interests are contract profits of which have been repeatedly and unfavorably criticized in the English Parliament, there are thousands of southern bankers whose money is tied up in unsalable cotton. The profits in our exports in arms and ammunition are wiped out by the vast loss of money due to our inability to import dye-stuffs, potash salts, cyanide of potassium, sugar beet seeds, etc., which he hitherto bought from Germany and of which our farmers, our textile industries, our miners are so badly in need.

How seriously our manufacturing and trade interests are threatened appears from an excellent editorial in the New York Times, of July 12, 1915, from which the following is quoted:

"Imports consist principally of goods which enter directly into manufacture, remanufacture of industrial consumption, all requiring labor in some form, so that when imports fall there must be a corresponding unemployment of labor.

"The United States has suffered a greater loss on account of the war than any other neutral nation. All that can be said of the profits arising from the trade in war munitions is that they somewhat offset the enormous loss directly owing to the same cause. The profits of the war trade are theatrical, and they fall into a few hands and are advertised more than they deserve to be. The greater loss falls upon trade and industry at large. There is probably not a wage earner in this country who has not at some point of contact adversely felt the war, either in what he earns or in the price of what he buys, or both. Investors feel it much. The rise in the rate of interest abroad is a direct hardship to them, because it affects the rate of interest here, and as that rises the market value of old securities falls. Credit by hundreds of millions is extended to the Allies, in order that they may buy here. This credit might otherwise be going into works of development at home—works which in their construction would create a big demand for labor and which when finished would be permanent additions to the wealth-producing machine of all the people.

"These things are so obvious that if it were put to a vote of commercial-minded people to continue or end the war, purely as a business matter, even the manufacturer of war munitions would undoubtedly vote with all the rest to end it. Why? Because the profits from war contracts are fickle, whereas just the normal growth of industry in time of peace is enough for the imagination and capital of the American people to cope with. To argue that the United States has a selfish interest in this war is to betray either ignorance or prejudice. We would much rather sell Europe the goods normally consumed in time of peace and take in payment therefor, not gold which we do not need, nor credit which we could use ourselves, but other goods."

That is a strong argument for an embargo on all exports to all belligerent nations, which, as everybody concedes, would end the war more quickly than any other measure. The fearful unemployment of our labor and the great losses of our trade and industry at large can only be prevented by a quick end of the war.

No discussion of this subject would be complete without a mention of the most modern instruments of war evident by the chemists, namely, the poison-gas bombs, the fire liquid, and the incendiary bombs.

At about the middle of last February the war correspondents reported that the French were using a material called Turpint, after its inventor, Turpin, which was described as a most deadly weapon. It was said to asphyxiate the soldiers in the trenches and its explosion near a herd of cows killed the animals so instantaneously, though dead they were found in a standing position, presenting all the appearance of life. The dead soldiers in the trenches also remained in the attitudes which they had assumed at the very moment they were overwhelmed by the poison gas.

The gas used seems to have been a nitrous oxide compound similar to that employed in medicine as an anesthetic.

About the end of April, the Germans began to use poison gas which, according to the journalistic reports, appears to be liquefied chlorine.

Nothing has as yet been published about the fiery liquids which the belligerents are using, but concerning the composition of the incendiary bombs dropped upon London, a coroner's inquest gives the following details:

"The bombs contained an explosive called Thermit. It gave off enormous heat, as much as 5,000, and set everything on fire that it touched. Thermit is a mixture of powdered aluminum and magnetic iron oxide used in welding iron and steel and in repairing broken steel castings. When this mixture is ignited, the oxygen leaves the iron and combines violently with the aluminum, producing a slag which rises to the surface, the molten steel sinking to the bottom. The heat evolved by the reaction is enormous and a temperature can be obtained second only to that of the electric arc."

Mr. GARVAN. This is not a political measure. Our trustees are four Republicans and one Democrat. Our officers are Republicans and Democrats. Nobody knew what their politics were until this question was raised by the suggestion, as you will always find is done by the German cartel and its representatives in this country.

Senator NUGENT. The trustees, I assume, are in favor of the licensing system?

Mr. GARVAN. They are.

Gentlemen, this thing burnt into our minds throughout the past two years, but I do not think anything brought it to my mind so clearly and distinctly as did the fact that after the armistice airships flew over the sea; and during that same week that those ships flew between England and America, the Department of the Interior exhibited in a little vial a new gas that they had discovered but had not put into the war, and it was asserted by our Army officials that five airplanes could carry over New York enough gas in one night to annihilate the 5,000,000 inhabitants of that city. Where are we going to get any protection from such gas in the future? There is only one protection possible and that is for a country that might send some airships over here with that gas to know that we can send back ships the next night and annihilate the people of the city that manufactured it.

The Germans would never have gone into the war without a consciousness or a feeling of the superiority of their chemical industry. They went into the war, in fact, or got ready for the war the day in 1913 when they had perfected their nitrate plants and were independent of the seas.

Gentlemen, in these two years we have learned to know that this was an industrial war, brought on by industrial Germany in her

lust-made haste to capture the markets of the world. Industrial Germany, in its arrogance and pride, preferred the formidable hazard of battle to the progressive and sure infiltration which within 10 or 20 years might well have given her the world domination she sought from complacent and unthinking peoples. Industrial Germany was in control of imperial Germany; industrial Germany sympathized and participated in the preparation for this war; industrial Germany waged this war; and industrial Germany was the first to see defeat and forced the military peace in order that with her industrial equipment intact she might continue that same war by intensified and concentrated economic measures. It was Germany's chemical supremacy that gave her confidence in her avaricious dream of world empire, it was Germany's chemical supremacy that enabled her to wage four years of pitiless warfare; and it is Germany's chemical supremacy upon which she relies to maintain the war, and for that supremacy she pays homage to her dye industry and counts upon that dye industry to maintain it. Since 1866 Germany has recognized the fact that upon the development of the dye industry rested her entire development of organic chemistry, and that upon the development of organic chemistry rested, in an ever-increasing measure, all the development of modern business and modern warfare.

And so she cherished the industry with wisdom and prevision while it was still in its childhood, and by her patience, by her persistence, by the willingness of her people to sacrifice in unselfish cooperation, she gradually transferred the plans made in the year 1866 into the reality of to-day, and now she realizes that her dye industry constitutes her keenest wedge with which to force her way back into the world trade. She calls the dye industry her chief "protective industry," and has laid out for it a program of State protection and aid which should startle us. She proposes to use the alleged necessity of the world for her dyes to force all her other exports. In other words, she proposes to use it as a club with which to fight her way back into commercial society.

Gentlemen, Dr. Albert and Bernstorff reported to their Government that American could never establish the dye and pharmaceutical industry in this country, as we lacked the moral power for the creation of such an industry; that here each party pursued its own selfish interests, but nobody kept the whole in mind; that this problem could only be solved through regard for all points of view, and that the conflicting selfishness of this country rendered that solution impossible. Wrong; wrong; as ever, wrong! Let them await the answer of American patriotism, American sacrifice, and American ability!

We felt that we would like to be a part in the taking of the forces of science developed by them—which they have only turned to the desolation and destruction of mankind—and placing them in the hands of what we believe to be a higher and purer civilization, to see if we can not, out of the terrible mess of this war, do something constructive with these same scientific forces, do something to direct them into the channels of alleviation and helpfulness to humanity. It is only to give American principles and character a chance that we ask you to hold these people off until we get our education. Then we can meet them without any tariff.

It has been said that only free traders are in favor of the licensing system and that high protectionists are not. I offer some clippings from newspapers of all political creeds throughout the country.

[Clipping from Philadelphia Inquirer, June 30, 1919.]

SIDE LIGHTS CONCERNING AMERICAN DYESTUFFS.

Facts of an educational nature are being developed at the hearings now going on in Washington concerning the need of protection for the dyestuff industry in the United States. The chemical expert of the Tariff Commission, which is presumed to be nonpartisan, says very frankly that it must be encouraged by the Government. Seventy-seven firms were manufacturing dyes in 1918, and he is confident that more factories will be started if the industry is given the protection to which it is entitled. The business has been growing in a gratifying way, but now that the war is over Government protection is essential for its full development. The declarations are in accord with the general understanding of the subject, and they are of value because they come from an authoritative source.

But there is another side of the question that is of vital importance, and that makes it of interest to all of the people. Maj. Gen. Sibert, Chief of the Chemical Warfare Service, appearing before the committee, says that protection of the dye industry is needed as a chemical preparedness for war. He predicted that in future wars gas would be used on a larger scale than ever before, and on that account we should see that the industry is given all possible encouragement from the Government.

It is known that it would be an easy matter to convert a dye plant into either a gas or high-explosive industry, and in this connection Gen. Sibert declares that the building up of the dye industry would make a trained personnel which would be available for Chemical Warfare Service in time of hostilities.

Thus we have two very good reasons for passing the legislation which is being urged before the Ways and Means Committee. The business of protecting a young industry in time of war is not so generally recognized. In the days that are gone we learned from bitter experience the dangers of unpreparedness. We can not afford to repeat that experience. But in the future it is going to require a different kind of preparedness. Some things may be in doubt, but it is certain as anything can be that new wars, if they come, will be chemical wars.

[From The New York Evening Globe, June 21, 1919.]

NOURISHING A WAR BABY.

Long before the close of the war Great Britain appointed a commission on reconstruction, with almost a hundred subcommittees, to deal with specific problems of the later war period. One of the first official acts of this commission was to decide that, at whatever cost, certain "key" industries, vital in time of national peril, must be built up in England so that the country should not find itself dependent on an enemy for part of its war supplies, as was the case in 1914. The making of dyes is one of these key industries. It is inseparably connected with the making of explosives and poison gases, and it is a vital element in so many phases of normal peace industry that to shut off the dye supply suddenly would almost paralyze such great business as, for example, the making of textiles.

Before the war the United States was dependent on Germany for the greater part of the dyes used commercially. German science had developed secret processes in regard to aniline derivatives which gave her products actual superiority. Moreover, her ruthless commercial methods gave American dye makers no chance. The industry possessed what was known familiarly as a "yellow dog fund," to which contributions were made by the Government and by each German laboratory in proportion to its size. This fund was utilized on behalf of an individual manufacturer who wished to sell in the United States, and through its means he could offer, and did offer, dyes below the cost of production until his American competitors relinquished the disputed territory. Then the price went up. It was the old and favorite method of the American trust in crushing competition, applied internationally and by Government subsidy.

During the war America has built up a sturdy dye industry of its own. Our industrial chemists, working at first almost literally night and day, have rediscovered some of the German secrets and have worked out some new processes of their own. The claim is now made that American dyes are in many respects the superior of the German product. At the same time the superiority is not sufficiently marked to prevent the possibility that if German dyes are poured into our markets at absurdly low prices the "infant industry" so carefully nursed here may not be destroyed.

Joseph H. Choate, Jr., told the House Ways and Means Committee yesterday that a tariff on dyestuffs is not alone sufficient to safeguard American industry; that a licensing system is also required. He quoted a Tuetonic expert, who said before the war that Germany could control the market here in the face of a 30 per cent ad valorem duty. If this is still true, then it is possible for us to consider the merits of tariff and of licensing system separately. If the latter is necessary anyhow, why should it not be sufficient without the addition of the tariff? Mr. Choate might explain this point to the country. His German expert's words are probably invalidated by the accomplishments during the war. Our dye industry is now a going concern on a far different footing from that existing before the war. The country is determined, at all costs, to maintain American dye production; all we need is to be sure that in protecting it we shall not overshoot the mark and create conditions unnecessarily inimical to the domestic users of dyes.

[From the Rochester (N. Y.) Evening Chronicle, June 23, 1919.]

PROTECTING AMERICAN DYES.

German industries, it is said, will send \$20,000,000 worth of dyes to this country just as soon as peace is officially proclaimed. Many Americans view with alarm the effect that this influx of German goods may have on American dye making, which during the war rose from practically nothing to a useful and prosperous industry. A widespread sentiment seems to exist in favor of Federal measures to prevent the wholesale dumping of cheap German dyes upon the American market.

Congressional opinion is said to be divided between adopting a high protective tariff and the introduction of a licensing system. The latter measure would permit the importation of such dyes as American makers can not produce. This form of protection, if continued for 10 years would, in the opinion of many commentators, enable the American dye industry to become so well established that it could face all foreign competition. Others believe that a high tariff would be more effective.

Men will soon appear before the Ways and Means Committee of the House of Representatives to urge the great necessity of protection of some sort for American dyes. It is said that Francis P. Garvan, the Alien Property Custodian, will declare that the economic welfare of the country would suffer seriously if the Germans were permitted to regain their virtual monopoly of the dye industry. Consumers and makers of American dyes will also be represented.

That Congress is in the hands of Republicans gives ground for hoping that measures will speedily be enacted to prevent Germany from swamping the American market with her dyes. There is every promise that within a few years Americans will be able to make as good dyes and as many dyes as the Germans can make. Certainly the American makers should be given a fair opportunity to make good.

[From the Des Moines (Iowa) Capital, May 6, 1919.]

SHALL WE SURRENDER THE DYE INDUSTRY TO THE GERMANS?

It is related on the best authority that German-made goods are being imported into the city of New York freely and are being sold. This in the face of the assertions made by patriotic men that they would never buy a dollar's worth of goods from Germany.

It is possible that a love for the dollar is getting away with some of our patriotism.

It is explained that the German goods now being brought to New York were bought before the war. This we presume, is an apology, and possibly

not true. The situation is not justified even if the goods were purchased before the war.

This brings up the inquiry in regard to what America is going to do about dyes. The dye industry is large. Before the war the Germans had it all so far as the United States and Great Britain were concerned. In England, during the war, an effort was made to organize companies to make dyes, but the capital stock could not be obtained because it was said that after the war the British manufacturers could not compete with the Germans in price.

In this country, however, hundreds of millions of dollars have been invested in the dye industry and the manufacturers of the United States are making the best dyes in the world. Cotton and woolen manufacturers now have confidence in American dyes. The scientific men of America have made formulas by which dyes are produced which are fast colors.

Making a dye that will maintain its color is the test. And the Americans have triumphed. To induce capital to invest in dye-making establishments, the manufacturers of cotton and woolen goods made long-time contracts, assuring them of some business even after the war.

But when the contracts expire and the American softies have fallen on the necks of the Prussians, forgiving them for all their crimes, the American dye manufacturers will be compelled to compete with the Germans.

In our judgment there is only one way to preserve the dye industry in America and that is by giving the American dye manufacturer the highest kind of a protective tariff. This will be galling to a few traitors. Some manufacturers are not fond of tariffs. And the tariff has, in a measure, been in disgrace. But it will resolve itself into this: The dye industry must be protected or Germany will again take the business. Would it not be better and more self-respecting to make our own dyes than to once more put our cotton, woolen, and silk manufacturers in the hands of the Germans.

There are a number of industries in the United States which must have unqualified protection. And the country will find that in order to have this protection the Republican Party must be restored to power.

[From the Newark (N. J.) Ledger, July 31, 1919.]

PROTECTIVE NEW INDUSTRIES.

While Congress has been devoting its time to prohibition, it has been neglecting legislation necessary for immediate industrial needs and legislation that would be of permanent benefit to industry under the changed economic conditions brought about by the war.

Congressman Longworth's efforts to advance his bill to "regulate the importation of coal-tar products," to protect the American chemical and dyestuff industry, directs attention to the neglect of Congress in the consideration of this kind of legislation.

Before the war began practically all of the dyestuff and chemicals used in this country were imported from Germany. Americans never undertook to compete with Germany in these products, and no other country undertook to compete with her. Germany was the world master of these industries, and when the war shut off importations to this country many industries, notably the silk industry, was in a quandary.

But Baltimore capital and American inventive genius came forward to solve the problem, and did solve it. Millions of dollars were invested in dyeing and chemical industries and, while it must be conceded that the dye products have not quite reached the perfection attained in Germany, they are suitable for all purposes, and improvements go along steadily.

Something must be done to protect these industries before the German product can be dumped in this country.

No State is more interested in the Longworth bill than New Jersey, and therefore, New Jersey is vitally interested in the progress of the Longworth bill.

The bill has not yet been reported by the Ways and Means Committee, and the House will adjourn Saturday until September 5. To fully protect the new industries, the Longworth bill should be passed before the peace treaty is ratified.

The Longworth bill should not raise a partisan issue. It does not deal with an established industry, but with "an infant industry" that needs protection at this time to enable it to develop.

If given the opportunity, there is no reason why American enterprise should not in a short time be able to compete with Germany in these as well as in other industries.

[From the New York Journal of Commerce, July 31, 1910.]

TO SAVE OUR DYE INDUSTRY.

While the trading-with-the-enemy act remains in force the dye industry that has been built up during the war, for well-known reasons, will continue in safety, but as soon as peace terms are established there will be danger of a German attack unless protection is renewed.

This is not protection of industry in the ordinary sense of the term, but in the sense of protecting the Nation. A bill is pending in the House, which plans to begin a recess on Saturday, that creates a licensing commission to guard against any importation of dyestuffs which will do serious injury to the industry that has been built up here in haste and at great cost.

The restriction is limited to a period of five years and different provisions may be made before it expires.

The danger to which the industry and trade may be subject is the sending in of accumulated German dyes as soon as the door is open. The material for them and the means for their manufacture have increased on a large scale on account of their close relation with some of the munitions and poisoning products that were used by Germany in the military conflict. There are reports of active preparations to reach our dyestuffs market with a sweeping volume as soon as the way is clear for it. The present Government over there may have nothing directly to do with stimulating it, but it is not at all likely to prevent it.

It is a plain case for industrial and commercial defense, and there ought to be no party division regarding it and no risk of consequences while the House of Representatives is suspending action. It should not be mixed up with any other action for which there is legitimate ground for difference. The Senate will not have to act until it has disposed of the peace treaty, but it should act promptly then, and undoubtedly will as soon as that is off its hands.

[From the Pittsburgh Press, July 19, 1919.]

GERMANY REACHING FOR HER OLD DYE TRADE.

The new dye industry of America is not the only one which the Republican majority in Congress may be trusted to enact protection for, but it is one of the most important and calls for prompt action for the reason that already, if we may believe information given the Ways and Means Committee of the House of Representatives, German dye agents are attempting to regain control of the American market which before the war they monopolized.

Germany's supremacy in the manufacture of dyes was a military advantage to her which handicapped the allied nations seriously during the first half of the war. How this country suffered during 1915 and 1916 from its lack of a dye industry is readily recalled. The interruption of the German supply throughout the war obliged us to manufacture dyes for ourselves, and we have been going into the industry on a big scale.

When we declared war against Germany thousands of German patents for dye making became free for American use, and we have made the most of them. Within eight months in 1918, it is authoritatively stated, approximately \$400,000,000 was put into American chemical works. In a single year the re-production of dyestuffs and medicinal synthetics rose in value from \$350,000 to \$17,000,000. Not only did the chemical industry meet the home emergency but the exports of dyes, drugs, and other chemicals increased in a notable way. In 1918 the total value of exports of this nature was \$172,135,180, as against \$21,924,337 in 1914.

But Germany has a longer experience and cheaper labor and she means to get back her American dye trade at all hazards. Against her savage competition scores of our new factories are not yet strong enough to stand. They will need tariff protection for at least five years, according to Prof. Baskerville. That protection Congress will assuredly give.

[From the Easton (Pa.) Free Press, July 23, 1910.]

TARIFF AND AMERICAN DYES.

Our friends, the Democrats, are greatly exercised lest the present Republican Congress "tinker" with their pet, the Underwood free-trade tariff law. Of course, President Wilson has got two years yet to serve, which, though, does not insure that he would flout public opinion and act as buffer against such tariff legislation as the people will surely want rather than see large quantities of cheap goods from Germany and other parts of Europe dumped into the United States, with the resulting crippling of American factories and the lowering of wages.

One of the great prospective American industries that requires immediate protection is that making special dyes. Prior to the war our best dyes were gotten from Germany, but with the advent of hostilities the American manufacturers at once devoted themselves toward the development of the industry, and although they were much handicapped, they were able, within a short time, to give relief to the textile mills, which otherwise would have had to close for lack of sufficient colors. They are now able to provide most of the colors required by the various industries of the United States and are determined that they will finally so develop the processes for "vat" dyes that they will be able to meet all competition.

Until the war broke out "vat" dyes were a mystery in America, yet the intricacies of their composition and manufacture were soon overcome, though not until after the expenditure of much money and gray matter. One American firm has thus far been able to market only \$30,000 worth of dyes after an experimental expenditure of \$845,000; yet a promising start has been made. Another large concern, now successfully producing the goods, risked \$1,800,000 on experiments alone. In fact, all the money, energy, and scientific research can do is now being directed toward the perfection of that group of rare colors known as "vat" dyes.

These "vat" colors, all of brilliant hues, are strictly "fast" colors, and their "fastness" is due to their insolubility. Fabrics dyed with them resist the action of washing, of light, and of strong soaps.

Hence they are chiefly used for coloring the cotton material of women's blouses and shirtwaists, hosiery, men's shirts, and kindred articles which often go to the laundry.

And after American pluck and ingenuity has gotten the new industry well under way and expended millions of money to meet the anticipated competition of Germany, would home interests not be best subserved by affording such venture and its goods reasonable tariff protection against the inroads contemplated by the Huns?

A bill to that effect is now before Congress, and for several weeks the Ways and Means Committee of the House has been holding hearings on the dye situation. The purpose of the measure is to bar all dyes that can be made here, with a provision, however, that dyes greatly needed may be imported under a special license during the next five years.

This it is thought will give the home dye makers a fair chance.

[From New York Times, July 30, 1910.]

THE AMERICAN DYESTUFFS INDUSTRY.

Representative Longworth's bill "to regulate the importation of coal-tar products" declares that the system of licensing which it establishes is intended to be applied and administered in such a manner as will "without injuring the domestic consuming industry, best aid in the building up of a complete and self-sustaining manufacture" of those products. It imposes duties upon dyes and chemicals and further provides for a licensing commission authorized to issue licenses "to import in the quantity actually required for use in manufacturing within the United States such products, and such products only, as may, in the judgment of the commission, be unobtainable from domestic sources on reasonable terms as to price, quality, and delivery."

The arguments in favor of establishing the dyestuffs and chemical industry in this country upon a basis broad enough to make us independent of Germany are familiar to the public—they are unanswerable. The interests not only of the industry but of the Nation are involved.

It is urged that this bill, which has not been reported by the Ways and Means Committee, should have very prompt consideration and action. The House is to take a recess from August 2 until September 5. With the ratification of the peace treaty, it is feared that German products would be rushed to this country in so great a volume that the existence of American industries would be endangered. Regulation is necessary; and the plan of regulation by licenses has had general approval, both of manufacturers and consumers. There is some apprehension that political and party issues may be raised at Washington which would be an obstruction to the early enactment of Mr. Longworth's bill. The Bacharach bill, relating to imports of glassware used in the chemical industry, is to be reported to-day, it is understood, and the announcement has been made that the Democrats will insist upon the application of the licensing system to that industry and to measures relating to other imports. There is no parallel between the two cases, for the glassware industry is already established in this country, and the license plan would be unnecessary. It is to be hoped that the Democrats of the House will be more wisely guided, and that they will put aside all purpose of obstruction and unite with the Republicans in the enactment of measures necessary for our industrial independence. We do not want again to be put in a position of being dependent upon Germany for the materials of explosives as well as of dyeing processes. The case of the dyestuffs industry is one that stands by itself; it should be considered without regard to questions of high tariff or low tariff, or protection or free trade, or of Democratic or Republican politics; and the need of the prompt enactment of the Longworth bill is evident.

[From New York Tribune, July 23, 1919.]

LICENSING DYE IMPORTS.

No reason can be advanced for the injection of partisanship into the bill for licensing the imports of dyestuffs which Representative Longworth announces will soon be favorably reported by the House Ways and Means Committee. Here is an aftermath of the war which should be considered wholly from the standpoint of patriotism and legitimate national defense.

The facts in the main are clear to the public. In the prewar period the German chemical companies, under the patronage of the German Government, attained a practical monopoly of the making of dyestuffs. When hostilities closed German ports manufacturers everywhere, particularly in this country, found themselves cut off from an essential raw material. But chemists went to work, capital was enlisted, and by a rare exercise of energy the void was partially filled.

But the work was only half done when our ports were reopened by the President to German trade. We were turning out many dyes, and prices of some had been lowered by domestic competition below the former level, but we did not make a full line. It was necessary to get a market for by-products and to perfect processes. We do not produce all colors, and as to those which we do not produce Germany is now in a position to control our market and at the same time to dictate prices.

The mere imposition of a protective tariff is not enough to meet the problem, for our manufacturers for an indefinite period must get some German dyes or be at a disadvantage in international competition. At the same time our chemists must be encouraged to continue their work. So a license system is necessary to secure dyes that are needed and to avoid injury to our developing dye industry. Our license system, of which control will be with a commission of manufacturers, consumers, and the Government, seems essential even though theoretically objectionable.

The abnormality of the dye-making industry was recognized by President Wilson when he said in his message that it must be safeguarded for political as well as economic reasons. A dye plant is also the maker of the raw materials of the munitions of war. The treaty dismantles Germany's cannon works and her airship factories, but her chemical plants are to remain intact. It will scarcely do to allow to her again the advantage she possessed in 1914. Legitimate defense requires we have complete chemical works if we would not be helpless before gas makers.

In the opinion of practically all who have studied the complicated and ramifying dyestuff problems the license method gives the only problems of solution. The duration of the system is to be limited to five years. By that time we

may expect to have the means to protect ourselves, but now the development could be throttled and the country thus denied the basis of munition making.

The Congressman who votes against this preparedness bill will have a difficult time explaining to both his conscience and to his constituents.

[From Herald, Salt Lake City, Utah, Aug. 14, 1919.]

THE DYESTUFFS TARIFF.

We hear little these days of the tariff, once the paramount political issue of the Nation, subject to revisions upward and downward, depending whether Democrats or Republicans were in power in Congress. One of the big reasons for the lack of attention now being given to tariffs is that, under the stimulus of war, a high protective rate is no longer so apparent as formerly. Many American industries have for the time being grown out of the class of "infant enterprises."

One "infant industry," however, needs our immediate attention. This is the coal-tar by-products branch of chemical endeavor, basis of all manufacture of dyestuffs, explosives, and organic pharmaceutical preparations. Unless protected against German competition until it has grown stronger, this industry will be unable to live, cheap labor and an oversupply of skilled chemists in Germany making it possible for the latter country to dump vast quantities of dyestuffs and coal-tar preparations on the American market at very low prices.

To prevent the stifling of America's new industry, a bill has been introduced in Congress levying protective tariff on chemicals, dividing them into three classes—the crudes, the intermediates, and the finished products. The bill increases the rates of duty from 15 per cent ad valorem and 2½ cents a pound on intermediates to 40 per cent ad valorem and 6 cents a pound, and upon the finished product from 30 per cent ad valorem and 5 cents a pound to 45 per cent ad valorem and 7 cents a pound. The measure also provides that for two years no foreign dyes can be imported except under a license granted by a board created in the bill.

The reason for these regulations is at once apparent. During the war the American dye industry rose from what was an insignificant factor in the market to the place once occupied by German manufacturing chemists. American chemists developed dyes which in every case were the equal, if not the superior, of the German product in color, fastness, ease of application, and price. In some cases the American dyes are distinctly superior to the German prewar product. More than 1,100 different shades of coloring matter for all forms of textiles have been produced in this country.

In the production of the intermediates used in dye making, the most elaborate chemical process is required, and can be carried out without the waste of a large proportion of the raw materials used only by men of the most profound chemical knowledge and long experience.

Such men are not yet available in sufficient numbers in this country. Under these circumstances, therefore, it is claimed that this industry requires for the present at least a high degree of protection.

All this is still more true of the finished product, which may take one of six different forms. By further chemical processes, in some cases very simple, these intermediates may be converted into dyes, perfumes, pharmaceuticals, tanning materials, high explosives, like "T. N. T." (trinitrotoluol), and picric acid or into military poisonous gases.

As a class these finished products, requiring as they do further labor and skill of a class plentiful in Germany but still very scarce in this country, need a greater, though not much greater, measure of protection than do the so-called intermediates. The explosive industry is directly dependent on the dye industry for its materials and workers. The technical knowledge and skill, the materials and the apparatus necessary make high explosives as well as poisonous gases, and their antidotes, are precisely what are to be found in any well-equipped dye works and nowhere else.

Ammunition, therefore, which has a thoroughly complete dye industry capable of supplying its dye needs is always ready for a defensive or offensive war, so far as production of explosives and chemical gases is concerned. Another phase of this industry is its bearing upon the advancement of medical and industrial chemistry. It is the one industry which deals on a colossal scale with organic chemistry and it is upon organic chemistry that progress in modern medicine rests. A recent discovery, for instance, which was devel-

oped in a dye-works laboratory, is the first known certain cure for one of the worst scourges of humanity. It is confidently predicted that upon the further development of organic chemistry will rest the discovery of other cures for such devastating diseases as tuberculosis and even cancer.

This development rests upon the further effort in this country of skilled research chemists, and it is only in a dye laboratory that large numbers of such chemists can find a livelihood. The economic importance of the industrial side of this question is illustrated by the fact that industries in this country producing nearly \$3,000,000,000 worth of goods each year are absolutely dependent upon coal-tar dyes, and other industries producing more annually are indirectly dependent upon coal-tar dyes and kindred materials.

Unless this industry is protected from German competition it will be stamped out in a short time. With the ratification of the peace treaty Germany will be in a position to crush the American dye makers by the simple expedient of selling dyes below cost, sustaining the loss until American competition has been eliminated. The bill in the House of Representatives affording protection to this vital industry has been favorably reported on by the House Committee on Ways and Means, with recommendation for its passage. The committee is to be commended for prompt action on the bill, and it is to be hoped that the House and Senate will see fit to speedily adopt the measure. Any other course, though unlikely in the present measure, would be fatal.

[From Drug and Chemical Markets, Dec. 10, 1919.]

IS THE LONGWORTH BILL A MENACE?—UNITED STATES DYESTUFF AND CHEMICAL IMPORTERS' ASSOCIATION RAISES THIS INTERESTING RHETORICAL QUESTION.

A booklet bearing the engaging title "The Longworth Dyestuff Bill (H. R. 8078) a Menace to the Industries of the United States" was published last week and is being distributed broadcast by the United States Dyestuff & Chemical Importers' Association.

Its title reveals its purpose frankly. It is propaganda against the tariff bill, now before the Senate, whose passage was urged by the President in his message as necessary protection for a "key industry" essential to rational prosperity, and, in event of war, indispensable to national safety.

The interests this propaganda serves are as frankly revealed. The very name of the organization which fathers it is significant, for when organized during the war the good adjective "American" was evidently distasteful to leading spirits among its founders, who salved their nice sensibilities in such matters by selecting "United States," a designation purely political and geographical. This preference for "United States" over "American" is firmly held, and it may be noted in passing that their booklet accuses the Longworth bill of being "a menace to the industries of the United States." Is this perchance an innocent admission of the fact that the protection of the coal-tar industry is no menace to American industries?

It is not strange, then, that logicians so subtle, in the first paragraph of their 70-page propaganda against the Longworth bill, should state emphatically the most important and most patriotic argument in favor of a dye tariff. "Basic industries which form the very foundation of our productive activity, such as textiles, leather, paper, printing, etc., depend for their existence upon an uninterrupted and adequate supply of products made from coal tar, whether dyestuff or otherwise." Exactly so. And it is just because vital industries must have "an uninterrupted and adequate supply" of coal-tar products that we must have a self-contained, independent coal-tar chemical industry. Probably it is too much to expect from even so naive a booklet that it should point that without an American coal-tar chemical industry we can not have photographic chemicals, a long list of synthetic medicinals, or modern explosives—all essential war munitions—but Congress and the public do not forget these facts so conveniently.

Those same reasons are behind Germany's world-wide domination of the coal-tar industry. For these reasons she will make every effort to regain her dye supremacy. Many basic American industries depend upon an independent American coal-tar chemical industry, and for these same reasons tariff protection is necessary.

It would be illuminating to continue, paragraph by paragraph, a detailed examination of the specious arguments of these importers of dyes, but lack of space forbids this. However, their 70 pages of "statistical material, explana-

tory notes, and illustrative comments" are arrayed to justify the following conclusions, and these labors are at least worthy of consideration:

1. Practically prohibitive duties are placed on both coal-tar dyestuffs and coal-tar intermediates with an utterly inadequate differential between the two to permit the independent manufacturer getting his supplies of raw materials at a figure at all comparable to and competitive with their cost to the manufacturer within the combination.

The prime necessity for the development of the industry of coal-tar products as an organic unit and on a competitive basis is thus wanting, and what development there will be under the Longworth bill will be by a very few interlocking factories who may use their aggregate power benevolently or not, but, "in any case, will be potentially in a position to do either."

The "practically prohibitive duties" do not prohibit, they do not even offer the protection of the old prewar tariff, since now the German mark is worth 2.140, against a parity of 23.830. Ad valorem duties are based upon values in the country of origin, and with the mark at a tenth of its normal value the "prohibitive" tariff of 40 per cent amounts in dollars to a tariff of 4 per cent. The tariff of 1913, which was admittedly inadequate, placed a duty of 30 per cent on dyes, and the depreciation of the mark makes necessary the licensing of dye imports for two years. If there was any fair prospect of the mark's return to parity within this time, banks and investors would not overlook this splendid get-rich-quick opportunity.

The solicitude of the "United States" dye importers that American dye makers shall be assured a plentiful supply of cheap, foreign intermediates is a cynical commentary on the views of the members of this same association at various tariff hearings before the war. The ruthless methods by which the Germans killed the American benzol recovery plants in the old days prove the need for tariff protection to the makers of the intermediates, since it is an axiom that we can not have an American dye industry unless we have an American source of these supplies.

2. Such few products, the duty of which would be sufficiently prohibitive to bar importation entirely may be excluded from entry by the fiat of the dye licensing commission established under the proposed Longworth bill, whose powers in this and other directions are as unlimited as they are arbitrary.

The Longworth bill far from granting unlimited arbitrary powers to the licensing committee, sets a two-year limit upon its activities and specifically instructs it to forbid the import of "such products only as may be obtainable from domestic sources on reasonable terms, as to price, quality, and delivery." Consumers are thus assured adequate supplies of all needed color and chemicals not yet made in America in sufficient quantities, of the proper quality, and at the right price.

3. Even obtaining a license from the Dye Licensing Commission to import a certain color or a certain product would not yet clear the way for its actual importation. To do this the unequivocal consent of the Chemical Foundation (Inc.) will also be necessary in addition, in every case involving a product covered by patents owned by the latter.

As the lawful owners of the patents, the Chemical Foundation (Inc.) is in position to either absolutely refuse its consent in the case of products controlled by it, although license to import may have been granted by the licensing commission, or else may impose conditions for the use of such product or products which will be equivalent to a denial of consent.

The importers again beg the question, for the control of the Chemical Foundation over the importation of products whose patents they own exists independently of the Longworth bill. This control was granted to protect the legal rights in these patents and to prevent the flagrant exploitation of the American consumer, which the Germans practiced for years by systematically abusing our liberal patent laws.

4. In practice, therefore, the American textile manufacturer or any other consumer of coal-tar colors or chemicals will have to go before two licensing commissions for products covered by patents controlled by the Chemical Foundation (Inc.), first, for license to import from the governmentally controlled Dye Licensing Commission, and, second, for license to use from the Chemical Foundation (Inc.), who, as stated by their attorney, will first pass upon the genuineness of applicant's patriotism before giving their decision.

Incidentally, it is recalled that one of the largest producers of coal-tar products and also one of the mainstays of the Chemical Foundation (Inc.), according to press statements which have met with no denial, is under agreement with

the principal subsidiary of the British Dyestuffs Corporation to pay annually for 10 years the sum of \$125,000 for the purpose of keeping certain products out of the American market. This presumably to prevent the American consumer whose patriotism does not measure up to the mark set by the Chemical Foundation (Inc.) from succumbing to temptation.

Anglophobia is a petty vice of certain kinds of propaganda that would appear to be a little foreign to the "business-is-business" arguments of dye importers; but admitting the correctness of "press statements," it should also be said that these agreements contain clauses covering the exchange of research work. In view of the British progress made in certain dyes as yet undeveloped here, dye chemists claim the bargain a very good one for the American industry.

5. The judgment of the American manufacturer as to quantity, quality, and character of important supplies required by him will prevail only subject to the approval of an agency foreign to his business and not familiar with its needs.

The personnel of the dye licensing board is most carefully provided for by the Longworth bill to insure a majority of experts from the dye-consuming industries. Of its 11 members, 1, the chairman, is a neutral; 4 represent the dye and medicinal products industries; 6 are delegates of the leading textile and paper trades association. Such a board is of necessity foreign to a manufacturer's own personal business interests; but it can not be unfamiliar with his chemical and color requirements.

6. The inevitable result will be a serious shortage of dyestuffs and other coal-tar products, with a consequent material increase in price, which perforce will be reflected in "the manufacturing cost of all industries using these products as necessary auxiliaries." This means higher prices of textiles, leather, paper, printing ink, paints and varnishes, etc., in the domestic market, and a severe if not insurmountable handicap in other markets of the world.

Again the provisions of the Longworth bill have been carefully drawn to nullify the very contentions here made. The licensing board must insure an adequate supply of dyes and chemicals of any kind or grade, in any needed quantity, at fair prices, that are not so available from domestic manufacturers; and the majority of this board are consumers, not manufacturers, of these products. There will be no famine. The licensing board and the constantly increasing production of American manufacturers make this certain. There will be no fancy prices. The cheapness of the German mark and the constantly lowering prices of American dyes assure this. Over two-thirds of the dye prices quoted in Drug and Chemical Markets show either a reduction or at least no higher price, in the issue of December 3, 1919, compared with the issue of December 4, 1918, and this during a year when all manufacturing costs have increased tremendously.

The great progress made in establishing an independent and self-contained American coal-tar chemical industry must not be thrown away. This industry, vital to national prosperity in peace and to national preservation in war, can only be established by adequate tariff protection during its period of readjustment and development. Industrial dye consumers support the Longworth bill, because they remember that the American dyes saved them from "white market" during the war, and because they refuse to be wholly dependent again upon foreign sources for supplies. The cost of coloring matter in a suit, a dress, a pad of paper, a pair of shoes, a bottle of ink, is so infinitesimal a part of the total price that American consumers will in no sense "be borne down with heavy tariff burdens."

"The United States" importers of dyes and chemicals are mistaken—the Longworth bill is no menace to American industries.

[From Drug and Chemical Markets, New York, Oct. 22, 1919.]

PENNY WISDOM OF LICENSE OPPOSITION.

Those few dye consumers who are playing into the hands of the German dye industry and its American agents, the dye importers, by opposing dye license, display a remarkable penny wisdom, and, unfortunately, they do not understand their own pound foolishness. There are two plain facts which they blink. First, Americans must have a dye industry; second, any tariff adequate to prevent the destruction of this dye industry would place a tremendous and unnecessary burden upon dye consumers.

Every nation which has served its industries to determine those which are essential to industrial warfare in peace and to national security in war, places coal-tar chemical making among the "key industries." The lessons of the war are not to be ignored, and the American people appreciate keenly that, quite aside from its commercial importance, the coal-tar dye industry must be developed in this country because of its intimate relationship with medicinal chemicals and explosives. Congress knows the facts and the people's wishes in this matter. A coal-tar chemical industry is a national necessity. Dyes are a vital part of this industry. Adequate protection, therefore, will surely be given to the young American dye industry.

This protection, to be adequate, must of necessity be very strong. According to the figures in the hands of the British Government, which drug and chemical markets have received from an authoritative source, the Germany dye industry on March 1 of this year had on hand 45,000 tons of finished dyes, including indigo, a stock that equals the yearly consumption of Great Britain and the United States combined. Moreover, at that time German dye production was at the rate of 1,000 tons weekly, an output that has probably been increased during the summer. The German dye-making companies are in strong financial positions, thanks to the munition-making profits of the last four years. They have written off many fixed charges of real estate, and have accumulated vast cash reserves. They have joined together into closer combination, which will in a great measure effect the loss of the governmental support. No sane human being who knows anything about the German coal-tar chemical industry and German trade methods can doubt that Germany will make desperate efforts to regain her command of the dyestuffs trade of the world. The American dye industry must not battle with a powerful, experienced competitor that has its most vital interest at stake.

Under these circumstances any adequate tariff would have to be absolutely prohibitory. Furthermore, with the exchange value of the German mark shrunk to 3 or 4 cents, an ad valorem duty based upon the valuation of dyes in the country of their origin would be no protection at all. What the dye users who oppose the dye license do not use is that this is the best method of protecting the American dye maker that could be devised for the safeguarding of the dye consumers' interests. The licensing system provides for the importation under a comparatively moderate tariff of any dyes which can not be supplied in necessary quantities at a fair price.

Moreover, the license opposition forgets that the license is a frankly temporary measure, and that it is much more flexible and much easier to repeal than a tariff.

Remembering that the Nation is determining to have a coal-tar chemical industry and that an adequate tariff for its protection would have to be absolutely prohibitive, it would seem that the first and most ardent supporters of the licensing plan would be the dye consumers themselves. Of course, it is true in the majority of cases, for the majority of American manufacturers are not penny wise and pound foolish.

Mr. EMERY. I crave the indulgence of the committee for a very brief moment—

Senator CURTIS (interposing). Wait one minute. Mr. Metz wanted to answer something, I believe.

Mr. METZ. Mr. Garvan did me the justice to state that I was an independent agency. I bought my goods and paid for them, and I will continue to buy and pay for them, and I will continue to buy and pay for everything I get. I was not tied up in any respect. If I was satisfied as to what Mr. Garvan tells about the people abroad I would not buy another cent's worth of goods abroad. I have started to manufacture goods, and have manufactured everything since. If I thought that was their object I would quit ever getting another pound of German-made goods. But I do believe that people should be able to get the dyes they need.

I want to say for Mr. Garvan's benefit that that 15 per cent royalty is being charged on the goods coming over.

Mr. GARVAN. That is all subject to adjustment.

Mr. METZ. And when licenses for vat colors are granted by the Chemical Foundation, and if goods are brought over under them, will they be brought over under the same charges as for goods brought over by the Chemical Foundation—if we do bring them over? There may be goods I will want as an importer to bring over.

Mr. GARVAN. German importers will have to see the Chemical Foundation about that.

Mr. METZ. I am a member of the Chemical Foundation. I am not against it. I am not really in the combination, and I want the record to be straight; in the case of dyes, what is charged? On the vat dyes the Federal Trade Commission has charged 2 per cent—that is, a royalty of 2 per cent. That means a payment of 2 per cent of the manufactured vat dyes in this country. I have their licenses. It is 2 per cent instead of 10 per cent.

Mr. DEMMING. I would like to ask Mr. Garvan one or two questions.

Senator CURTIS. All right.

Mr. GARVAN. I am delighted at the opportunity to let anybody ask questions.

Mr. DEMMING. With regard to the Chemical Foundation and the patents which the Chemical Foundation owns, isn't it the privilege of the Chemical Foundation to decline or to allow the privilege to anyone whom they may select to make products under any patent?

Mr. GARVAN. No; I do not believe it would be considered by any court. We would have to show some reason for doing it, for not issuing it to some American. We never shut out anybody or refuse a license. A German can not come over here and take out a license from the Chemical Foundation. Those patents are for the purpose of educating American chemists, and the Germans can not send their chemists over here and evade our plan or rules, but any American who wants to develop the industry in America can take out any license he wants.

Mr. DEMMING. Then it is the policy of the Chemical Foundation to apply the same principles for the stocks of the Chemical Foundation for the privilege of the right to manufacture under any patent which they hold if they will grant him a license.

Mr. GARVAN. That is our policy.

Mr. DEMMING. No matter who he is?

Mr. GARVAN. "No matter who he is" is pretty broad.

Mr. DEMMING. Then you do retain the privilege or the right to exercise a choice?

Mr. GARVAN. Suppose a man wanted a thing for the purpose of blackmail, or for a wrongful purpose, or for the purpose of forcing fake stock upon the people and to advertise he had valuable patents?

Mr. DEMMING. You are judges of that.

Mr. GARVAN. First, under the constitution, the stockholders themselves who own the business and the trade, make their recommendations to us, and we follow their recommendations.

Senator CURTIS. In short, it is the purpose to grant the request of any reliable applicant?

Mr. GARVAN. Certainly. First, the application goes—for instance, for dye patents, to the dye trade for recommendation as to the man. For instance, as to the Badische patents, dye patents, we have already

granted five or six licenses; and anyone can come in and get a license who will help on with this general cause.

Mr. DEMMING. Notwithstanding the fact that the life of the longest of these patents will have only 17 years to run; it is the purpose of the Chemical Foundation to be perpetual?

Mr. GARVAN. It is. And, fortunately, I am able to tell the committee that one of the leading institutions of this country has stated that their laboratories and their doctors for years have been discovering things that have been thrown away, simply because they could not patent them and put them on the market. But they are enthused about the idea that there is this foundation, so that when a doctor invents something it can be placed on the market properly and in a guaranteed form for the safety of the public as salvarsan is being handled to-day.

Mr. METZ. That was done by the Public Health Service and it is doing it now. Before you took the patent the Public Health Service did make rules.

Mr. GARVAN. On all toxic matters it is under their jurisdiction.

Senator CURTIS. Is that all you have to say?

Mr. GARVAN. I believe so.

Senator CURTIS. We will now hear Mr. Emery for a few moments.

STATEMENT OF JAMES A. EMERY, ESQ., ATTORNEY, UNION TRUST BUILDING, WASHINGTON, AND NO. 30 CHURCH STREET, NEW YORK.

Mr. EMERY. I appear, Mr. Chairman and gentlemen of the committee to make a very brief statement, if you will permit me, on the part of Kutroff, Pickhardt Co., who have been so frequently mentioned in the course of these discussions, and especially by the Alien Property Custodian.

The members of that firm have been American citizens and residents of this country for substantially 50 years. One of them is a veteran of the Civil War, and the other, who is present in the room, has sons respectively in the Army and Navy of the United States, and were throughout the war, and were in the Regular Establishment.

These gentlemen are here to present to you any evidence you may desire, to answer any questions you may wish to ask in view of the statements that have been made here in regard to that firm, although I do not desire to take up your time unnecessarily.

While the references made here as to their activities have carried the intimation of disloyalty during the period of the war, they not only deny it but resent it. A cablegram was mentioned here and read. I want to say that all cablegrams and all exchanges between this firm and Germany are at the disposal of this committee. If the method pursued of permitting a single exchange upon a commercial subject to be presented, and accompanied by a commentary, without the wires which preceded or followed, is to be pursued, it is quite possible, Mr. Chairman and gentlemen of the committee, that perhaps an entirely erroneous idea might be given.

The same method was once pursued by those who took the words of the Testament, "And Judas went and hanged himself," and "Go

thou and do likewise," and thus gave the sanction of Deity to his destruction.

While the discussion of character at this time is not relevant to the merits of this bill, yet since it has been placed in here, and since this is an American firm, of American stockholders, with American capital, who are not agents of any German concern, but buyers in the open market and traders of long experience, I want to take this opportunity of presenting this denial, resenting those insinuations, and stating that they place themselves at the service of the committee for any inquiry they may choose to make.

Senator CURTIS. I want to close these hearings, but of course you have a right to reply to anything that has been presented. The committee will have a meeting the first of the week and determine what other persons may be heard. It is our expectation to hear the Tariff Commission, or rather to have a conference with them, to determine whether or not we will subpoena the witnesses mentioned a few moments ago by Mr. Demming, and if you, Mr. Emery, want to present witnesses at that time we will consider the question as to whether we will hear them. If you want to file a brief, either printed or typewritten, in answer to what has been said, permission will be given you at this time to do so; but if you want to present witnesses I would rather let the full subcommittee pass upon it. As far as I am concerned, I want to close this hearing this evening. We have been here long enough, and have other hearings, and some of us have very important business elsewhere to look after for the Government.

Mr. EMERY, if you want to file a brief we give you permission now to do so, but if you want to be heard by witnesses I would rather you would address a letter to Senator Watson, the chairman of this subcommittee, and the full committee will pass upon it Monday.

Mr. EMERY. We desired to call attention to the statement the gentleman made here, and to see if the committee was impressed by the statement we would be glad to have them ask other questions, and will present the full correspondence if you desire to have it.

Senator CURTIS. You will have to determine for yourself what you want to file. So far as the two members of the subcommittee present at this time are concerned, we have no questions to ask. If there has been anything presented that you want to answer, we will give you a chance to answer it either one of the ways I have indicated. I do not think we can go on to-night and hear your witnesses, however. If you will give us the names of the witnesses you wish to call here we will take it up in full committee and decide upon it; or if you want to file a brief, we will permit you to do it.

Mr. EMERY. I do not desire to prolong this hearing.

Senator CURTIS. I understand that.

Mr. EMERY. The gentlemen are here.

Senator CURTIS. If they want to be heard, all right; but so far as I am concerned, I do not want to ask any questions of anybody.

Mr. EMERY. All right; I thank you.

Mr. MERZ. May I file a brief touching some points mentioned by Mr. Garvan?

Senator CURTIS. You may.

Mr. CHOATE. I will file a very short brief in answer to Col. Wood's observation.

Senator CURTIS. All right; you may do that.

Mr. CHOATE. I do want to say to Mr. Metz that he played fair with the Textile Alliance in this matter; that he and Kutroff, Pickhardt & Co. surrendered their allocations licenses to the Textile Alliance, so that consumers might have cheap dyes from the Reparation Commission. And, so far as I know, and I believe it to be a fact, Mr. Metz had no communications with the other side tending in any way to obstruct. The obstruction was purely from one source.

Senator CURTIS. With that understanding, so far as these hearings are concerned, they will be closed until further notice from the subcommittee, and its policy will be settled at the meeting next Monday or Tuesday.

STATEMENT OF KUTTROFF, PICKHARDT & Co., OF NEW YORK, N. Y.

REPLY OF KUTTROFF, PICKHARDT & CO. (INC.), OF NEW YORK, TO STATEMENTS RESPECTING THIS CORPORATION TO THE HONORABLE THE SENATE SUBCOMMITTEE OF THE SENATE COMMITTEE OF FINANCE, IN THE COURSE OF HEARINGS ON H. R. 8078 (THE LONGWORTH BILL REGULATING THE IMPORTATION OF DYES).

Pursuant to leave granted at the close of the hearings, we respectfully submit the following statement of facts relating to our efforts to import dyes of German origin under licenses.

It will appear that the delay occurred not by any action on our part, but by the confusion arising from the varying statements issued officially, by withholding from consumers and importers information obtained abroad, and by the omission of the War Trade Board Section to adopt slight modifications of its regulations. That we were consistently endeavoring to serve American consumers is shown by every act of ours.

We have emphasized some of the statements and quotations by use of italics which are not in the original documents. The cables transmitted in code are here set forth in translations.

It must be borne in mind throughout that it was unequivocally stated by the War Trade Board Section, and by Dr. Herty that the Textile Alliance had the exclusive right to arrange the machinery for obtaining reparation dyes only, and that outside lots were at the free disposal of the foreign manufacturers, from whom they could be secured through any channels. We had and have a right, therefore, equal to that of all American citizens to purchase and import any quantity of these outside lots that may be permitted.

This company was organized under the laws of New York, and is an importer and dealer in dyes of foreign and domestic manufacture, with its principal office in New York City. It also has offices in Philadelphia, Pa.; Boston, Mass.; Providence, R. I.; and Chicago, Ill. All of its directors, officers, and stockholders are United States citizens, and it employs about 128 individuals, all but 16 of whom are United States citizens, and of the latter 9 have received their first citizenship papers.

Adolph Kutroff, president of our company, came to America in 1860 and was naturalized in 1867, at the age of 21. Carl Pickhardt, vice president, came to America in 1869 and became a citizen in 1885; one of his sons is a graduate of the Naval Academy at Annapolis and is still in service, and another was recently a surgeon in the United States Army. For nearly 50 years Mr. Kutroff and Mr. Pickhardt have been dealing in dyes and dyestuffs, and during this period have extensively imported dyes of German origin. Since the United States entered the war the activities of our company have been confined to dealings in domestic goods and lately in assisting consumers in complying with the import regulations.

When communications with the enemy were permitted in 1919, we cabled to the Badische Anilin & Soda-Fabrik of Ludwigshafen, Germany, for prices on certain anthracene dyes, and received its reply in May offering these dyes. We then submitted applications to the War Trade Board for import licenses for these colors about May 12; these were not granted.

On May 20, 1919, the War Trade Board announced that the importation of German dyes into this country would not be permitted except to the extent

that they are needed, and that an advisory committee on dyes had been appointed to study the situation and determine the extent to which the importation would be to the interests of this country.

In May W. P. Pickhardt, a director of our company, went abroad for the purpose of ascertaining the quantity of dyes available, and to make purchases when imports would be permitted. He visited the factory of the Badische Anilin & Soda-Fabrik on May 31, and ascertained that its stock consisted of about 4,500 tons of assorted dyes, not including indigo.

He consulted the American authorities in Paris in regard to obtaining export licenses; and having been offered a quantity of dyes, *outside those at the disposal of the reparation commission*, he cabled us from Paris on June 10, stating, among other things, that "The embargo will be removed upon condition that if you can get permission War Trade Board."

On June 20 Mr. Pickhardt received in Paris our cable, saying: "We make immediate application for import license."

There was no response from the War Trade Board respecting our applications for license until we received a letter from W. B. D. Penniman, trade adviser, dated July 15, reading:

"Your letter of July 3 and the accompanying papers regarding your application to import certain dyestuffs from Germany, has been fully considered by the advisory committee on dyes and chemicals and the writer, who is acting as the advisor of the War Trade Board.

"We all fully realize the necessity of importing certain German dyes and as soon as the proper arrangements have been made by the various departments of the Government, trade will be resumed in these commodities.

"At the present time, however, these arrangements have not been perfected and no licenses are being issued in consequence. We shall, therefore, hold your license until the arrangements are made, notifying you at as early a date as possible."

At this time, therefore, only the permission of the War Trade Board was required to secure for consumers in this country the dyes needed.

On July 21 Mr. Pickhardt received our cable inquiring for present prices of dyestuffs, and he replied by cable on July 22, and again on July 24 on this subject.

On July 14, 1919, the War Trade Board section announced the resumption of trade with Germany, and on July 26 announcement was made of its policy respecting the importation of German dyestuffs, quoting the *unanimous opinion* of the advisory committee on dyes, *that there was no need of the importations.* This was about 11 days after the letter of Mr. Penniman, above quoted.

One month later and on August 26, 1919, it was announced that the War Trade Board section would permit the importation of a six months' supply of German vat dyes.

We had received from Mr. Pickhardt a list of dyes and chemical products which were offered him as available to American consumers, and he reported that the German dye manufacturers had offered to anticipate the terms of the peace treaty, and to present a list of stocks to the allied and associated powers for the latter to indicate what they desired to take.

On August 27 we presented to the War Trade Board further applications for licenses to import dyes from Germany, but no licenses were granted at that time.

Mr. Wallace Day, the American deputy commissioner in Coblenz, informed Mr. Pickhardt that about the beginning of September he had cabled to the United States *urging an early selection and importation of dyes for consumers in this country.*

In a circular letter dated October 1 the War Trade Board section announced that the importation of a six months' supply of vat dyes of German origin would be allowed under regulations to be announced. These regulations were set forth in its circular letter dated October 10; this letter, however, did not make clear the limitation of the agency of the Textile Alliance, stating:

"The Textile Alliance (Inc.), of 45 East Seventeenth Street, New York City, has been designated as sole official agency to administer the provisions of the above-mentioned plan and to import and distribute the dyes which will be secured thereunder."

We caused inquiry to be made of the War Trade Board section as to whether a consumer could secure outside lots through any channel desired or whether the Textile Alliance was the sole agency for both reparation lots and outside lots. *It was stated by the officials that a consumer was free to obtain outside lots in any*

manner and through any channels he chose, but that reparation lots could only be obtained through the Textile Alliance.

Dr. Charles H. Herty went abroad in September, 1919, and, as stated by him, it was with the approval of President Wilson and upon the solicitation of the president of the Chemical Foundation to ascertain in what manner and by what machinery the six months' supply of dyes could be obtained.

Several times in October Mr. Pickhardt called upon Dr. Herty in Paris, and the latter stated that he could not discuss dyestuff matters, as they were State Department secrets. Mr. Pickhardt then stated that he thought they were both on errands to obtain the dyes much needed in America, to which Dr. Herty replied, in substance, that he thought the objects of their errands were quite different; that while Mr. Pickhardt's object was to procure dyestuffs, his was to build up the dyestuff industry at home.

On October 8 we presented further applications for import licenses to the War Trade Board section; on and following October 8 these were promptly granted; on October 8 we cabled Mr. Pickhardt asking prices, and he replied on October 16, after procuring information from Ludwigshafen. A letter from Mr. Pickhardt, dated at Paris, October 8, was later received by us, in which, among other things, he stated that the German commission had met with representatives of the allied and associated powers on October 2 and 4, when it was agreed that the stock lists be taken as of August 15, 1919, instead of the date of ratification as fixed by the peace treaty. This letter also stated that Dr. Herty had a personal conference with the German representatives on October 4 and was told that the manufacturers would give no promise as to quantity, but would give an option of four weeks as to prices for the United States.

At this time we had procured since October 8 about 188 licenses issued on allocation certificates, which we presented on behalf of many customers, covering about 300 tons dyes and dyestuffs. Having these licenses, we immediately arranged to effect imports. We established a credit of \$226,000 at Amsterdam, and cabled orders to the Badische Anilin & Soda-Fabrik for approximately 53 tons (being a part of the 300 tons covered by licenses), and advised Mr. Pickhardt by cable.

On November 17 we received a cable from Mr. Pickhardt that he had procured export licenses for these orders. He had also arranged transportation, freight, insurance, etc.

About October 28 it came to our knowledge that the Textile Alliance had notified consumers that it would import for them the total amount, both reparation and outside lots, allotted to them under allocation certificates issued by the War Trade Board section.

The first intimation we received of any option on German dyes came from press reports and rumors repeated to us by various consumers.

Thereupon we cabled Mr. Pickhardt on October 28 as follows:

"Are we to understand that Herty has option for lots outside reparation and at same prices as made to us are reparation prices same as ours Amsterdam Bank will pay in Ludwigshafen. We sent last week five cables to Ludwigshafen first words Gehadaggle make erbrift we bestiel."

We received on October 31 his reply, reading:

"As per my letter of October 9 Herty has received October 4 prices, good 30 days on lots outside reparation available for America, all manufacturers. Factories reserve right arranging own channels distribution; Herty therefore no options on these goods. Above prices are our prices. Reparation lot prices are marks at current rate of exchange; our prices vat dyes at the exchange of 4 marks \$1, others 5 marks \$1 export license meeting arranged for October 31, Paris. I will return factory November 1."

In a letter of November 7 Mr. Pickhardt wrote that he had shown this cable to Director Waibel, of the Badische Anilin & Soda-Fabrik (who was also one of the German commissioners present at the conference with Dr. Herty on October 4), who told him the facts were correctly stated.

Through counsel we conferred with the War Trade Board section on November 11, suggesting that licenses be issued in duplicate, or that some other method be devised whereby a consumer could receive his allotment of reparation goods through the Textile Alliance, and at the same time without delay and inconvenience he could secure outside goods in any manner the consumer chose.

On November 3 the Textile Alliance wrote offering to obtain for us any vat dyes in which we were interested, and for which we had obtained licenses covered by allocation certificates, and to turn over to us the goods for distribution to our customers.

We received a cable from Mr. Pickhardt in Paris, dated November 5, stating, among other things that Dr. Herty called at the factory with Mr. Fleisch, *vice president of the Textile Alliance*, and that they had proposed that the Textile Alliance would distribute without a profit both the reparation commission's goods and outside lots, and that "*Fleisch stated would handle all or none*"; this cable in full reads as follows:

"This is my first cable. Herty called on Saturday. He has called upon factory with Textile Alliance Vice President Fleisch. They have proposed alliance distribute without a profit reparation and outside lots. Fleisch stated would handle all or none. *Herty surprised hearing you have already received licenses*; inquired attitude factory in case cancellation; reply noncommittal; they have proposed mixing lots and average prices; reparation lot beyond factory control; *factory held purpurine (K. P. & Co.) must distribute outside to insure in every way most satisfactory service consumer*. Will not consumers take such steps as you think best purpurine (K. P. & Co.) appointment entire distribution. Paul handling this end. Cheap reparation supplies are very short. Assure your buyers others can not quote lower for outside lots. The production is limited. Buyers run the risk others take outside lots and output."

Confusion in the trade had arisen from the announcement that the Textile Alliance was the sole official agency, and from the reports that Dr. Herty, for the Textile Alliance, had procured an option; consumers were led to believe they could not import through prewar channels.

Having heard about this time that the Textile Alliance apparently insisted upon importing a consumer's entire requirements of dyestuffs ("*all or none*"), and not only the reparation dyes, we were confronted with the possible disadvantage to our customers in importing outside lots through us, and thus losing the benefit of the lower priced reparation goods.

Various communications issued by the Textile Alliance indicated that reparation lots would be mixed with outside goods, and that a consumer could not tell the quantity he might expect to receive; that apparently would leave him in the position of losing his pro rata share of reparation goods unless he also placed his order for outside goods with the Alliance.

Assuming that Vice President Fleisch was authorized to take the position of accepting orders only for *all dyes or none*, and actuated solely by a desire to permit our customers to secure any benefit to be derived by importing through the Textile Alliance, we notified our customers of what we thought were the facts and at the same time *voluntarily surrendered to them about 188 licenses*, which had been duly issued to us by the War Trade Board Section. The Textile Alliance received these licenses from our customers to whom we had surrendered them, and on November 10 wrote us as follows:

"To avoid any delay in the matter of the reparation dyes we suggest you cable your correspondents in Germany to the effect that arrangements have been completed whereby such licenses as have been issued to you have been canceled and have been reissued to the Textile Alliance with your concurrence."

At this juncture we learned in New York that the Textile Alliance did not insist upon orders for "all or none," as its vice president was reported to have stated abroad, and we were informed that the factory at Ludwigshafen held that we must distribute outside lots. Therefore we did not comply with the above request of the Textile Alliance.

We did not believe that our Government, through the agency of the Textile Alliance or otherwise, contemplated dealing in dyestuffs not under the control of the reparation commission. The unequivocal policy announced by the State Department so informed us.

A letter from Secretary of State Lansing to Congressman Porter, about November 10, enunciated the policy of the State Department in this regard, as follows:

"I instructed the War Trade Board section to accede to the recommendation of the advisory committee to the extent of permitting importations to satisfy the six months' requirements of consumers, but to inform the committee that the department, howsoever much it desired to protect the American industry for reasons of national defense, *could not compel consumers to effect their importations exclusively through a designated official agency*; that the designation of such official agency would partake of the nature of an exclusive monopoly and that such exclusive monopoly would be repugnant in that it would be a discrimination against American citizens who were engaged in the business of importing."

Having been advised by the Secretary of State of the policy of our Government, we sent the following cable to Ludwigshafen on November 14:

"We fully expect modification government regulations which will permit us to confirm our orders. This will enable you to maintain your position that all goods to this country outside reparation goods should come to us."

Prior to sending this cable, we had conferred with the War Trade Board Section with a view of having import licenses issued so as to permit the consumer to obtain through the Textile Alliance his full allotment of reparation goods, and at the same time without further inconvenience and delay would permit him to obtain outside lots in any manner and through any channels he chose. The plan suggested was not acceptable; but assurances were given that nothing would prevent the consumer from procuring his dyes in such a way. It would have required only a slight modification by the War Trade Board Section to have enabled us to effect immediate imports.

The latter portion of our cable referred to the cable from Paris of November 5 reporting interview of Dr. Herty and Mr. Fleisch at Ludwigshafen, when they were informed that the Badische Anilin & Soda-Fabrik took the position that outside goods should be imported through us.

Subsequently, and about November 22d we received a cable from Mr. Pickhardt advising us that *no option had been given to Dr. Herty*. This cable reads:

"My cable number five none from you *statement that any one has option outside lot erroneous.*"

We thereupon advised our customers in a letter dated November 22d, as follows:

"As considerable confusion has arisen respecting the importation of Indanthrenes and other coal-tar dyes, we submit the following:

"It is our understanding that the Government adheres to its policy to have no official dealings in dyes except to the extent that the Textile Alliance was made the official agency to bring over the dyes acquired through the reparation commission. After the quantity of dyes acquired through the reparation commission is exhausted and further supplies are needed, recourse must be had to what may be at the free disposal of manufacturers. The public press has recently reported that Dr. Herty obtained an option on Indanthrene dyes; these reports are apparently erroneous, and we have to-day received information from abroad that no option has been given for Indanthrene dyes. We are in a position to procure a substantial quantity of these goods; licenses were originally issued to us, we placed order abroad, and we procured export licenses. However, in our desire to accelerate deliveries of those dyes to our customers, we surrendered many import licenses to the Textile Alliance.

"If the full six months' allotment can not be secured from the reparation commission, we feel confident that the Textile Alliance will facilitate consumers in a readjustment of their licenses, in order that they may procure their pro rata share of the dyes controlled by the reparation commission and the balance through us.

"We offer you our services in this matter.

"Our charge will be 10 per cent commission on final cost.

"Any license plan will always make for delay, and it is to be hoped that Congress, which we understand will take up this matter shortly, will be advised by consumers that license of imports is prejudicial to their interests and should not be adopted.

"It is to be hoped that normal conditions may soon prevail again, and that we may import such goods as are needed by the textile manufacturers, keep them in stock, and meet requirements promptly."

In all our communications we stated the facts as we believed them to be. We believed that the War Trade Board Section, and all branches of the Government, would cooperate in any proper effort to effect prompt delivery of dyes to American consumers.

We promptly sought an inspection of this option of Dr. Herty, but it was refused by the Textile Alliance and the War Trade Board Section until December 16, when for the first time a copy was delivered to us, reading as follows:

"Referring to the conversation between Mr. Charles Holmes Herty and Mr. C. Von Weinberg, the German works are ready to sell to the U. States coloring matters at the following conditions:

"For general colors: The prices given in the list of August 15th divided by five (5) this quotation (quotient) to represent United States dollars, viz, a price of 10 marks per kilo would represent \$2 per kilo.

"For vat colors: The prices to be divided by 4 (four), so that in this case a list of 10 marks per kilo would be \$2.50 per kilo.

"These prices are in force until further notice, at least for four weeks.

"Payment in U. S. \$ on delivery: Prices force works, large casks free.

"Versailles Oct. 4, 1919.

"(Signed) C. VON WEINBERG."

It is clear that this price agreement was for the United States and not for the benefit of any individual. Dr. Herty was not representing the Textile Alliance, and recently in his statement before the Senate subcommittee he disclaimed authority to make any purchases abroad. It is the inference from all that has since been disclosed that his efforts related only to effecting foreign arrangements for consumers in this country, leaving consumers free to make their own arrangements for purchases.

Mr. Pickhardt's negotiations for the purchase of dyes needed by our customers, and not obtainable in this country, were begun in Europe *three months before Dr. Herty undertook his mission*, and had been practically consummated before the latter arrived in Europe. Whatever delay has occurred in the receipt of these dyes during the past several months is largely due to the failure of the War Trade Board Section to grant import licenses, and to endeavors to prevent the dyes not controlled by the reparation commission from being imported through the American agencies long established in the trade.

But a little cooperation on the part of the War Trade Board Section would have permitted a readjustment of the allocation certificates in such manner that we could have completed orders we had placed in reliance on licenses held by us. This was not given, and our legitimate efforts in the interest and for the benefit of many consumers were rendered nugatory.

We did not at any time interfere with negotiations of Dr. Herty; he had the exclusive right to arrange the machinery for procuring the *Reparation goods*. On the other hand, we had a right equal to that of the Textile Alliance, or any other concern, to bring in *outside goods*. This we had definitely planned to do; we had established credit abroad, arranged for transportation to this country, and secured both export and import licenses. It seems clear, therefore, that confusion and embarrassment arose through no act or omission on our part, but solely through the deliberate and studied efforts of Dr. Herty to accomplish purposes outside the scope of his official mission. As he stated to Mr. Pickhardt abroad, his mission and that of Mr. Pickhardt were in different interests.

This narrative briefly states the information received by us, from time to time, in cables and letters and in official communications issued in this country. It is upon this information that our actions were based. There was much misunderstanding in the trade by reason of the various official announcements and by the inability of business concerns to ascertain the facts respecting the methods of obtaining the much needed dyes of foreign origin.

We formally renew the offer made by our counsel at the hearing to submit all correspondence and documents in our possession relating to the foregoing subjects.

Respectfully submitted.

KUTTROFF, PICKHARDT & Co.,
ADOLPH KUTTROFF, *President*.
CARL PICKHARDT, *Vice President*.

STATEMENT OF THE SUNBURY CONVERTING WORKS, SUNBURY, PA.

MEMORANDUM OF OBJECTIONS TO THAT PROVISION IN HOUSE BILL NO. 8078, NOW BEFORE THE SENATE FINANCE COMMITTEE, WHICH PROVIDES FOR A LICENSE SYSTEM TO IMPORT DYESTUFFS.

1. It singles out one particular industry among the millions of industries and gives it a Government paternalism which in times of peace has never been given or proposed to be given to any other American industry.

If it is for the purpose of penalizing imports from Germany, then why single out this one industry, which, after all, represents but a comparatively small part of the imports from Germany prior to the war? Why not treat the importation of cutlery, stockings, and many other products imported from Germany prior to the war in exactly the same way? If it is not for this purpose, but for the purpose of lending aid to an American industry, then why show

paternalism to one industry and to one set of men and not extend the same sort of paternalism to all other industries and all other sets of men?

2. It gives extraordinary Government aid to an industry which has been earning immense profits and obtaining a higher price for its products than is obtained in any other country.

The attached copy of Bradstreet's report of the financial condition of the National Aniline Chemical Co., based upon a report furnished by the National Aniline Chemical Co. to Bradstreet's, will be of interest. It will be noted this company was incorporated May 29, 1917, at which time, so far as can be learned, there was no reserve for depreciation, obsolescence, etc. From date of organization up to December 31, 1918 (18 months) they have been able to put into this obsolescence, etc., account \$9,500,352.64. In addition, they have accumulated surplus or profits since organization of \$4,134,544.79, and in reserve and other contingencies and Federal taxes they have set aside \$9,188,733.68. These are evidently the earnings which this company has earned in 18 months, to say nothing of the dividends set aside in the statement payable January 2 and 15, 1919, and possibly some dividends paid prior to these dates. Eliminating the dividends, these three items alone show an undivided earning of \$22,823,661.11 in 18 months upon a capital of \$25,504,650. If this capital represents real value, the earnings are about 100 per cent in 18 months, in addition to dividends paid. If the old corporations were taken over at inflated values, it represents a much larger earning. Ordinarily 10 per cent for depreciation and 10 per cent for earnings is considered fair (it is beyond the amount permitted by our tax laws). This would mean \$1,950,000 for depreciation and \$2,550,000 for earnings annually, or \$6,750,000 in 18 months, as against \$22,823,661.11 now earned.

We submit that a tariff would be sufficient to protect this infant industry earning 100 per cent from utter ruin, and even if it would be compelled to reduce its earnings about \$10,000,000 every 18 months its earnings would still be in keeping with most American industries.

The following comparison of prices of certain dyestuffs in England and the United States as they existed in June, 1918, is also of interest in this connection:

[Price, including importation and transportation.]

	England.	America.
Rhodamine 6G.....	\$6.65	\$11.00-\$12.00
Alizarine red.....	.48	1.75
Wool blue of alizarine saphirol type.....	6.65	15.00

Another table showing the comparative cost in England and the United States for the same products in March, 1919, and the prewar cost in Germany, may be of interest.

	Present cost in United States.	Present cost in England.	Former cost in Germany.	Former cost in United States.
Alizarine red, 20 per cent paste.....	\$3.75-\$7.50	\$0.18	\$0.12	\$0.14
Alizarine saphirol.....	20.00	4.75	1.30	1.00
Patent blues.....	12.00-15.00	6.00	.60	.85
Rhodamine B. conc.....	40.00 50.00	18.00	.65	.80

3. This legislation would place a ruinous control upon the dye users' business.

(a) The user would be put to extra expense and greatly delayed in obtaining his dyes.

The dye user must be in a position to obtain his colors quickly in order to meet the whims of fashion. The licensing committee being composed of 11 men, 10 of whom receive no pay, will sit only at stated intervals, and while the president will have authority to issue licenses for such products for which there are no American substitutes or which are unquestionably unobtainable domestically yet where there is any question as to whether or not a substitute can be used, or whether or not it is unobtainable here, the applicant for license

will have to await the periodic meeting of the board, and if there is any controversy which necessitates laying before the board evidence and then careful deliberation, it will be necessary for the applicant to have his chemist and possibly his counsel appear before the board in Washington to show why domestic color or substitute will not answer his particular purpose, and even though a license be then granted one can easily conceive how the season for which these colors were intended will have passed before the dye user can obtain the color for which license has been granted, and the user robbed of the fruits of his forethought in anticipating the season. And if the dye user is required to use domestic substitute he will be required first to make experiments with it as to its strength and solubility, which will also cause delay.

In this connection I submit a copy of a letter which was received at the executive offices from our converting works in October. The name of the maker of these dyes is withheld in order that no injury may be done to him:

"We received a shipment of 250 pounds of ——— in keg No. ———, your bill September 24, total amount \$1,875. We have tested this material and we find that it contains a considerable quantity of insoluble dye, which, at any time, is likely to cause us a great deal of trouble. Our chemists find that 12 per cent of this dye is not soluble. We therefore kindly ask you to let us know what we shall do with this color, as we do not care to use it.

"The concentration of the dye sample of this material is fairly satisfactory, but we do not care to have any dyes which are not entirely soluble."

Instances of this kind might be duplicated many times, but one instance is sufficient for illustration.

Again, many domestic dyes which can be used for dyeing silk alone or cotton alone can not be used for dyeing the goods known as silk and cotton, or cotton and silk. As an example, in dyeing red in mixed goods they first dye the cotton or wool of the fabric on a soap, soda, and glauber salt. This gives the color to the cotton. It is then necessary to dye the silk, or warp, of the fabric on an acid bath which turns the benzo purpurine to a black, so that it becomes exceedingly important to keep the acid, which is the basis for dyeing the silk, from coming in contact with the cotton; otherwise the color which has already been placed upon the cotton filling or wool will turn black; and to do this and keep the acid off the cotton requires a great deal more labor and skill than if the goods are dyed with benzo fast scarlet G. S., which is fast to acid, and which does not change when touched by acid—in fact would not be affected by acid in any way.

This same reasoning will apply to a great many mixed goods, all of which shows while it is entirely possible to color mixed goods in a number of colors made in the United States and get, in a general way, the same effect as with imported dyes, yet the additional skill and labor and time required is very much more in many instances than if European specialties are used, and the danger of damaging large pieces of goods, which will occur in the best-regulated plants, is very much greater, with much more consequent cost to the dyer. In addition, in many instances, in order to use the new American dyes, many of which are not yet fully perfected, the whole process of dyeing must be changed, so that there are special places for dyeing and special places for drying, for the reason that the color on the cotton is very delicate and is likely to turn unless handled in the most careful manner. The colors above referred to can be obtained by American dyes with all the extra expense, danger, and inconvenience above stated, but the imported specialty is a red which dyes the cotton, leaves the silk white, is fast to acid, and discharges with rongalite. It is also a well-known fact that the strength and the solubility of domestic colors has not yet been thoroughly standardized; that in many instances experiments as to strength and solubility must be made which are expensive and cause delay, and if these experiments are not made large quantities of fabric may be damaged.

(b) It would necessitate the applicant to reveal his trade secrets to his competitors.

The licensing commission is composed of dye makers and dye users who would be the competitors of all applicants. The applicant would be compelled to lay his claims before the commission of competitors and have them determine whether or not he should use what to them might appear a satisfactory American product, and in order to prove to them that an American product would not answer his particular purpose he would have to lay fully before them his process of using these dyes and why the American product would not give him the desired result, and this particular desired result might be the

very element which has made the applicant's textiles more salable upon the market than his competitors, and in revealing the secrets of his business he would be putting his competitors in a position where they could use his secrets, which it has cost the applicant much money and many years of experience to acquire, and we can very easily conceive of how the members of the commission would naturally use such secrets for their own advantage in their own business and how the importer for the dye user making the application would be placed in possession of the secrets in order to get his import license.

We could easily furnish the names of a number of colors now made domestically which would answer every purpose for dyeing all silk or all cotton goods, but for reasons which are easily explainable to any chemist or by any chemist or dye user they could not be used for mixed goods; yet to make this explanation it would be necessary to reveal trade secrets.

4. It would place a control on dyes in the United States which France has discarded, which England has taken steps to abandon, and if this control is adopted will ruin an American industry in which there is now \$4,500,000,000 of money invested, employing 2,000,000 persons, to give extraordinary protection to one, according to most inflated values, which has only \$4,500,000 invested.

The following is a copy of a clipping from the London Standard of November 18, the original of which is in the possession of the writer:

"German dyes—France to import them free of duty.—Paris, Tuesday. In future the import into France of German coloring matters free of import duty will be allowed."

Quotation from London Standard, November 14, 1910:

"* * * Seen to-day by an Evening Standard representative, Mr. O. F. C. Bromfield, of the British Chemical Trade Association, said, 'Next week we hope a petition will be presented to the prime minister for an alteration of the present system of importing dyes. So many industries are suffering from a shortage of dyes that the question is a vital one.'"

If France has opened wide the door to importation of standard dyestuffs and England's textile users are clamoring to accomplish the same, and will accomplish it, then these two countries are placed in a position of being able to produce a better-dyed textile article than America can produce, and they will at once put their textiles into competition with our own production. If our home articles are not as clean, clear, and rich in color, or as fast to light, heat, and moisture as the imported textiles, the result will be that the consumer will demand of the retailer fabrics which will stand the test above mentioned, resulting ultimately in our home market being flooded with foreign dyed and printed textiles, which will, of course, do great damage to our home textile manufacturers.

Again, Japan for several years back has been preparing to manufacture its own raw silk into the finished articles, and transportation will no sooner become easy than we will find Japan silks, with its fast dyes, competing with our own, and when we consider the price of labor in Japan as compared to our own this is a condition which should be carefully considered before we deal a blow to our textile industries which will interfere with their trade.

The only answer which can be made to this is that our consumers will be so patriotic that they will insist on having the domestic goods. Our observation and we believe the observation of a large majority of sales people is that the consumer wants value for his money. He wants something good, and he seldom stops to inquire whether it is foreign or domestic. Last month the writer met a Pennsylvania shirt manufacturer in a hotel in London. In a short conversation he learned that this shirt manufacturer had purchased in Manchester, England, fast-dyed shirting materials to the value of about \$100,000 (£20,000) and was shipping it to his factory in Pennsylvania. He volunteered the information that heretofore he was able to get this material in the United States, but that owing to the fact that our dyers were not obtaining foreign dyes that he could not obtain fast-color shirtings and was compelled to come to the Manchester manufacturer to get it, stating that they up to that time had been able to obtain foreign dyes and were making the desired goods. He also informed me he had met four other shirt manufacturers from the United States who had also made purchases. This is only an illustration of what is happening and what will continue to happen if the obtaining of dyes continues to be made more difficult.

According to an article published by Mr. Garvin there is \$450,000,000 invested in dye-manufacturing plants in the United States; according to the

best information obtainable there is \$4,500,000,000 invested in the textile trade, which trade employs 2,000,000 persons. In our judgment, the dye manufacturers should receive ample protection through the same process which has built up every other large manufacturing trade in America, viz, a high tariff, but it should not receive a protection which will build up this industry and at the same time tear down another industry.

Only two reasons can be offered for this: One that it is patriotic and necessary to build up a dye industry as a matter of national defense. If it is necessary to have dye factories as a matter of national defense and only as a matter of national defense, and they can not be self-supporting, then why not have the Government contribute to building up this species of national defense and have all taxpayers contribute alike, the same as they contribute alike for munitions of war, instead of saddling the burden upon the textile industry? The other answer to this proposition is the danger of Germany dumping large quantities of dyes in the United States. We believe as above stated that this could be amply regulated by a high tariff, but the other answer is a brief analysis of the situation in Germany.

5. Germany has no dyes to dump.

(a) According to the dye expert of the Economic Section of the British Army at Cologne there was in the whole of Germany about September 15, 1919, just 27,000 tons of dyestuffs. Before the war the output of the largest dye plant in Germany was 1,000 tons per month, and by the treaty the Allies get 50 per cent of this stock on hand and an option on the entire output until 1925.

(b) It takes coal to make dyes. Before the war Germany produced from her three great coal districts, viz., Saar Valley, Ruhr, and Silesia, 190,000,000 tons annually of anthracite and about 87,000,000 tons of an inferior grade which can not be used for dyes. Under the treaty Germany must deliver 20,000,000 tons annually to France, and this for the present will take the entire output of the Saar Valley. In Silesia the normal output was 50,000,000 tons. At the present time it does not exceed 60 per cent of this amount, and with the unrest in that section should the plebiscite decide in favor of Poland, Germany will lose this coal section. The only field remaining is Ruhr. Before the war it turned out 394,000 tons per day. In September and October it was turning out 223,000 tons per day. A large amount of this is necessary to keep the population from freezing, to say nothing of the large amount which is necessary to keep moving the wheels of more important industry. In short, the area is reduced, production is lessened, and the best calculation that can be made is that for a few years to come Germany can not produce more than 80,000,000 tons annually of coal, or about 50 per cent of what she produced before.

In short, we are opposed to the licensing system because it will work an unnecessary hardship upon the dye user which hardship will eventually reach out and be felt by a large number of American citizens, and we are strongly in favor of a high protective tariff to protect the dye maker to build up his industry.

All of which is respectfully submitted.

SUNBURY CONVERTING WORKS.

NATIONAL ANILINE & CHEMICAL CO. (INC.), MANUFACTURERS OF DYES, NEW YORK CITY.

Manhattan, corner of Front Street. Works: 21 Burling Slip, Brooklyn, N. Y.; Ditmas Avenue and Eighty-second Street, Buffalo, N. Y.; Marcus Hook, Pa.; Wappingers Falls, N. Y.; Easton, Pa.; Shadyside, N. J. Branches: Boston, Mass.; Providence, R. I.; Hartford, Conn.; Philadelphia, Pa.; Charlotte, N. C.; Toronto, Ontario; Chicago, Ill.; Kansas City, Mo.; Cincinnati, Ohio; Akron, Ohio; Milwaukee, Wis.; Minneapolis, Minn.; Montreal, Quebec.

Orlando O. F. Weber, president and chairman of board; William Beckers, first vice president; Robert Alfred Shaw, second vice president; Dr. L. C. Jones, third vice president; William H. West, acting secretary and treasurer; Henry F. Atherton, assistant secretary; Walter E. Rowley, assistant secretary; H. S. Trott, assistant treasurer; T. S. Balnes, assistant treasurer. Directors: William J. Matheson, H. H. Handy, S. Eugene Meyer, jr., W. N. McIlraby, T. M. Rlanhard, Henry Wigglesworth, Orlando F. Weber, F. M. Peters, Clinton S. Lutkins, Dr. R. C. Taggenell, I. Frank Stone, Dr. William Beckers, Robert Alfred Shaw, Dr. L. C. Jones.

Financial condition.—In response to our request for statement submitted a printed copy of financial condition as of December 31, 1918, which was received by mail June 27, 1919, and of which the following is a copy:

Condensed general balance sheet Dec. 31, 1918.

ASSETS.		
Property and plant:		
Factory plants, real estate, buildings, machinery, and equipment.....	\$19,564,030.70	
Less reserves for depreciation, obsolescence, etc.....	9,500,352.64	
		\$10,064,278.06
Investments:		
Treasury stock at cost.....	2,042,100.00	
Other investments.....	1,292,765.82	
		3,334,865.82
Current assets:		
Cash.....	3,143,160.72	
United States Treasury certificates and Liberty bonds.....	1,136,669.85	
Notes and accounts receivable.....	3,740,036.27	
Inventories.....	14,104,426.78	
		22,124,893.62
Other assets:		
Prepayments, insurance, etc.....	164,948.48	
Deferred charges, expenditures on leases, etc.....	189,702.23	
		354,650.71
Good will at cost in cash.....		9,573,548.19
		45,452,236.40
LIABILITIES.		
Mortgages.....		10,000.00
Current liabilities:		
Accounts payable.....	\$2,640,157.18	
Employees benefit funds.....	17,113.69	
		2,657,270.87
Dividends on preferred stock:		
Payable Jan. 2, 1919.....	370,170.50	
Payable Jan. 15, 1919.....	740,341.00	
		1,110,511.50
Reserves:		
General contingencies and Federal taxes..	9,188,733.68	
State and local taxes, accrued.....	42,154.08	
Royalties, commissions, and other compensation.....	401,287.64	
		9,632,215.40
Total.....		13,409,097.77
Capital stock:		
Authorized and all issued, preferred, 7 per cent, 235,247 shares, par value \$100 per share.....	23,524,700.00	
Common, 395,990 shares, without par value, stated at \$5 per share.....	1,979,950.00	
Total capital stock.....	25,504,650.00	
Surplus:		
At organization.....	\$2,403,013.84	
Accumulated since organization.....	4,134,574.79	
Total surplus.....	6,537,588.63	
		32,042,238.63
Total liabilities and capital.....		45,452,236.40

The above statement is accepted as a truthful showing of condition from its books, and, leaving out item of good will and making allowance for possible depreciation, the company is estimated worth in excess of \$10,000,000, represented by merchandise, cash accounts, real estate, etc. Its authorized capital is \$25,504,650, divided into 235,247 shares of 7 per cent preferred stock, valued at \$100 per share, and 305,990 shares of common, without par value, stated value at \$5 per share. The company took over the National Aniline & Chemical Co., formerly at 100 William Street, New York City, which had an authorized capital of \$1,000,000; the Schoelkopf Aniline & Chemical Works (Inc.), Buffalo, N. Y., which had an authorized capital of \$3,000,000; W. Beckers Aniline Chemical Works (Inc.), Brooklyn, N. Y., which had an authorized capital of \$1,000,000; and the Benzol Products Co., of Marcus Hook, Pa., which had an authorized capital of \$1,500,000.

Trade opinions.—Three local firms interviewed sell on 30-day terms bills of \$75,000 up to \$200,000 or more should they ask it, and payments are made promptly, advantage being taken of discount. Also stand well in financial circles and considered safe for its contracts.

Antecedents.—According to former statement of I. F. Stone this company was incorporated May 29, 1917, under New York State laws, the incorporators being I. F. Stone, W. M. McIlravy, and William Beckers. William H. Nichols was originally chairman of the board, but he was succeeded in the early part of 1918 by William J. Matheson, who became president and chairman of the board. He has recently resigned and was succeeded by Orland F. Weber, who has been on the board of directors for some time and has been acting president for the past year. William Beckers was formerly president and one of the principal owners of the W. Beckers Aniline & Chemical Works (Inc.), Brooklyn, N. Y. Robert A. Shaw was formerly connected with the Century Colors Corporation. William H. West, who succeeded Henry I. Moody as acting treasurer and secretary, is a certified public accountant and a member of the firm of West & Flint. Henry F. Atherton, who became assistant secretary in place of William T. Miller is an attorney by profession. Rowley and Baines were former employees of the original National Aniline & Chemical Co. T. N. Rianhard is connected with the Barret Co. McIlravy is also with that concern. I. Frank Stone was formerly president of the original company of this name.

Fire record.—The effects of William Beckers Aniline Chemical Works and Schoelkopf Aniline & Chemical Works (Inc.) suffered fire damages at different times, loss being covered by insurance and adjusted.

General remarks.—The company is apparently doing a good business, large in volume, and which is capably managed. The officers are all of long experience in this line and personally well regarded.

July 12, 1919.

STATEMENT OF THE HELLER & MERZ Co., AMERICAN ULTRAMARINE AND GLOBE ANILINE WORKS.

NEWARK, N. J., December 16, 1919.

HON. JAMES E. WATSON,

Finance Committee United States Senate, Washington, D. C.

DEAR SIR: In course of the hearings on the dyestuffs tariff bill, H. R. 8078, held before the Subcommittee of the Committee on Finance of the United States Senate, Mr. H. A. Metz, of New York City, made a sweeping assertion regarding conditions of graft as practiced by the American manufacturers.

We beg to have this letter inserted into the record as an emphatic denial of the truth of this statement in so far as it might be applied to The Heller & Merz Co. in the conduct of its business.

Very respectfully submitted.

THE HELLER & MERZ Co.,
EUGENE MERZ, Treasurer.

(Whereupon, at 5.04 p. m., the subcommittee adjourned.)

DYESTUFFS.

MONDAY, JANUARY 12, 1920.

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

The subcommittee met at 10 o'clock a. m. in room 312, Senate Office Building, Senator James E. Watson presiding.

Present: Senators Watson (chairman), Curtis, Calder, Sutherland, and Nugent.

The subcommittee then proceeded to the consideration of a proposed modification of the third paragraph of section 503 (a) of the bill, which, together with an introductory letter by Mr. Joseph H. Choate, jr., is here printed in full as follows:

AMERICAN DYES INSTITUTE,
New York, January 2, 1920.

HON. JAMES E. WATSON,
United States Senate, Washington, D. C.

DEAR SENATOR WATSON: Since our conference two defects in our proposed substitute for the Longworth bill have been pointed out. The first of these is that, as it stands, it would permit a consumer, who was willing to stretch the truth, to give an importer an order for any product so large as to exceed the six months' supply for the entire country, and thus shut out all other consumers and importers, for a time at least, from importing. It is, of course, immaterial to the dye makers, from the point of view of their own interest, what happens to such import as is permitted, but we think it would be a serious defect from the consumer's point of view.

We have, therefore, prepared a modification of the third paragraph of section 503 (a) of the proposed substitute, which takes care of this difficulty by requiring that every notice must contain a sworn statement by the consumer to the effect that the quantity ordered does not provide him with a supply exceeding his requirements for the ensuing six months.

The second defect is that under the substitute, as it stands, importation can practically be effected only by importers for actual users and consumers, which, in the case of drugs and photographic chemicals, would make import almost impracticable. We have, therefore, inserted in the same paragraph of section 503 (a) a clause providing that the use or consumption for which imports have to be made, shall, in the case of products customarily used for medicinal or photographic purposes, include "sale for such purposes."

To enable the commission to act more efficiently in preventing a cornering of the market by excessive imports we have also added a provision giving the commission power to suspend the operation of notices apparently calling for excessive quantities.

I inclose herewith a new draft of section 503 (a) and the subsequent portion of the bill showing these changes, all of which will be found in the third paragraph of section 503 (a).

You will note with regard to the tariff section of the bill we have not yet presented the ideas which were suggested at our last conference, though these are exceedingly important.

Very truly, yours,

JOSEPH H. CHOATE, JR.

PROPOSED SUBSTITUTE BILL.

503. (a) During 10 years after the taking effect of this act, no product covered by the dutiable list in section 500 hereof which is manufactured in the United States in quantity sufficient to meet the demand for domestic consumption, and in quality substantially equal to the standard for such product, prevailing in the industry on August 1, 1914, and no product having substantial usefulness only as a substitute for a product so manufactured in the United States, shall be admitted to import. All questions of fact as to which of such products are entitled to admission to import shall be determined by the United States Tariff Commission as hereinafter provided.

The said tariff commission shall forthwith proceed to prepare after investigation, a list to be known as the importable list of such products as may be found by it to fulfill the above requirements for admission to import. The said list shall be revised from time to time, and except as hereinafter provided no product not named thereon shall be admitted to import.

Before any of the products named on said list shall be admitted to entry, the importer shall file with the tariff commission a notice containing sworn statements by the importer that the proposed import is either for current use or consumption by him and will not, either alone or in conjunction with previous notices, or any other supply from whatever source derived, suffice to provide him with a quantity greater than his actual requirements for such current use or consumption for the ensuing six months, or that the proposed import is desired in order to fill an actual bona fide order from a named domestic consumer for such consumer's like current use or consumption, in which event there shall be annexed to the notice proof by affidavit of such consumer that the proposed import will not either alone or in conjunction with previous orders or any other supply from whatever source derived, suffice to provide him with a quantity in excess of his actual requirements for such current use or consumption for the ensuing six months. Said sworn statement of the importer shall also state the name, chemical identification, strength, and quantity of the proposed import together with the name of the port of entry at which it is to be brought in. A copy of such notice shall be transmitted by the commission to the collector of said port, and no import shall be admitted to entry unless found to correspond with such notice. The collectors of all ports shall promptly notify the commission of the admission of all such imports. The phrase "use or consumption" as used herein shall, in the case of products customarily used for medicinal or photographic purposes only, include sale for such purposes only. The commission may suspend, pending investigation by it, the operation of any notice which may appear to it to be calculated to provide any consumer with a supply of any product in excess of his actual requirements for current use or consumption during six months after the date of such notice. If upon such investigation the commission shall determine that any such notice covers any such excess, it shall forthwith cancel the said notice and notify the person by whom the same was filed.

When at any time the commission shall find that notices received by it, of which copies have been transmitted to the collectors, cover a quantity of any product sufficient in the aggregate to constitute an excess over current consumption equal to a six-months' supply of the ordinary requirements of such product for domestic consumption, no copies of notices covering such product shall be transmitted to the collectors until the commission shall determine that the unused quantity of such product in the United States is less than such six-months' supply. The commission shall promptly notify of such action all persons who have filed notices the operation of which is thus suspended.

The commission shall also prepare a second list to be known as the conditionally importable list comprising all products which, while mainly useful as substitutes for domestic products, have special uses for which a domestic equivalent is not available. The said conditionally importable list shall state opposite the name of each product the said special uses. Any product named in such list may be imported, subject to the conditions hereinbefore provided, when and only when the notice covering the proposed import contains a sworn statement by an actual consumer that the proposed import will be used by him solely for one or more of the special uses stated in said list for said product.

Notices received by the commission shall not be open to public inspection.

If at any time complaint shall be made to the Tariff Commission that the price of any domestic product covered by the dutiable list of section 500, of this act, is unreasonably high, the commission shall investigate and if upon such

investigation the commission shall, after a hearing, determine that such price is sufficient to yield an unreasonable profit to every domestic manufacturer, it shall place such product on the importable list during the continuance of such unreasonable prices. Two weeks' notice of such determination shall be given all domestic manufacturers of such product known to the commission before such product shall be placed on the importable list.

Notwithstanding anything herein contained, any product covered by this act may be imported and stored in a United States bonded warehouse. No product so imported shall be released from such bonded warehouse or admitted to entry except as hereinbefore provided.

503. (b) The United States Tariff Commission in executing the duties imposed upon it by this act may regulate its own practice and procedure, but shall so regulate the same as to prevent all avoidable delay.

503. (c) Any product covered by section 500 of this act, which shall be imported into the United States or any of its possessions, otherwise than as provided herein, shall be forfeited and shall be destroyed whenever and wherever found.

503. (d) Any person subject to the jurisdiction of the United States who shall, either as principal or as accessory, import or attempt to import or aid in importing any product covered by section 500 of this act otherwise than as herein provided, or who in making any sworn statement required by this act shall willfully misstate or misrepresent any facts shall be fined not exceeding \$5,000 or the value of such product at the time of importation, whichever shall be greater, or shall be imprisoned for not more than one year, or both.

504. Except as otherwise herein specially provided, this act shall take effect on the day following its passage.

NOTE.—The above contains no provision for the expenses of the Tariff Commission in carrying out this work. Such a provision is being drafted by the commission.

Senator WATSON. Mr. Choate, is there anything you care to say on this proposition?

Mr. CHOATE. I think not. I think I have said everything in the letter that needs to be said at this time.

Senator WATSON. Col. Wood, have you anything to say on this new proposition?

Mr. WOOD. Yes; I think I would like to say a few words about it.

Senator WATSON. Very well.

STATEMENT OF MR. JOHN P. WOOD, OF THE PEQUEA MILLS CO., PHILADELPHIA, PA.

Mr. Wood. Mr. Chairman, from such examination as I have been able to give the copy that I had, this new plan and the method in the Longworth bill are identical in this, that they both first establish an embargo, and then provide for certain exceptions to the embargo. Both plans are open to identically the same objections, except in respect to the matter of application for individual licenses. In both cases there is the license feature. In the Longworth plan the licenses are particular and individual, given to the applicant who wants to import. In the substitute plan the license is general. The Tariff Commission will give a general license to the public to import a certain number of pounds. The substitute plan eliminates the disadvantages and delays which would arise from applying for a license—the delay in getting it, the uncertainty of proving the case, and all of those things which were adverted to very largely in the previous testimony.

But against that, it creates a new disadvantage that is equally serious. It allows the importation of a quantity which the Tariff Commission will determine of each of these allowable dyes, in a

limited period of time, say six months. The effect of that would be that there would be a scramble upon the part of those who needed those dyes and some who did not need them but who would bring them in for speculative purposes, and in the first four or five or six weeks of the six months there would be brought in by a limited number of importers—those that had the best connections for bringing about quick importation—the full allowable amount. During the remaining period of four or five months no bona fide user who needed the dyes would be able to get any at all except as he might get them at some enhanced or speculative price from one of those who had been fortunate enough to get them in the first instance.

For example, as to the dye X, the Tariff Commission might determine that the allowable amount to be imported for six months was 5,000 pounds. Very quickly two or three large corporations having foreign connections which would facilitate import would get in the whole of that 5,000 pounds, and then the rank and file of users who want to buy in 50 and 100 pound lots would be unable to get any because they would be confronted at the customhouse with the statement that the allowable amount had already been imported.

In all other respects—excepting the avoidance of application to the commission for individual licenses—the two propositions are exactly the same, and while the annoyance of applying for a license is eliminated in the new plan it sets up new conditions which would be fraught not only with very great inconvenience and deprivation to many users but would create a situation that would encourage speculation and give an advantage to those who were quick enough to make these imports, as against those whose necessities might not be developed during the first month or two of the six months' period.

That, I think, is the essential difference between the two plans.

Senator WATSON. I think that in that letter Mr. Choate takes up and discusses the point you are talking about.

Mr. CHOATE. That is exactly the objection I anticipated, and we cover that in our own draft.

Senator CURTIS. Is there supposed to be an improvement in the drawing of section 503 (a) ?

Mr. CHOATE. Nobody under that last draft can import too much or import for speculative purposes without perjuring himself and running the risk of prosecution.

Mr. WOOD. The difficulty about that is that no consumer can file a sworn statement of exactly what his requirements are going to be for a future period, because his requirements have not been developed.

Senator CURTIS. Let me read this, Colonel.

(Senator Curtis again read the draft of the proposed substitute.)

Mr. WOOD. The only change, I think, Senator, is in this: Instead of giving an open license to the public to import a definite total amount, they require the user to file a declaration of what his needs will be for six months.

Mr. CHOATE. Not quite that; merely that what he is getting does not, all told, put him more than six months ahead.

Mr. WOOD. Yes; to that extent it is a reversion to the Longworth plan. Instead of a general license to the public to import the aggregate amount and leaving it to those who can do so to get in that aggregate, this reverts to the Longworth plan in requiring the consumer or importer to file a declaration that the amount which he

wants to import does not exceed six months' requirements. They do not issue a license for that, but it is practically a license, because it only allows him to import that amount, and if he wants to import more than that—

Senator WATSON (interposing). Does that allow every importer to import that amount?

Mr. WOOD. No; it simply fixes an aggregate which the Tariff Commission must determine, and if, in the judgment of the commission, the amount exceeds the requirements for six months they can cut it down.

Senator WATSON. Do you mean to say one man could bring in six months' supply for the whole United States?

Mr. WOOD. Oh, no; not by this plan.

Senator CURTIS. Under the other plan he could.

Mr. WOOD. The importer must state what his own requirements will be for six months, and having stated that, that constitutes his license if the Tariff Commission does not withdraw it. That automatically becomes a license to import that amount.

Now, Mr. Chairman, this substitute amendment has been suggested to me since I came here, and it appears to have been in the minds of some people, and it seems to me to have very great merit. I do not know whether it has been before your committee or not. Why can not every purpose which the advocates of the licensing system have served and at the same time in a way that will meet with the approval of the consumers, if the principle of embargo is retained but the authority to declare an embargo shall be placed with the Tariff Commission, to be applied whenever it shall appear to the Tariff Commission that any dyes are brought into this country in a way which would constitute dangerous or unfair competition to domestic industry? In other words, it just reverses the case. Instead of making a blanket embargo on everything and then making limited exceptions which it becomes necessary for the consumer to prove the need of, the trade would still be allowed to proceed in its normal and natural course; but just as soon as anybody here—the dye manufacturer, the Dyes Institute, the Chemical Foundation, or anyone else—had reason to believe that anything was coming into this country, had reached the consumers, or had been declared for entry, at a price which would represent unfair competition, he would submit the facts to the Tariff Commission, and the Tariff Commission would put an embargo on right away.

Senator CURTIS. Then you would have to provide that the imported article be held in the warehouse until ordered to be released?

Mr. WOOD. Yes.

Senator CURTIS. That might cause unnecessary delay, might it not?

Mr. WOOD. I think it would only do so in those cases where there was at least reason to believe—where there was a prima facie case of unfair competition.

I have not had an opportunity to consult with any others who have opposed the Longworth licensing plan, but my judgment is that no consumer who is desirous of seeing the domestic dyestuff industry thrive would have the slightest objection to that. They do not want any competition here that is going to be injurious to the

domestic industry, and they would be perfectly satisfied to see barred from entry into the country any product of the chemical industry that it was shown to the reasonable satisfaction of the Tariff Commission would constitute unfair competition, and unfair competition would, of course, include a price that would be below what the domestic manufacturer could sell at with a reasonable profit. I am not prepared to express any opinion as to whether that power could be constitutionally delegated to the Tariff Commission.

Senator CURRIS. I do not see why it could not be if you held the stuff in bond until the Tariff Commission passed upon the question.

Mr. WOOD. Make such a provision as would give the Tariff Commission the very earliest possible notice of the arrival or the contemplated entry into the country of these goods, with the price at which they were entered. Make those records open to everybody—to the Dyes Institute or anybody who has any interest in it—and just as soon as they should find that a price at which it was offered for import and upon which the duties would be assessed would be unfair to domestic industry they would lodge a protest with the Tariff Commission, which would operate to hold it in bond until the case could be decided.

Senator WATSON. You eliminate altogether then any protective tariff feature?

Mr. WOOD. Oh, no; I would continue the protective tariff, surely.

Senator WATSON. You would continue that too?

Mr. WOOD. Oh, yes; and, so far as I am concerned, fix the rates at what they are now in the Longworth bill. Of course the Tariff Commission would have to estimate whether or not the entry price plus the Longworth rates would permit the sale of the article in the United States at an unfairly competitive price.

Senator WATSON. So far as the rates provided in the Longworth bill are concerned, you have no quarrel with them?

Mr. WOOD. None whatever; I have always asserted that. I believe that as to a great many of the cheaper dyes those rates are probably higher than they need to be, but I think that is perhaps likely to be the case as to certain items under any tariff. But domestic competition soon takes care of such inequalities.

Mr. Chairman, I do not want to assume any credit for that suggestion. It did not originate with me at all; it was mentioned to me since I arrived in this room, and immediately impressed me as being a plan that would meet with favor on both sides.

Senator CURRIS. Has the gentleman who suggested it to you worked it out in definite form.

Mr. WOOD. I believe he has.

Senator CURRIS. Well, we will hear him when you finish.

Mr. CHICATE. I think it is very difficult to pass on any such proposition without a concrete draft, but I do think that it puts the burden on the wrong party. It puts the burden on the dye industry to show that something should not come in, and, as Senator Curtis suggested, unless it were coupled with a definite provision preventing anything coming in until the Tariff Commission had had a chance to pass on it, the result would be that there would be considerable free importation before the protective measure took effect, and that would ruin the industry when three shiploads came in.

Mr. WOOD. If the delegation of authority to the Tariff Commission is mandatory to prevent the entry of anything that would constitute unfair competition, their duty would then be perfectly clear, and I am sure that we could rely on a body of the character of the Tariff Commission to act upon those explicit instructions in a perfectly just and equitable way.

Mr. CHOATE. But the definition of "unfair competition" would be extremely difficult. I do not think the competition we are afraid of would be exclusively unfair, by any manner of means.

Mr. WOOD. Unfair competition would, of course, include a price less than the domestic industry could possibly sell the product for, and it would certainly be possible for them to determine, and satisfy the commission whether a given price was less than they could sell it for profitably. They would have to know that to conduct their business.

Senator WATSON. Of course there must be some elasticity, in order that the Tariff Commission may determine that the price of the imported product is unreasonably high.

Mr. CHOATE. That has been changed in the last two drafts. There has got to be some elasticity, though, as you say. My real fear would be that if this were drafted and arranged so as to have any really protective effect it would develop a lot of features which would be very disagreeable to many of the consumers, and I should think it would take two or three months to find out whether it was agreeable to them or not.

Senator WATSON. I think it ought to be concretely stated anyhow, as you say. If you care to submit the substitute amendment, Col. Wood, or have somebody do it, I wish you would. We seem to be getting nearer together here all the time, and it may be we can finally hit upon some common plan that will be acceptable all around.

(The substitute amendment was subsequently submitted and is here printed in full, as follows:)

SEC. 504. Whenever it shall appear to the satisfaction of the United States Tariff Commission (a) that any person is commonly and systematically importing, selling, or causing to be imported and sold any products enumerated in section 500 of this act under any agreement, understanding, or condition that any person shall not use, purchase, or deal in, or shall be restricted in his using, purchasing, or dealing in such products of any persons, or (b) that any person is guilty of any other unfair method of competition in importation of products enumerated in section 500 of this act, said commission shall certify that fact to the Secretary of the Treasury, and entry into the United States shall thereupon be refused to any such products sold, shipped, consigned, or manufactured by such person: *Provided*, That such act or acts be done with the intent, tendency, or result of destroying or injuring an industry in the United States or of preventing the establishment of an industry in the United States or of restraining or monopolizing trade and commerce in the United States.

SEC. 505. Any refusal of entry in respect to imported merchandise as provided for in section 504 shall continue in effect until the United States Tariff Commission shall certify to the Secretary of the Treasury that the conditions which led to the certification to the Secretary of the Treasury in respect to such merchandise no longer exist.

SEC. 506. That if any person selling, shipping, consigning, or manufacturing merchandise exported to the United States shall fail or refuse to submit to the inspection of a duly accredited investigating officer of the United States Tariff Commission or of the Treasury Department, when so requested to do, any or all of his books, records, or accounts pertaining to the value or classification of products enumerated in section 500 of this act, then the Secretary of the

Treasury is hereby empowered and directed, upon the request of the United States Tariff Commission, while such failure or refusal continues, to refuse entry into the United States of such products sold, shipped, consigned, or manufactured by such person.

SEC. 507. That whenever the United States Tariff Commission shall have reason to believe that a person is offering for importation any products in violation of section 504 of this act, but has not information sufficient to determine whether it should certify that fact to the Secretary of the Treasury, the Secretary of the Treasury shall, upon request from said commission, forbid entry to such products until said commission completes such hearings, investigations, and proceedings as it may deem necessary.

The Secretary of the Treasury may release, under such bond as he may deem sufficient, and permit conditional entry of any products forbidden entry under section 504.

SEC. 508. That any person importing said products, or to whom said products shall be consigned, who shall fail or refuse to submit to the inspection of a duly accredited investigating officer of the United States, when so requested to do, any or all of his books, records, or accounts pertaining to any products enumerated in section 500 of this act, shall, upon conviction, be fined for each offense a sum not exceeding \$5,000 or be imprisoned for not exceeding two years, or both.

SEC. 509. That the powers granted the United States Tariff Commission under section 706 of the act of Congress approved September 8, 1916, entitled "An act to increase the revenue, and for other purposes," shall be available for carrying into effect the provisions of this act, and said commission is authorized to make all rules and regulations necessary for the accomplishment of the purposes of this act.

The Tariff Commission shall give such notice and afford such hearings with opportunity to offer testimony, oral or written, as it may deem sufficient to a full presentation of the facts involved in any proposed certification under section 504. No certification under section 504 shall be made to the Secretary of the Treasury until after due notice and hearing.

The Secretary of the Treasury shall cooperate fully with the United States Tariff Commission for the purpose of carrying out the provisions of this act and is hereby authorized to make such rules and regulations as he may deem necessary for such purpose.

SEC. 510. To meet the reasonable expenses of the United States Tariff Commission in the execution of the duties imposed upon it by this act, there is hereby appropriated, out of any money in the Treasury of the United States not otherwise appropriated, the sum of \$—.

MR. CHUTE. I find there is one small omission in the last draft that I want to suggest whenever the committee thinks the proper time has arrived?

Senator CURRIE. You had better state it now.

MR. CHUTE. All right. In the fourth paragraph of section 503 (a), third line, after the words "sufficient in the aggregate," add "together with domestic production." Then the automatic shutoff comes into effect after the imports and the domestic production together reach the necessary amount. As it stands it takes no account of domestic production, and leaves the sparsely produced articles, on which the protection is most needed, with no protection at all.

MR. WOOD. I should say that is a rather immaterial detail. I do not know, if the plan were acceptable, that there would be any objection to that feature. The intent is, of course, to allow the domestic product to supersede the foreign. To that extent, if that is the purpose of it, I do not know that there is any objection to that at all.

Senator WATSON. Is that all, Colonel?

MR. WOOD. I do not know that there is anything else.

Senator WATSON. Will you submit that proposition to us?

MR. WOOD. I think it will be available to the committee. I do not want to take the time of the committee unduly, but after I testified

before I was obliged to leave town hurriedly and subsequently a rather lengthy and elaborate reply to certain statements of mine regarding experience with the license system were filed by Mr. Thompson. If that made any impression upon the minds of the committee, I would like, if convenient, to reply to it very briefly for about five minutes; if the committee has not considered it of importance in the consideration of the subject, I am perfectly willing to omit any further reference to it.

Senator WARSON. In regard to some connections in England?

Mr. WOOD. No; in regard to some experience here in regard to the licensing plan. It went into quite an elaborate explanation of some of the things I had said had been experienced here. I am quite content to rest my reply on this simple statement, that if the committee will carefully examine what I said and the two illustrations I used, and then read the reply and determine for themselves just how much of an answer it is to my contention, I think that is all that is necessary.

Senator NUGENT. Is that all you desire to say, Col. Wood?

Mr. WOOD. I think so, Senator. If the committee wants any further information, I shall be glad to reply in further detail.

**STATEMENT OF HON. HERMAN A. METZ, REPRESENTING THE
CONSOLIDATED COLOR & CHEMICAL CO., NEWARK, N. J.**

Mr. METZ. Mr. Chairman, I have not seen the bill except in the newspaper reports, and what the Senator read this morning.

I can say that as a manufacturer and importer, it tickles me to death, and if that were all that was to be considered I should say that this proposition as suggested is just right. It suits me both ways.

But I do not take that view at all; I consider the position of the consumer. He is the man that uses the dyestuffs; he is the man that has got to get the goods. We manufacturers and importers are small factors as compared with the textile industry, the leather industry, paper, paint, and other industries.

At the last hearing the questions asked led me to believe that very little had been said on the practical side of this question. It has been theoretical as to what might happen. Under this new bill you have the question of the substitute products. That is a very serious problem. One blue can substitute another blue, without any question, for certain purposes, but not for others. It depends on what you want to use that blue for.

I was up to the War Trade Board the other day and showed them these differences and they were amazed. They did not realize what they were issuing licenses for. Practically they were doing it just on names only.

There is also the provision in the bill for six months' supply. The textile man knows pretty well what he may want for six months, because his goods are sold ahead—barring the cancellations which always occur. But the importer, as Col. Wood said, who gets in a six months' supply—how is he going to judge? He can not judge what the textile man is going to need, and the textile man can not judge until his samples are out and the goods sold. The goods are

sold first and then made. That is the fundamental proposition in the textile industry. The samples are made, then the line is opened up, orders taken, and the goods are made. He may run along and have no cancellations come in, or there may be cancellations. Who is going to judge how much of a certain color he is going to require in that six months? If the importer guesses at it he may get the whole six months' supply in at once. The War Trade Board or the Tariff Commission would say to the next importer, "The six months' supply is here; you can not get any more."

That is all guesswork to begin with; but let us assume it was a six months' supply and that nobody else gets a license. He would be in a position to hold up every textile man in the country on the price. He could put the price up and the textile man would have no protection whatever. The Badische might send to their people here, or the people that I bought from might send it to me, and that six months' supply would be in the hands of one man.

Senator WATSON. Is that so under this last modification?

Mr. METZ. Six months' supply; absolutely. When they say it is here, that is the end of it.

Mr. CHOATE. Mr. Metz is mistaken there, because as each man has to swear that his importation gives him not more than a six months' supply for him, the aggregate covered by the notices can not exceed a six months' supply for the whole country.

Mr. METZ. For him; yes. But he is a dealer; what does he know about "for him"?

Mr. CHOATE. He has to put in with his order, if he is a dealer, the affidavit of the consumer who makes the order that that order for that consumer does not put that consumer more than six months ahead.

Mr. METZ. But how does the consumer know?

Mr. CHOATE. The consumer has to guess at it.

Mr. METZ. Of course. The whole thing is a guess.

Mr. CHOATE. But he has to guess when the goods are ordered anyway.

Mr. WOOD. But in this case he has to swear to it.

Mr. CHOATE. He has to swear that it does not exceed a six months' supply to him; he simply has to be a little careful about not ordering too much.

Mr. METZ. Suppose he falls down and his orders are canceled. What is going to become of those goods that are brought in for a six months' supply? The importer has got to bring them in. He gives his order and then he is stuck, and the goods are here.

Mr. CHOATE. He can bring them in, in bond.

Mr. METZ. But somebody has got to pay for the goods before they are shipped.

Mr. CHOATE. But the delay is not permanent.

Mr. METZ. The goods go into bond.

Mr. CHOATE. They go into bond for a short time, and come out when the supply is reduced.

Mr. METZ. The dealer has to buy six months' supply at once for cash or on 30 days' time. He is out his interest on them, and he has to pay his import charges and his withdrawal charges. You do not make any provision in case those goods can not be withdrawn after six months, and there are classes of goods that are not to be with-

drawn. You provide specifically that they shall not be released. Shall they lie there forever and rot?

Mr. CHOATE. Of course, they can be reexported.

Mr. METZ. It does not say so in the bill.

Mr. CHOATE. I do not think the language means that they shall not be released for reexport.

Mr. METZ. Then let us have what it means. You have to cover that case.

The question was also raised as to what was a reasonable price. Alizarin is selling to-day at a dollar a pound, and I suppose that is reasonable for the wholesaler in this country. In England it is 18 cents a pound. Turkey red yarns are dyed in England and are sent here. The Tariff Commission will undoubtedly find that a dollar a pound is not an exorbitant price for the product made here. Does that mean that the user must pay a dollar a pound for alizarin and not import it just because that is a reasonable price here? That is a duty of practically 500 per cent. The Tariff Commission will find that that is a reasonable price for goods made in this country. Are you going to force a 500 per cent duty? And that is not the only instance; the vat colors will be in the same position.

Mr. CHOATE. If that price does not come down in a year or two, the Tariff Commission might find the other way.

Mr. METZ. Why should they? The law says "a reasonable price to the manufacturers here and no exorbitant profit."

Mr. CHOATE. If there is any material dissatisfaction with the working of that part of the law after a year or two the textile industry will get up on its hind legs and want this act repealed.

Mr. METZ. They will get it repealed anyway, in my opinion. But let us get it right to start with; you want to do the right thing by everybody, I take it.

Mr. CHOATE. Unless you provide for some profit to the American manufacturer, if you make your price provision to let in the foreign goods, as soon as they are materially below the American price you destroy the protection altogether.

Mr. METZ. I am willing to put it anywhere you say—at 100 per cent or 200 per cent—but I want the textile man to get the goods at a price at which he can use them whether they are mine or somebody else's. You are not doing that; you are barring him out from competition with goods dyed in England, France, and Germany. Shirtings will come in dyed there instead of being dyed here.

I have not touched the medicinals at all. This provides for a six months' supply of medicinals. What substitutes are there? Anti-pyrine, amidopyrine, and phenacetine are all substitutes; they can all be used for the same purpose, but some doctors will not touch some of them. The doctor prescribes what he wants.

I have here a letter from the War Trade Board to an importer from whom I buy amidopyrine. That is one of the concerns that make up preparations for headaches.

Senator WATSON. Amidopyrine?

Mr. METZ. Amidopyrine. It is the same as pyramidon. It has a large sale over the counter. It is not dangerous in any way and people buy it. In order to get this the importer had to get from the consumer, who was not a consumer but a manufacturer, his affidavit that it was a six months' supply before they could import.

Here is a letter from the War Trade Board stating they had to have that, and here is a letter from the General Drug Co., who gave the order, certifying six months' supply. I do not know how this stuff is going to sell; that may or may not be a six months' supply. They sell to the wholesale druggists, and the wholesale druggists sell to the retailer, and nobody knows what the demand is going to be for the next six months; we may have an epidemic of grippe.

(The correspondence submitted by Mr. Metz is here printed in full, as follows:)

WAR TRADE BOARD,
Washington, January 6, 1920.

The HOFFMAN-LA ROCHE CHEMICAL WORKS,
440 Washington Street, New York City.

GENTLEMEN: Referring to your letter of the 6th instant with inclosures of affidavits by Mr. Peterson, of your company, our attention is invited to the second paragraph of W. T. B. R. 838, from which it will be seen that such affidavits are to be obtained by jobbers from consumers stating that the commodities in the quantities applied for are required to supply their said six months' requirements, etc.

In view of the statement in your application that you ask for the importation of the amidopyrine for resale in the United States, your affidavit can not be granted. Affidavits should be obtained by you from consumers in conformity with the second paragraph of W. T. B. R. 838 and transmitted to this bureau in support of the necessity for the importation. A sample form of affidavit which may be used for the purpose is herewith transmitted and your application will be held pending receipt of the required affidavits from consumers.

Yours, very truly,

BUREAU OF IMPORTS.
By L. J. R.

[For immediate release.]

W. T. B. R. 838—NEW REGULATIONS GOVERNING IMPORTATION OF DYES, DYESTUFFS, AND CERTAIN OTHER COMMODITIES OF NONENEMY ORIGIN.

DEPARTMENT OF STATE, WAR TRADE BOARD SECTION,
Washington, December 23, 1919.

The War Trade Board Section of the Department of State announces that effective December 19, 1919, and until further notice, no licenses for the importation into the United States of dyestuffs derived directly or indirectly from coal-tar products, including crude and intermediate products and all other articles described or enumerated in paragraph 4 of the War Trade Board Ruling 825, issued August 15, 1919, which are of nonenemy origin, will be issued, except to satisfy the requirements of the actual consumers thereof, for a period not exceeding six months from the date of the filing of the application. Accordingly, applications filed by actual consumers should be accompanied by an affidavit from such consumers stating that the commodities and the quantities thereof applied for are required to satisfy the said six months' requirements and are not in excess thereof. Likewise importers, jobbers, and all other persons desiring to import dyes of nonenemy origin shall file with their applications affidavits signed by the ultimate consumers of the articles applied for stating that the commodities applied for are actually required for consumption during the six months' period referred to above and that the quantities thereof are not in excess of the amount required by them for actual consumption during the same period.

JANUARY 9, 1920.

Attention of L. J. R.

DEPARTMENT OF STATE,
War Trade Board Section, Washington, D. C.

GENTLEMEN: We acknowledge receipt of your letter of the 6th instant, and regret to learn that the affidavits sent you in support of our application for import license covering 150 kilos amidopyrine do not meet present requirements.

We are accordingly inclosing herewith a new affidavit in triplicate, signed by the proposed consumers, and trust that this will meet with your approval.

Yours, very truly,

THE HOFFMAN-LA ROCHE CHEMICAL WORKS.

STATE OF NEW YORK

County of New York, ss:

We the undersigned do hereby certify that we have ordered from the Hoffman-La Roche Chemical Works, of 440 Washington Street, New York, N. Y., 150 kilos or about 330 pounds amidopyrine, produced by ———; that the commodity enumerated herein is required by us for consumption in our plant, and that the amount thereof is not in excess of our requirements for consumption for a period of six months from the date hereof.

GENERAL DRUG CO.,

By A. L. HACK, *President*,

94 North Moore Street, New York.

Sworn and subscribed before me at New York, N. Y., this 9th day of January, 1920.

JACOB R. ROETHER, *Notary Public*.

Mr. METZ. The medicinals ought to come out of that bill entirely, in my opinion. You ought not to put a penalty on the man that needs medicine. And those coal-tar drugs—there are very few of them made here, but those that are made here are made cheaply enough. If I can sell salvarsan at 60 cents as against the foreign price, I am not afraid of them. Where are you going to draw the line between what is coal-tar and what is not coal-tar. If there is the least trace of any other product in it like salicylic acid—those are coal-tar derivatives.

Who is going to determine all these things? If you are going to put the goods in bond and hold them until the Tariff Commission decides, it may take weeks and the demand for them will be gone; the time may have passed.

As to Col. Wood's suggestion that there can be some way devised to hold those goods—every importer has got to give a bond. The goods may have gone into consumption. When you want them you want them quick. They may have gone into consumption. In that case they can not be ordered back. The customhouse can order anything back for reappraisalment. If the goods have gone into consumption you can penalize the importer on his bond. Then you are protecting the industry. Come back onto the bond, but do not hold those goods up indefinitely until somebody passes on what the law means, because by that time the entire demand will have passed, possibly; in the case of an epidemic it would have passed. You know what happened during the epidemic of influenza on account of having no whisky. In case of an outbreak of grip we are going to be up against that.

Senator WATSON. How do you know that?

Mr. METZ. Simply through my connection with physicians, not from personal experience. I did not have it. [Laughter.]

I want to cover that point that Col. Wood made. The customhouse can penalize under the bond. In that way you can hold him and keep the price up, and he can protect himself the same as he does in a change in duty. The consumer has got to pay it. There is no getting away from that. The consumer must pay the same as he

pays the American manufacturer. Then you have got a chance to prove your case and the goods are not held up until the use for them is gone.

Senator WATSON. Do you indorse the proposition suggested by Col. Wood?

Dr. MERZ. I want to go the limit to protect the American dye industry. Anything that will do it I am for. My interests are in it. But I also want to protect the textile manufacturer, the consumer.

If you will pardon me for a moment, the question was asked here as to what shades we can make. We can make any shade under the sun. The shades are produced by combinations. The best way to illustrate it will be to show you this card. [Exhibiting samples of colors.] Each one of those shades is a combination of different colors. Here is a blue. We have not got a blue. This blue is fast. We use indigotine against this blue. It would not be fast. These three colors are fast and are made here. The blue we have not got. You make a combination and the blue fades out, and you have a purple instead of this brown. There is where the question of substitutes comes in.

Somebody made the remark that an acid green could be substituted by patent violet. Let me show you the difference. You can substitute one blue for another and get any shade. [Exhibiting samples of colors.] Here are two blues, we will say. You can use this blue in the combination and as you get nearer to daylight you will find it is much closer, but when you come back here one is green and the other is something else.

Here are three browns, combination colors, indigotine in one, acid violet in another, and patent blue in another. In daylight they look exactly alike, but down here under the electric light you can see the difference. Get away from daylight and you will find that one is green and the other is something else. Here are three greens that are practically all alike in daylight, but here [under an electric light] you see the difference immediately.

I will leave these with you, gentlemen. That is our side of it. Even so, you are going to fall down on these substitutes. These new men do not know what they are talking about, half of them. They know a thing by name and that is all.

To show you what names mean, here is the last one of the year books that I published in 1914. This gave a list of the new inventions, patents, and colors in the trade. It became quite an authority. This gives every color on the market under the commercial name. Here are the manufacturers and the methods for using. From page 292 to page 401, there are 30 names to a page; there are over 3,000 dyes in the American market that are called for every day in the week.

Senator WATSON. By name?

Dr. MERZ. By name, the commercial name. This book gives those that are practically alike in the method of dyeing, but each dyer knows his own composition, and when a mill changes dyers they usually want a new line of dyestuffs.

Take leather, for instance. Your wife buys a pair of bronze slippers. She matches them with stockings in the store, and then goes home and finds she has green stockings and brown shoes. When

a paint man wants patent blue A, he wants patent blue A and not something else. But the War Trade Board looks at it and says, "It is the same shade exactly, and you will have to use that"; and, of course, he is all balled up. The color will not stand the test. It may stand in the east and not in the west. It may stand the sunlight in New York, but not alkali in Arizona, and not stand electric light here. You have to have the colors that will do what the mill wants.

My suggestion is to protect to the limit, but do not protect so that they can not use the product they want or so they can not get it. And take the medicines and those things out of the bill, those things for which we have to depend on somebody's saying whether we shall have them or not have them. They ought to be treated entirely separately. From the manufacturer's standpoint, this bill would be entirely satisfactory to me, and from the importer's standpoint also; but that is not my point.

Furthermore, Mr. Choate raised the question when the hosiery people were here as to how many were present at that meeting that passed the resolution. I would like to know how many of the people of the Dye Institute passed upon this bill; it has not been submitted to all of them, I suppose—the executive committee and Mr. Choate passed upon it. There is a little coterie that is doing this.

Mr. CHOATE. As a dye manufacturer, though, you seem to approve of it.

Mr. METZ. From a selfish motive, I do; yes, sir.

Senator NUGENT. Did I understand you to say you had taken up with the War Trade Board the difference in these colors?

Mr. METZ. Yes.

Senator NUGENT. And the members of that board were not familiar with those differences?

Mr. METZ. The people who passed on them did not know. How should they?

Senator NUGENT. Have you taken the same matter up with the officers of the Chemical Foundation?

Mr. METZ. No, sir; I have not.

Senator NUGENT. Have you made a demonstration?

Mr. METZ. To the Chemical Foundation? No, sir; I am a rank outsider.

Senator NUGENT. Why can not you gentlemen who are interested in this matter get together on this thing?

Mr. METZ. Because it does not suit their purpose. They want to cut everything else out and just make a few things here.

Mr. CHOATE. I think we have already taken care of the suggestion that Mr. Metz makes. The prohibition of the importation of substitutes there relates only to those which have no usefulness whatever except as substitutes. Wherever a thing has a special use, such as Mr. Metz suggests, wherever it is especially adapted, for example, for use for a particular purpose, or to be mixed with other colors, or wherever it has a particular attribute like keeping its color in artificial light, that is one of the special uses which permit its importation under the conditions of this scheme here. All a man has to show when he imports it is that he wants it for one of those special uses and he gets it.

Mr. METZ. He does get it?

Mr. CHOATE. Yes.

Mr. METZ. And it goes before the Dye Institute's advisory committee?

Mr. CHOATE. No.

Mr. METZ. It would under the old proposition. He has to make affidavit and tell exactly what he wants instead of being free to do business. There ought to be a method devised to let a man do business without having a lot of supervision and interference.

Mr. CHOATE. There is no supervision at all. He simply makes the affidavit and puts it in and takes his own chances on its correctness.

Mr. METZ. He takes his own chances; yes. A man wants patent blue, and they tell him, "You can get acid green here." I have seen that done by the War Trade Board.

Mr. CHOATE. There is no provision of that kind here. Under your suggestion a man that did not want acid green and was unable to buy patent blue here would get the patent blue in any case unless other people had imported six months' supply before him, and under the new scheme they could not import a six months' supply unless he was one of the ones that had done the importing.

Mr. METZ. I grant you that. No, sir; somebody is going to say, "This is a substitute and you ought to use it." With all due respect to the Tariff Commission, or any other public body, it can not be done.

Mr. CHOATE. They prepare their laws in the first place under the new scheme, saying what they consider substitutes, and you have all the chance in the world to kick if you think the thing is not a substitute before your need for it actually arises.

Mr. METZ. Don't you think Mr. Choate, as man to man, that if we had gotten together on this thing sooner we would have been much closer to a result.

Mr. CHOATE. We could get together with you, Mr. Metz, very quickly if we could find out whether you are a manufacturer or an importer or a consumer.

Mr. METZ. I am all three. That is my position exactly.

Mr. CHOATE. But whenever we get together with you in one aspect you take the other.

Mr. METZ. On the contrary, I have stated my position here. As a consumer. It is not selfish on my part, but the other men are selfish; that is the difference. It is the consumer I am looking out for. I have done that from the beginning. In every hearing I have attended I have had the same purpose. Because I used to import goods and am in a position to import them again, they are afraid of me; that is all there is to it. They have done all they could to put me out of business, and they have gone so far as to talk about banking connections and things of that sort, and that is the power they are going to have here if they have their way in this matter.

I want to see the textile men, the leather men, the paper men, the ink men, and the paint men, get what they need to turn out their goods with. It is a hundred times more vital to the prosperity of the country than it is to this dye-stuff industry. I am entirely in favor of having a dye-stuff industry here, and you can have it without any trouble with an adequate duty and such laws as will protect it.

As to this suggestion of Col. Wood's, that the goods can not be held, they can be held under a penal bond, and you can protect against any unfair competition. Just how far the law can go, I do not know, but I am willing to help to the limit to bring it about. I would like to leave these samples with you for your information.

Senator WATSON, M. Denning, do you want to say anything on this new question?

STATEMENT OF MR. GEORGE DEMMING, REPRESENTING THE NATIONAL ASSOCIATION OF HOSIERY AND UNDERWEAR MANUFACTURERS, PHILADELPHIA, PA.

MR. DEMMING. Let me say, first, Mr. Chairman, that I have known Mr. Metz for seven years. I want to say with regard to Mr. Metz, on behalf of the textile industry, that we have found him to be perfectly frank and free, and from my own experience with Mr. Metz I think Mr. Metz knows the dye business from the ground up better than any other man in America; I have come in contact with all of them, not only on the side of the dye manufacturer, but on the side of the textile man. He is perfectly competent to tell what the dye industry is.

There would be other representatives here, Mr. Chairman, from the hosiery industry except for the fact that they are having a convention in New York to-day and to-morrow, which convention was called before we knew about this meeting. Therefore they can not be present, but they have asked me to state for them that at several conferences they have considered this proposed substitute, and they have come to the conclusion that it is licensing, just the same as the original Longworth bill.

I want to say that we are opposed to licensing as a matter of principle, both from a business standpoint and as a matter of precedent. We take the position that any measure which first enacts a prohibition and then allows an exception to that prohibition, which exceptions shall be allowed and passed upon by a commission or an individual, is a licensing measure pure and simple, and you can not cover it up by subterfuge or camouflage it in any way. That is this substitute bill.

We think that this measure, if enacted, will lead to boundless vexation and oppression, and probably litigation.

With regard to this fourth paragraph, which has been touched upon by both Col. Wood and Mr. Metz, concerning the six months' supply, in addition to the objections already stated to the committee we see this objection, which we think is very important: This six months' supply, according to the language of the bill, is to be based on the ordinary requirements. That is to be a question of fact to be determined by the Tariff Commission. Now, the styles change. We will say the mills are preparing for the spring styles. Suppose that last year the styles ran to greens or purples or certain shades of blue. Next year they want to make it, say, brown. They ask for six months' supply, which is going to be larger than last year, of this particular color. The Tariff Commission says, "You have got your six months' supply," because it is based on ordinary requirements. Of course, they would require more dye this year, owing to

the change of styles. In that way we see that that provision will stifle enterprise and initiative and general business progressiveness. We are especially opposed to this proposed substitute on the ground that it is licensing, the same as provided for by the Longworth bill.

We want merely to reiterate, as we said before, that we are emphatically in favor of anything which will promote the American dye-manufacturing industry. We want to see it thrive and prosper, but we are opposed to any measure of this sort on the ground that it is paternalism; that it springs from these war-time provisions, which we think should only be enacted and enforced in abnormal times, and have no place in American business life in normal peace times. I believe that is all I have to say.

MR. CHOATE. As to that question of the ordinary requirements, I have only this to say: An examination of the total imports of the country for a number of years before the war broke out will show that the total supply for the year of each color imported did not vary so enormously as Mr. Demming suggests, so that a six months' supply—

MR. WOOD. I will have to take exception to that statement.

MR. CHOATE. In all events, it will show what the variations are, what extremes are likely to be met, and while there might arise cases in which some delay would be occasioned, I think that in the ordinary case it is highly improbable that anything of the kind would happen.

MR. WOOD. I would like to file a protest to that statement. I think that if Mr. Choate had a more intimate knowledge of the use of dyes in commerce he would realize that is quite impossible of being the case.

MR. DEMMING. I just want to say a word in reply to Mr. Choate. I am not a textile man; I am speaking for textile men, but, unlike Mr. Choate, although I have been representing these men for seven years, I do not profess to know the dye business. But let me say this. The hosiery men are trying to build up an export trade, and we are now exporting hosiery. Our hosiery exports will represent from 120,000,000 to 140,000,000 pairs of hose, stockings, and socks a year. To a large extent that goes to South American countries, and also certain European countries. They tell me that those countries use brilliant colors a great deal more than we do here. Mr. Choate said something about white socks. We got a call the other day for red socks for South American countries. Now, if we find that there is not a big supply of the red dye in this country, which might readily be the case under this six months' requirement, where would we be on that; we could not supply the demand. Our export business would go by the board.

MR. CHOATE. I should think that would be an ordinary requirement, would it not?

MR. WOOD. You can not anticipate it.

MR. DEMMING. The Tariff Board passes on it.

SENATOR NUGENT. Mr. Choate, has there been an effort made by anybody to bring together in conference the men who are connected with the different interests that are involved in this dyestuff industry for the purpose of reaching some sort of satisfactory compromise agreement with respect to legislation?

Mr. CHOATE. Only in a limited degree. I think it is quite impossible. It is perfectly apparent that a number of the textile trades that objected to the original licensing plan are quite irreconcilable to any special protection.

Senator CURTIS. Yes; but, Mr. Choate, there is a feeling that, if possible, the interested parties should get together on something that will do away with the licensing plan and at the same time afford protection.

Mr. CHOATE. This suggestion was made with that in view, and it was made in response to suggestions by members of the committee, and was made almost at the last moment, so that there has been no opportunity to really get it thrashed out by any joint group.

I think Mr. Demming is in error when he says that this is a licensing plan in disguise. The real misconception is this: The license plan is an embargo plan in disguise. This is a selective embargo plan in the open, and it absolutely does away with the licensing feature. The licensing feature is completely gone in the new plan, while the embargo remains.

Mr. WOOD. Senator, may I answer the question you asked us to whether any effort had been made?

Senator NUGENT. Certainly.

Mr. WOOD. When I first learned—last May, I think it was—through the trade press, that it was in contemplation to introduce a measure of this nature in Congress, I called up Mr. Shaw, who was then the vice president, I think, of the National Aniline Co., on the telephone—the only man who was a principal in the dyestuff business with whom I had personal acquaintance—and told him I was sure any plan of that kind would work a great hardship on the users of dyes, and it was very important that before any measure was drafted that there should be a conference between the users and the makers, with a view to trying to arrive at some plan that would protect the dye-making interests without hardship to the dye-using interests. I suggested to him that they call a meeting of delegates from the different dye-using trades—they all have national associations—to confer on this subject. He told me that he was quite sure whatever they had prepared would be unobjectionable to the dye users, and I was unable to pursue such effort any further.

I mention that only to show that so far as we who are now objecting are concerned, we did make that proposal that we try to get together and devise a plan which would protect the dye industry without harm to the dye users. That was before the Longworth bill had been introduced in its original form.

Senator WATSON. There seems to be universal acquiescence in the opinion that we all want to protect the American industry; everybody says that, and I assume they all tell the truth. That is the first working basis of agreement, and it seems to me as if there might be some plan practically agreed upon.

Senator NUGENT. It would demand concessions, of course, on the part of everybody connected with this business. Now, if you gentlemen who are familiar with all the intricacies connected with the dyestuff industry entertain irreconcilable views as to the character of legislation which should be enacted for the proper protection of everybody, it appears to me that you are placing a burden upon this

committee of laymen of such a character that it is scarcely fair to us, and that you are placing us in a position where it would be and is practically an impossibility for us to arrive at any satisfactory solution of the questions that have divided you; and that if you gentlemen can get together and agree upon a bill that would be satisfactory even as an experiment—and I apprehend that is all this will be, temporarily, at least—we would be very greatly aided in our consideration of this question.

Mr. CHOATE. I agree entirely with what you say, Senator; but I have found Col. Wood and the forces which he so ably represents irreconcilably opposed to any protection except the tariff protection. I have never heard from any source connected with them until to-day any suggestion for any further protection, and the suggestion which has been made to-day is, I am confident, one which could not be made effective.

Senator CURTIS. You speak of that offhand. Why can not you and whoever it is makes this suggestion get together and see if you can not work it out?

Mr. CHOATE. I would be very glad to try it.

Senator CURTIS. That strikes me as a very feasible proposition.

Mr. CHOATE. I think it is a feasible proposition, but I am perfectly satisfied that before that suggestion—

Senator CURTIS. I am going to suggest to the committee pretty soon, if you do not agree, that the four of us get up what we think is sensible and right.

Senator WATSON. Of course, we are working as best we can, but we are more or less in the dark, because in reality it is all theoretical with us. We do not know.

Senator CURTIS. We are liable to be wearing red when we think we have got on black.

Senator WATSON. Of course, when doctors disagree the patient may get well, and generally does. After all, that is not so in a case of this kind, and you run some risk of getting adverse legislation to some interested party. That we do not want to do if we can help it.

Senator NUGENT. And probably to all interested parties.

Mr. METZ. May I make a suggestion. This whole committee business started in the Dye Institute. Mr. Choate came there and addressed the committee. I was at the meeting and some one suggested that people were bringing in goods that were made in this country. I said I had not brought in a dollar's worth of goods since 1916, when I brought a lot of salversan in, but some of the gentlemen in the meeting who were shouting loudly for this had been importing right along. I had the goods on them and I mentioned their names, much to their consternation. But a committee had been suggested. I took the stand that our customers needed certain colors and should have them, and I was not going to be put in the position of saying they could not get them in Switzerland if we could not make them here.

It was suggested that an advisory committee be appointed and a license system be offered. Mr. Choate was at the meeting, and Mr. Poucher, of the Du Ponts, who used to be an importer, for 30 years

with this Kutroff-Pickhardt concern, they talk so much about. Then there was Mr. Watkins, of the National Anilin Co.—the two big manufacturers whom Col. Wood just talked about, with a capital of from \$25,000,000 to \$30,000,000 to be protected and to draw dividends on, that formerly used to amount to \$10,000,000 a year.

Then my name was suggested, as knowing more than anyone else about this, and Mr. Choate said he did not think I would do, owing to the conditions in Washington on account of the Alien Property Custodian, and Mr. Merz was put on, a man who never had any business except in the paper trade and paint trade.

Then there was Dr. Herty, who was purely a chemist and not a dyestuff man at all, and then Mr. Hobbs, and Mr. Thompson.

Mr. Thompson's business is that of preparing goods for other people, and naturally they only use the colors that are obtainable in this country. Mr. Cheney is a silk manufacturer. They can afford to pay almost any price for silks. I am not questioning their integrity for a moment. Mr. Hobbs is the head of the Arlington Mills, and says he will have nothing but American dyes. That is all right, but you have the paint people and the ink people—why the blue in newspaper amounts to almost 1 cent a pound, or at least a dollar a ton, used in it, just to keep it from being yellow. Those people were not considered for a moment, and all these ink men and paint men have to go to the Textile Alliance, a concern they never knew a thing about before. As long as they get them I am satisfied, but it shows how unequal these things are when you try to cover the entire industry of the United States.

You can not satisfy anybody in that way because, as Mr. Choate says, you will have to change the law in a short while. Let us have a law that is going to stay.

STATEMENT OF MR. GEORGE B. SANFORD, PRESIDENT OF THE AMERICAN ASSOCIATION OF WOOLEN AND WORSTED MANUFACTURERS.

Mr. SANFORD. This substitute, gentlemen, was presented to us to be looked into, and we went into it very carefully and very thoroughly, and we find it a change only in name. It still involves all the difficulties that attached to the original proposition with regard to licensing, all the delays, and all the annoyances, and we believe it is entirely unworkable. I will not endeavor to go into the different forms of it in detail. I think the difficulty, gentlemen, of this whole situation is that men like Mr. Choate, and even Mr. Du Pont, and certain other people have no actual intimate knowledge of the great difficulties that this whole question represents from an industrial standpoint.

As I said before, I own a large part of three different mills, all moderate-sized mills, and they are makers of fancy goods. In one of our mills we have been making samples for the last 60 days of goods that will go into consumption of the public next fall and winter. We sent six weeks ago and got a few pounds, 5 or 10 pounds, of certain sample dyes to put into yarns, to go into those samples. In the next 10 days or 2 weeks we will put those goods on the market. We have not the remotest idea what the public will

take. In an industry like ours, which deals with men's and women's clothing, there is no way in the world to tell. A man could make millions who could tell what the public was going to want six months in advance. There is no way anyone can tell. It may be blue, brown, green, or pink. We can not tell.

We will put those samples on the market and take orders, and we have got to have supplies available inside of 30 days after we begin to sell those goods in order to put them into the works. If we do not, the mill must stop until we can get those supplies. This is a question of fashion, it is a question of current taste, and there is no way that we can lay down our needs for six months to come. No human being can possibly do any such thing. The proposition fails on that basic principle to begin with.

Senator WATSON. If you were all limited to certain colors, you would have to use some of them?

Mr. SANFORD. Senator, this would be the simple situation at once. You would have the same situation that you have in the shirt industry. If the public wants a certain thing, they are going to get it, and if we can not give it to them, it will be imported.

Senator WATSON. Is that what they are doing with shirtings now?

Mr. SANFORD. That is what they are doing with shirtings at this moment. The importation of shirtings is very large at this time, unusually large.

Senator WATSON. Is that because of the lack of dyes?

Mr. SANFORD. Because of the inability to get the dyes of fast colors in this country. In making that statement I am repeating the assertion that the shirt people have made to me personally. That is the reason why we can not support this thing.

When asked if we were getting together with Mr. Choate, I do not see much hope of doing so, because I do not think Mr. Choate has any realization or appreciation of the conditions that we are dealing with, and I feel almost hopeless of making him understand, because he is a lawyer, and he is looking at it from an entirely different point of view.

I heard Col. Wood's suggestion, and it seems to me that suggestion has one very strong possibility that something might be worked out. In the first place, it puts the burden of proof where it belongs—on the person who is asking for the protection—and it seems that it might be worked out in such a way as not to be too dangerous and deterrent to general imports and the people who need them. I am sure the interests I represent would indorse anything that could be worked out on that line. It is a very difficult situation.

Now, with regard to those colors that Mr. Metz just showed you. It may interest you to know that a slate color, which is an ordinary solid gray color, is made with black to start with. You tinge the white yarn by using black, which gives it a gray look. In order to vary it you use shading colors, blues, or greens, or some other colors, to give a diversity of shades. At the present time, in my own experience, I can not get and have not been able at any time to get slates of varying shades that will hold color in the light at all. They are not in the market. We can not get them. I think I could elaborate that, Senator, indefinitely.

My belief that the burden of proof should be upon the party at interest and not upon the consumer is based upon this.

I have understood, and I have not heard it refuted in any way, that the dyes that are being manufactured successfully and on a competitive basis in the United States amount to somewhere near 80 per cent of the total weight of dyes used in this country. If that is the case it certainly seems to me that the burden of proof should remain upon the dye manufacturing interests.

Senator WATSON. That is what we are trying to find out, what is an ample protection for that 80 per cent and how to establish what that protection is.

Mr. SANFORD. The point I am making is that I think they should prove that the thing that is being imported is detrimental to them, and that we should not be compelled to prove our necessities and our needs, which are impossible to prove. That is the point I am trying to make.

Senator NUGENT. Excuse me a moment. If my recollection serves me right, at the prior hearing a witness testified that approximately 90 per cent of the dyes used in the industry are now being manufactured in this country, and that the difficulty that has arisen is due to the fact that textile manufacturers are unable to secure about 10 per cent of these dyes in order to make these shirtings, etc., and that those gentlemen are catering to the select trade. What is your view with respect to that, Mr. Sanford?

Mr. SANFORD. When you touch upon the shirt business, that is outside of my own personal knowledge except by way of hearsay. In my own business, whether it is 10 per cent or 20 per cent that we are short of getting, the situation is this: You asked a moment ago—or somebody brought up the question of Mr. Hobbs, who represents the Arlington Mills, who is on the advisory committee and who has been a supporter of this. It is a perfectly simple thing from Mr. Hobbs's standpoint. Mr. Hobbs is the president of the Arlington Mills, a very capable and excellent man, a personal friend of mine whom I have known for some years, together with several other men of that type.

Big corporations of that sort are handled almost entirely on what is called the bulk business of the country, which is the big staple business of the country, with very little diversification of color. Probably Mr. Hobbs could lay down to-morrow a contract for all his color wants for the next five years, in perfect safety. I venture to say that 90 per cent of his business is plain blue serges, which you see around in every direction. That is called the staple business of the country.

Senator WATSON. Is that blue made in this country?

Mr. SANFORD. Yes, sir; it is made in this country.

Mr. MERZ. Combination colors.

Mr. SANFORD. Becker made a great many during the war. The colors are very good and perfectly satisfactory. They are the big bulk business of the country.

Take the smaller or moderate-sized mills. They represent in aggregate loom capacity in textile woolen business at least 75 to 80 per cent of the total loomage of the country. In order to protect themselves against the competition of the big corporation like the Arlington, the American Woolen Co., and Metcalf's, and several others, we are forced to diversify. On a market such as the present one, where there is no competition, there is no particular difficulty, but just as soon as this

market returns to a competitive basis the moderate-sized mill has got to get away from the big producer of staple goods in this country. The minute he tries to get away the first thing he has got to turn to is fancy colors. The color question comes up at once. If we have not got the colors, and have not got free access to them, that mill of moderate size is going to be in a very difficult position. That is one of the conditions of the industry.

As I said before, Senator, my belief is that the burden of proof on the question of importing should be upon the dye people and not upon the consumer. The first suggestion I have heard that looks to me like a hopeful one, and which I think might be worked out, is the suggestion made by Col. Wood.

Senator NUGENT. The point I was endeavoring to make was this: Gen. Sibert, Col. Fries, and Admiral Earle testified that it was vitally essential to the preparedness program of the country to build up the dyestuff industry. If the members of this committee conclude that their statements with respect to that matter are, as a matter of fact, entirely correct, and conclude that the building up of the dyestuff industry is the vital matter to be considered here, why should it be jeopardized to any extent in order that the textile consumers of the United States may be able to secure the 10 per cent of the dyes that it is necessary or advisable for them to have?

Mr. Wood. May I answer that question?

Mr. SANFORD. Col. Wood, you can doubtless answer it in greater detail than I can.

Mr. Wood. Senator, I think you were out of the room when I testified upon that point before. I quoted from statements of Gen. Sibert, in an article of his, in which he alluded to preparedness. He and the other military and naval experts testified fully to the importance of the chemical industry in the manufacture of high explosives and poison gases, but at no point in the testimony, here or before the House committee, did they undertake to say that any such embargo or exclusive system was necessary to the building up of that industry. Against that is the testimony of Dr. Hesse, who is himself an advocate of licensing, and has always been one of the foremost experts of the dye makers, in an address which he made and which I put in the record. In that he says very specifically that the poison-gas preparedness and high-explosive preparedness and pharmaceutical preparedness, and all those things which have been alluded to are abundantly taken care of without respect to the dye industry. In his concluding sentences he says:

That we should have our own supply of dyes is the only reason for having a domestic industry. The war itself proved that conclusively and beyond question.

I presume Dr. Hesse is regarded as the most expert of those men who have studied the dye industry in its economic aspects in this country.

Mr. CHAMPE. I could not agree to that for a moment.

Mr. WOOD. I am expressing my opinion. He has been before committees of Congress constantly. He was chairman of the committee which the dye industry appointed in 1915 to determine what legislation would be necessary in order to secure the building up of a domestic dye industry and its adequate protection, and the chemical

industry thought highly enough of him to make him the chairman of that committee. He has been called here by the dye makers time and again to testify before a committee of the House—I do not know about the committees of the Senate—and he has been, I think, a consistent advocate of licensing. I have put in the record his whole address before the Franklin Institute, of Philadelphia, which is a scientific body, not considering legislation at all. He adverted there particularly to this question, as to whether the dye industry had to be considered in its relationship to legislation from a preparedness point of view with reference to high explosives and poison gases. That was his conclusion.

Senator WATSON. I thought, Colonel, it developed that practically all the explosives, gases, and all that sort of thing in Germany had resulted as a by-product of the dye industry, or grew out of the dye industry.

Mr. WOOD. It did; but Maj. Gen. Sibert, in an article which he published in the New York Evening Post, pointed out the effectiveness with which we had been able to surpass anything that they had done in Europe.

Mr. CHOATE. After nearly two years.

Mr. WOOD. This is a question, Senator, not of the dyes but of the intermediates from which dyes are made. At the beginning of the war we had no intermediate industry. Notwithstanding that, Gen. Sibert has in his article in the New York Evening Post pointed out that of every kind of poison gas we were making more than any other of the combatant nations, and in respect to the most important ones, we were making more than all together, including Germany, and that despite the fact that we started from zero. Dr. Hesse also points out the fact that the most important component in many of the gases is chlorine, and he points out that chlorine was abundant in the United States before the war, irrespective of the dye industry, and that the development of poison gases should be tied up with the production of chlorine. That is a technical subject that I do not pretend to have any knowledge of at all, but I am quoting from one who is a recognized authority. If Mr. Choate does not think so, I am sure every dye maker in the country will recognize Dr. Hesse as a man of the highest character and most ample technical accomplishments.

Dr. Hesse makes another point that bears directly on what Mr. Sanford said. In the same address from which I quoted he indicates very clearly that these plans that have been proposed for an embargo and licensing take no account of the tons and tons of embargoed dyes that would freely come in on the dyed articles. The embargo would keep out, or regulate the admission of, the dye in containers for future use, the dye in barrels, kegs, or tins, but would neither prohibit nor restrict the identical kinds of dye arriving on the already dyed articles, in which latter form they are just as much dyes as if brought in for use here, and much more seriously competitive, for not only do they effectively compete with the domestic dye maker, but also with his customers—the textile manufacturers. I think that is the answer to a question asked of Mr. Sanford, and the answer is given by an American chemical expert.

Mr. SANFORD. Absolutely.

Mr. Wood. I would suggest that if you will read the full statement by Dr. Hesse, which I put in the record, I think you will find it takes up that question of preparedness very thoroughly.

Senator NUGENT. Colonel, my recollection is that it was repeatedly stated by witnesses, in substance and effect, that the tremendously complete preparedness of Germany at the outbreak of the war was based almost entirely upon her dyestuff industry, so far as the explosives used in shells and poisonous gases are concerned. And I gathered the very distinct impression that it was a matter of vital necessity for this committee to adequately protect and build up the dyestuffs industry in the United States, for the reason that the research work being carried on by the chemists engaged in that industry would undoubtedly lead to the discovery of certain chemicals that could be used in some future war, that would far surpass anything that is known at this juncture, and that as a matter of fact the Government could not conduct that research without continuing in operation the Edgewood arsenal, we will say, for the sake of illustration, at which the major portion of the poison gas that we made was produced. So that it is my impression that the gentlemen to whom I have referred have endeavored—and I am frank enough to say that so far as I am concerned they have in large measure succeeded—to impress the minds of this committee with the absolute necessity for the adequate protection and the development of the dyestuff manufacturing industry in the United States. And my impression further is at the moment that this committee should pursue a policy that will lead to that result regardless of anything and everything else.

Mr. Wood. If that were the case, I believe your conclusion would be entirely justified, but I am quite sure that the reading of Gen. Sibert's article on what was accomplished by the Chemical Warfare Section, in conjunction with Dr. Hesse's statement as to the place of these allied industries, if they may be so called, in relation to the dyestuff industry, will very definitely show that we are not so dependent on the dyestuff industry for this purpose.

Senator NUGENT. Let me interrupt you there a moment. You will remember further that I propounded certain questions to certain of those gentlemen with regard to the advisability of the Government's pursuing a policy which would lead to the education of chemists, both at the Naval Academy and the Military Academy, and those gentlemen agreed that so far as theoretical knowledge was concerned the Government could educate the chemists at either of those institutions, but that their knowledge would be theoretical only, and that in order that they might have practical experience it was vitally necessary that they should be engaged in actual practical research work in these dye manufacturing establishments.

Mr. Wood. What I believe has been pointed out, Senator, by those who are technically familiar with the subject, as I am not, is this: First of all, we have a supply of chemists trained theoretically. Gen. Sibert, in the article to which I have referred, said that there was gathered together in the Chemical Warfare Service a body of chemists in numbers and in qualifications that had never before been called—

Senator NUGENT. In this country?

Mr. WOOD. No—that had never before been called together anywhere. They were gathered together in this country, but his statement was general.

Now, as to their opportunity for practical work, this must be brought out: The United States has the greatest supply of the crude materials out of which the intermediates come; our coal supply, capable of producing these crude materials in the manufacture of coke, is more than twice that of Germany before the war. Mr. Wigglesworth testified to that. During the war there has been built up a chemical industry here in respect to a large proportion of these very things that are required, which is bound to go on irrespective of the question of protection of the finished dyes. It is the judgment of those who, I think, are qualified to speak upon the subject—

Senator WATSON. What are those chemists going to do if you have no dye industry?

Mr. WOOD. They are making intermediates now. They are making acids now.

Senator WATSON. The intermediates are a part of the dye industry?

Mr. WOOD. Yes, sir.

Senator WATSON. If we have not any dye industry at all, those chemists are not going to be engaged in the manufacturing of explosives?

Mr. WOOD. No. But, Senator, there seems to be no doubt, in respect to many of the intermediates and many of the heavy acids which are used in the manufacture of the finished dyes and intermediates, that we are assured an export trade that will give employment and opportunity for research work. Mr. Metz can tell you of his own inquiries for these very intermediates.

Senator WATSON. Your argument would, I think, place you in a false position, Colonel, in that it might lead one to believe, hearing you casually, that you were not in favor of the dye industry in the United States at all and did not think it necessary. That is not your position?

Mr. WOOD. No; but I do not see how that inference could be drawn.

Senator NUGENT. The chemists to whom Gen. Sibert and these other Navy and Army officers referred are undoubtedly among the foremost chemists in the world at this time, but I take it for granted that further research work will develop the use probably of different chemicals in explosives, gases, etc., and as those matters are based primarily on the dyestuff industry unless this research work is prosecuted, say, during the next 20 years and our people keep abreast of the times, is it not, in your opinion, quite likely that should another war break out at the expiration of 25 years we would be comparatively in the same position that we were in the outbreak of the war, when you take into consideration the preparedness of Germany?

Mr. WOOD. I do not think so, Senator, for this reason. In the first place I have a letter from one manufacturer of intermediates who assures me that so far as all of the intermediates which he manufactures—which, of course, do not cover the whole field—are concerned, he is satisfied that the tariff rates in the Longworth bill will abundantly protect him, and that if they would not he had better get out of business.

I want to say further that the principal colleges in the United States have been creating research chemists in increasing numbers for the last 10 years. There has been, I suppose, no single course in American technical colleges that has been so well patronized as that of chemistry and chemical engineering, and those young men that have been coming out in the last 10 years have not been going out of the business. They are in it to-day because there was a future in it before the war.

On this very technical question I do not offer my own opinion, but I submit the article by Gen. Sibert in the New York Evening Post. I submit Dr. Hesse's address. In his testimony before your committee Gen. Sibert pointed out the fact that their trouble was they had more gas than they had any opportunity to use, toward the close of the war, and the only thing they needed was containers, or shells. Now, by any logical reasoning, what you need to do is to protect the industry which will give them the opportunity to get the containers. We were behind on almost everything else that we required for the prosecution of the war to a greater degree than we were either on high explosives or poison gases.

I entirely recognize the fact that we had two years' opportunity to make some measurable preparation before we got into the war, but that was also true of everything else. We had the same two years to prepare in respect to certain kinds of ordnance, in respect to all kinds of woolen clothing, because the large woolen mills of New England were making woolen clothing for the Allies for the entire two years before we got into the war, and yet as recently as January, 1917, we were unable to clothe our own troops, and were in a most desperate situation for woolen clothing.

Senator NUGENT. I consider that an entirely different proposition.

Mr. WOOD. It may be; but in a given period of time before we were in the war and during the period we were in the war, greater progress was made in these things which have been the subject of controversy than in anything else. While we were not ready in aeroplanes, we were not ready in field artillery, we were not ready until the latter part of the war in the mechanical part of gas masks, we were not ready with respect to woolen clothing, and we were not ready with respect to scores of other things which came under my notice, we were ready with and were producing, as Gen. Sibert says, more gas than all of the Allies together, and of the most potential gas, more than the Allies and Germany put together.

Senator NUGENT. That was only during the closing days of the war.

Mr. WOOD. Yes; but I will show that during the closing days of the war we still had not prepared sufficiently for field artillery.

Senator NUGENT. Those things have nothing to do with the dyestuff matter.

Mr. WOOD. We are dealing with the general question of preparedness.

Senator NUGENT. If Germany's condition of preparedness was based upon the dyestuff industry, that is the matter of supreme importance to me.

Mr. WOOD. It is only to the extent that the others are important things. Germany was also prepared in the matter of field artillery.

Senator NUGENT. That may be, but it was her poison gas and the chemicals used in her high explosives that caused the appalling loss of life and the practical holding off of the allied armies on the western front for about three years. If her success in those directions was due primarily to her dyestuff industry, it appears to me that that is one of the matters of prime importance for this committee to consider.

Mr. SANFORD. May I make one point there, Mr. Chairman?

Senator WATSON. If you will pardon men, the session of the Senate begins at 12 o'clock, and Senator Nugent and I want to be there. If you gentlemen want to be heard further we will be very glad to hear you, of course.

Mr. SANFORD. The remark I would like to make would not take but an instant. It applies to this particular question.

Senator WATSON. All right.

Mr. SANFORD. It seems to me the practical point there, Senator, is this: Whether the danger of a great world war that would involve poison gases, high explosives, etc., is so imminent that the industry should be sacrificed in the immediate future for it. If so, the industries have got nothing to say.

Senator NUGENT. I do not think it is imminent.

Mr. SANFORD. I do not think it is at all.

Senator NUGENT. But Germany's condition of preparedness was the result of 40 years of preparation.

Mr. SANFORD. It seems to me we can all feel a reasonable degree of safety for a few years to come. This proposition was originally for about two years. In that time the dyestuff industry has made good progress, and under the stimulation of the protection that is going to be given to them, it seems to me that you are sacrificing the immediate future industrially to a problematical future defense problem, which we all agree must ultimately be taken care of.

Senator NUGENT. I do not think we would be sacrificing the industry, under any circumstances, to any greater extent than that represented by 10 per cent of the dyes that are used in this country, and those by a select trade.

Mr. METZ. You want to bear in mind that the German dyestuff plants manufacture for the entire universe, not for Germany only. There were four or five plants that made everything under the sun there.

Senator WATSON. We will continue the hearing a while longer.

Mr. SANFORD. I would just like to make the point that the question as between the dyestuffs is not 10 per cent to 90 per cent, which seemed to be in your mind. The 10 per cent which may be used in small quantities is very, very vital to many different things in great quantities. Do you see what I mean? For instance, if you are making mixtures, the ordinary Oxford mixture is something like 97 per cent black and the balance of it white.

Now, in many other combinations, where you have red and blue and other things, you may have 1 per cent or 2 per cent of a very brilliant color mixed in that of other colors, the great bulk of it being the very heavy base color, black or brown or some other base color, it is absolutely essential to have 1 per cent, or $1\frac{1}{2}$ per cent, or 2 per cent of bright yellow, or brilliant crimson, so it is not a ques-

tion that may be brought down to one or two particular colors that may be used. Do I make myself clear?

Senator NUGENT. I understand.

Mr. CHOATE. I would like to say one word as to Mr. Sanford's statement as to the bill; I think he means, or rather that he confuses the Longworth bill with the present draft. Under the Longworth bill, it is true, he would have to have considered more than six months his want. When he sent out his sample cards he would have to know whether he could get those particular dyes or not. Under the present draft he would only have to make a decision at the time he wants to give his order. At the time he wants to give his order he has already found out what his demand is to be or he would not be giving his order. Then he will only have to make a statement that a man has to make—that he is getting a six months' supply.

Mr. SANFORD. May I answer that?

Senator WATSON. Yes.

Mr. SANFORD. The proposition comes down to a practical one: As a card proposition, I expect to have some fancy goods next week. I must have dyes then. If they are not present in my mill at least within 30 days after I take the orders, my mill must stop. I do not dare to buy them in advance because I do not know what I want. Say I have only a few pounds to make a few pounds of yarn to submit a sample. After I have my orders, having demonstrated to somebody what I can produce, if I must then suffer the delays that will result in getting a license or a permit, and get an importer, and get the dyes here, what part of 60 or 90 days the mill will be out of business I do not know.

Mr. CHOATE. The answer is this: When you send out your sample cards and make your decision as to what you want later—

Mr. SANFORD (interposing). You may not have what you want later.

Mr. CHOATE. Well, what you will offer to the public if they want it. Your position is now that you are sending out sample cards which contain a number of dyes. All those dyes are dyes which you may possibly want in the future, aren't they?

Mr. SANFORD. Yes, sir.

Mr. CHOATE. And they are all the dyes that you will want in the future. You will not want dyes you have not put in the goods on your sample card.

Mr. SANFORD. Probably not.

Mr. CHOATE. When you start to make your sample cards under the new scheme you will have before you the importable list, and you will confine yourself to what is importable.

Mr. SANFORD. Why confine myself to anything?

Mr. CHOATE. Because if your importable list does not suit you you have an opportunity to go down and kick to the Tariff Commission and get it changed. When you send out your sample cards you need nobody's say-so whatever. Then you get your orders back. Then the time comes when you decide what dyes you want. When that time comes all you have to do is to give an order to an importer or import them yourself, simply furnishing the Tariff Commission with an affidavit that what you want is not more than a six months' supply from that time.

Mr. SANFORD. I see your point perfectly, but—

Mr. CHOATE. When you give your actual order you only give it just before you make the goods, because you will be sure you will get those dyes, and for the reason that under the scheme as now arranged it is practically impossible that the market can be shut off by anybody cornering it, and it can not be cornered because nobody can get more than a six months' supply.

Mr. SANFORD. Gentlemen of the committee, this simply illustrates the inability of an excellently trained lawyer to grasp the intricacies of the manufacturing problem. Therefore you may see how hopeless it would be for me to attempt to demonstrate it now.

Mr. METZ. Does Mr. Choate know that it takes months in the occupied zone to get a license to export, from the French authorities?

Mr. CHOATE. That is something we have nothing to do with.

Mr. METZ. Perhaps; but it is a very important consideration.

Mr. CHOATE. That is something we have nothing to do with.

Mr. WOOD. Mr. Sanford's mill is one of many in the same situation. He might have put in his sample goods 10 different dyes; but say 100 or 200 mills engaged in the same business want the same dye, because the fashion for that season is tending strongly to that one color. He may have shown grays, blues, browns, and tans, and yet he finds after he begins to sell his goods, as his competitors do, that the whole tendency of the demand is for one particular color in that field. Now, in the previous statement as to the probable consumption, there would be an amount which, collectively, those different mills will require of that color which happens to be the wanted color in that field. And until they could get the colors here all those mills would be at this disadvantage which Mr. Sanford has pointed out. As Mr. Sanford has told you, this subject entails complexities which no one who approaches it from an academic point of view can understand or realize. The impossibility of waiting until a time when this thing is developed and then relying on what is already in the country based upon requisitions which have been made by the different mills on the experience of the previous season must be apparent. It would leave them entirely without the needed colors.

There is another feature I want to mention relative to something Senator Nugent said: These are not fine goods necessarily at all. They are not expensive goods necessarily. They are goods which are like those which you are wearing, as distinguished from the goods worn by the gentleman over there, who has a blue suit on. The great bulk of the production is in simple colors. The rank and file of the mills depend upon fancy mixtures in all grades and qualities, as to which it is just as important that the color shall be good and fast in the cheaper grades of fancy as in the more expensive. It is not a question of exclusive goods, goods that go to high-class trade, nor is it a question of only 10 per cent of the dyes which a particular mill uses in the case of a fancy goods mill. These question affect all their products as to fancy colors and combinations; while the amount for the whole United States may be only 10 per cent of the total quantity, yet the amount used in any particular mill may represent that which makes its entire output.

Senator NUGENT. In any event, the fact still remains that the gentlemen who are dealing in fancy goods are those who are primarily objecting to this matter as it now stands.

Mr. WOOD. To a large extent.

Senator NUGENT. I understand that Mr. Sanford is engaged in the manufacture of fancy goods at one of his mills.

Mr. WOOD. But fancy means only other than plain dye goods. That is, anything which is not a plain blue or other single color.

Senator WATSON. Would you call this pair of pants a fancy?

Mr. WOOD. Yes, sir. Senator Watson's trousers are fancy. Anything that is not a solid plain color is a fancy.

Mr. METZ. How many colors can you get to-day? Take a green stripe or a white stripe in silk; they make up an entire piece, and get orders for this piece, and leave that silk red or white, as the case may be. You have not one that can leave cotton white, or in woolen goods; you have to weave that up, and it makes it expensive.

Senator NUGENT. You say this is fancy?

Mr. METZ. Yes, sir; anything that is not a solid single color.

Senator NUGENT. Are dyes necessary to make that piece of cloth now being made in this country?

Mr. METZ. Yes, sir; black. Other colors can not go in there. That is the reason you have only a few types of men's cloth to-day.

Senator NUGENT. I understand from your statement that from dyes manufactured in this country this piece of goods can not be manufactured?

Mr. METZ. Yes. The wool can be dyed black first, and then carded with white, but the other we have not got.

Senator NUGENT. Are the dyes now being manufactured in this country—

Mr. METZ (interposing). Black dyes; yes.

Senator NUGENT (continuing). No; from dyes that are now being made in this country?

Mr. METZ. Yes, sir; that is, black.

Senator NUGENT. Are the dyes now being manufactured in this country necessary to dye a piece of cloth similar to that of which Senator Watson's trousers are made?

Mr. METZ. I can add to anything that is made here; but you do not understand the question.

Mr. SANFORD. Those will not hold.

Senator NUGENT. That piece of cloth can not be made in this country from dyes as now manufactured here?

Mr. METZ. Not to stand the sun.

Mr. METZ. It will not stand the sunlight. You can make anything, but it will not hold its color.

Mr. WOOD. I think, also, in reply to what Mr. Choate has said in regard to the protective-tariff situation, he having suggested that there is no use conferring with me because I think a protective tariff would be enough—I think I may equally say that Mr. Choate has shown he is not willing to believe that a protective tariff would be sufficient.

Senator NUGENT. I think the honors are easy.

Mr. CHOATE. Oh, yes; we could keep on until the cows come home, and perhaps not get anywhere.

Mr. WOOD. I understand that 20 per cent of the dyes in this country, both from domestic manufactures and from statistics, before the war, consisted of indigo. Is that right, Mr. Metz?

Mr. METZ. What was that?

Mr. WOOD. Twenty-five per cent of the total consumption is indigo?

Mr. METZ. At least that, before the war.

Mr. WOOD. That is a question about which more of this controversy is revolving than anything else, because it is a color which some of those chiefly anxious for a licensing system are very greatly interested in making. Since the last hearing I have been endeavoring to find out the present price in Europe of indigo, and the information which I obtained on Saturday was that the price at which it is being sold for import into Great Britain, France, and Belgium is 50 cents; that is, equivalent to 50 cents United States gold, not marks—50 cents a pound.

Mr. CHOATE. That is the price they can get for it, not the price they can sell it for.

Mr. WOOD. I presume that Germany is as anxious to sell her products to-day and realize upon them as any seller ever has been. I think we may, in the absence of any evidence to the contrary, assume that that is the commercial price—it is the price that they are able to get for their dye, and they are not likely to sell it for less.

Senator WATSON. What is the price here?

Mr. WOOD. A representative of the Dow Chemical Co., I think, stated that they were selling theirs for 65 cents a pound.

Mr. METZ. For export, but not for domestic use; at 75 cents a pound for domestic use.

Mr. WOOD. Mr. du Pont said that they had so far developed their yield and product that he expected to reduce the price, and that the price here will probably be 65 cents. At 55 cents a pound, the duties that the Longworth bill carries, would make the selling price somewhere around 97 cents to \$1.05 a pound in the United States.

Senator WATSON. Can you in an item involving blues say specifically what it will cover? That is, can you so specifically designate every kind of blue as to amply protect any shade of blue we might wish to protect against as coming in from Germany?

Mr. WOOD. No.

Senator WATSON. If you say blue that may mean many shades of blue?

Mr. WOOD. Yes, sir. Mr. Choate made in his opening statement at your last hearing a general explanation of how dyes vary in their use, and which I think answers that question. A blue which is perfectly satisfactory for some purposes would be altogether unsatisfactory for some others. I can show that from an experience of the Navy Department.

When the Navy Department first began to place contracts for cloth after we went into the war this matter came up: We had a complete absence of foreign dyes. The question arose as to how the Navy specifications could be met with respect to blue. Many samples were exhibited. The Navy finally said that a certain one seemed to most nearly meet their shade and their requirements. Immediately one of the gentlemen present said, "Have you looked at it under an artificial light?" They said, "No," and looked at it under an artifi-

cial light. Instead of being a blue it was a brownish plum color, and they rejected it at once. That blue seemed to be practically satisfactory to those examining it for the Navy Department, but when seen under an artificial light it was not satisfactory at all, just as in the case of some colors that Mr. Metz showed you here.

Senator WATSON. Is there anybody else present who wishes to be heard?

Mr. MACKINNEY. I would like to say a word or two.

Senator WATSON. All right. Come forward and give your name and address.

STATEMENT OF MR. P. R. MacKINNEY, PRESIDENT NEW YORK COLOR & CHEMICAL CO. AND VICE PRESIDENT OF THE UNITED STATES DYESTUFFS & CHEMICAL IMPORTERS' ASSOCIATION, NEW YORK.

Senator WATSON. Is that an importing or a manufacturing company?

Mr. MACKINNEY. We are both importers and manufacturers of dye.

Gentlemen of the committee, I did not come to Washington to-day for this hearing, but I met Mr. Metz and came over. I simply wanted to say a few words. Senator Simmons asked if the interested parties had ever been consulted about it.

Senator WATSON. Senator Nugent, did you say?

Mr. MACKINNEY. I understood that the gentleman's name was Senator Simmons.

Senator WATSON. No; that is Senator Nugent.

Mr. MACKINNEY. All right. Senator Nugent asked Mr. Choate, I believe, if the interested parties had ever been consulted on this dye business. I attended the hearings before the Ways and Means Committee of the House, and had never seen the bill when I got here. One of the officers, I think Mr. Pendleton, one of the men connected with the National Aniline & Chemical Co., which you have heard a great deal about, said: "How do you stand on this bill, MacKinney, as an importer? Do you like this license system?" I said "It seems to me that the importers getting the orders from your mills would know something about importation. They make a professional business of importing; they have their staffs, and so forth, and it seems to me that the interest of the importers ought to be on that committee somewhere." I went on to state—

Senator NUGENT (interposing). What committee?

Mr. MACKINNEY. The committee as provided for by the original Longworth bill. There was to be a licensing committee, which has been changed since.

I simply want to point out, as a member of the United States Dyestuffs & Chemical Importers' Association, which is the recognized association of the dye and chemical importers, that we were never approached at any time, nor ever consulted, and yet at all times we have had some ideas on the tariff and the dyestuffs' bill, all of which are in the possession of Mr. Walter F. Sykes. I wanted to simply compliment Senator Nugent that he had brought out the fact that nobody was ever consulted except the American Dyestuffs

and the Chemical Foundation; and I do not think that an awful amount of light has been brought out yet.

Before I talk one minute more I want to protest against intermediates being added to the license list. We are making some dyes but we are restricted to two or three large firms in this country who control intermediates.

Mr. CHOATES. Do you mean particular intermediates?

Mr. MACKINNEY. I will name one—

Mr. CHOATE (interposing). You do not mean any one firm controls all intermediates?

Mr. MACKINNEY. Take the case of dimethyl anilin, which we use, and which Mr. Metz pointed out at the last hearing that I attended here that he could not get—dimethyl anilin—because certain people made it here and, apparently, did not have it for sale. Our purchasing agent got in communication with the Du Pont Co. and asked for it and they wouldn't quote him. They are our competitors, of course. We asked the National Aniline & Chemical Co., and they said, "We have none for sale until next March." Now, mind you, we have contracts to supply dyes made from dye methyl anilin, to consumers, and there is but one other person in this country we could get it from. We went to him, and, fortunately, were able to make a contract, and now we are perfectly safe. Suppose he had turned us down? I would like to have some recourse through German or English or Swiss importation of intermediates, for a time. I believe that the manufacture of intermediates, or of the particular intermediate I refer to, is very closely held in this country, and that it could become a monopoly very easily.

Senator WATSON. Why wouldn't those other people sell to you?

Mr. MACKINNEY. You will have to ask them; I do not know. Perhaps they did not want me to make dyes against their competition.

Senator WATSON. Is this dimethyl anilin you asked them for, an intermediate?

Mr. MACKINNEY. It is.

Senator WATSON. And is it used in the manufacture of some dyes?

Mr. MACKINNEY. It is.

Senator WATSON. That is what they declined to let you have?

Mr. MACKINNEY. Absolutely.

Senator WATSON. Do you know whether or not they had enough of it to let you have some?

Mr. MACKINNEY. That I could not say.

Mr. METZ. In justice to them it is fair to say that it is very scarce. It is made from wood alcohol, and people are drinking it in this country now and sending it to Europe. But the point is, they have you by the throat. There are two or three of them making this dimethyl anilin, and it is hard to get.

Mr. MACKINNEY. I do not want to be tied down to them.

Mr. CHOATE. You want to expand and make it?

Mr. METZ. You can not, because he has to make more than he uses.

Mr. CHOATE. Certainly, but you want to expand the manufacture of it.

Mr. METZ. I can make methyl violet, and I do not have to go into the intermediate business, but I do not want to have the intermediate business become a complete monopoly in the United States.

I do not want to see intermediates on any restricted import list: I want it to be free.

Mr. CHOATE. The Federal Trade Commission can take care of anything that arises in that way.

Mr. MACKINNEY. Is there anything else?

Senator WATSON. I think not.

Mr. DEMMING. I made a statement at the last meeting you had as to the position, as I understood it, of these shirt men. I understand since that the shirt men have denied it in a newspaper report.

Senator WATSON. They denied it in a statement that was inserted in our record, I think.

Mr. DEMMING. Then I ask in regard to that, and in corroboration of the statement I made, that Mr. Sanford be called. I think he has some information on that.

Senator WATSON. I wrote Mr. Sanford to come and Mr. Hunter to come.

Mr. SANFORD. We have no desire to go into that proposition or to make any assertion.

Senator WATSON. I will ask Senator Nugent if he will kindly read a letter which I have here from Mr. Louis B. Tim and Mr. Ralph Hunter, dye committee of the National Association of Shirt Manufacturers.

Senator NUGENT. Here is a letter written on the letterhead of the National Association of Shirt Manufacturers, No. 320 Broadway, New York, to Senator Watson, with a statement appended, which are as follows [reading]:

NEW YORK, January 10, 1920.

HON. JAMES E. WATSON,

Chairman Subcommittee of the Senate Finance Committee,

Washington, D. C.

MY DEAR SIR: It would be most inconvenient for either of us to appear in Washington next week, for we are both officers of the National Association of Shirt Manufacturers, which organization in conjunction with the International Garment Association hold meetings during this week, and many important questions are before the association.

Yours, very truly,

LOUIS B. TIM,
RALPH HUNTER,
Dye Committee.

No. 1. The statement attributed to Mr. Deming or others that we did not testify before your committee because we were afraid to do so for fear the War Trade Board would discriminate against us in the issuing of licenses for the importation of vat dyes is not founded on facts and is untrue.

No. 2. This committee, representing National Association of Shirt Manufacturers, favors the general principle of the Longworth bill and believes that full and unqualified protection should be given the American dye industry on such products as they are producing at a fair price and prompt delivery.

No. 3. We do not believe in the licensing feature of the Longworth bill or in any form of licensing, owing to the poor result of our efforts during the past six months with the War Trade Board to obtain a supply of the much-needed vat dyes, as mentioned in our letter to you of December 6.

No. 4. This association would be satisfied with supervision by the Tariff Board, providing the dye consumer is left free to procure his needed supplies, wherever and whenever he chooses, up to a six months' supply ahead of such products as are not manufactured by American dye manufacturers at a reasonable price and reasonably prompt delivery.

No. 5. We feel that a six months' supply should not be figured in the aggregate as related to the total consumption in this country, but a six months'

supply for each individual dye consumer (he to file a statement, if necessary, that his purchase does not exceed same). This would avoid unequal distribution and cornering of certain colors for speculative purposes.

No. 6. We feel that reasonable delivery is as important as reasonable price, and that these items should be used in conjunction, for it is lack of delivery, not prices, that this industry has been and is suffering from.

Respectfully submitted.

LOUIS B. TIM,
RALPH HUNTER,
Dye Committee.

Senator WATSON. You will find in our hearings a statement in regard to that matter.

Mr. SANFORD. I came at your request in connection with this matter. I had already written you a letter in regard to it. We have no desire to make any accusations or any particular statements.

Senator NUGENT. In view of the fact that Mr. Demming made accusations, and the shirt makers have denied their correctness, we will be glad to hear what you have to say about it.

Senator WATSON. Who were with you, Mr. Sanford?

Mr. SANFORD. Mr. Nevins, secretary of the American Association, and Mr. Nixon.

Senator WATSON. They are here?

Mr. SANFORD. Yes, sir.

Senator WATSON. Go ahead and make your statement.

STATEMENT OF MR. GEORGE B. SANFORD—Resumed.

Mr. SANFORD. It will take a moment or two, because it goes back over a little past history. I would like to preface this statement by saying there is no thought in any of our minds of anything dishonest or immoral or wrong having been done. It simply illustrates some of the difficulties that naturally must attach to this method of licensing or controlling in the interest of one industry the interests of another.

To go back over the situation a little: On August 20, 1919, the American Association, of which I am president—

Senator NUGENT (interposing). Last year?

Mr. SANFORD. Yes, sir; on August 20 of last year. This association passed a resolution in connection with this dyestuff matter, or, at least, this licensing system, regarding our protest which has been filed here and which you all have. As the result of that a committee was formed to take care of the interests as we looked upon the matter of the American Association. That committee consisted of Col. Wood, Mr. Granville P. Foss, of Lawrence, Mass., and myself. The first thing the committee did was to get in touch with the associations of all the dye-using interests of the country. One of the first that we came in contact with was that representing the shirt manufacturers. An appointment was made and Mr. Tim and another representative of that association came to us at our rooms in New York. Col. Wood and I were there. We discussed the situation with them, and told them of the resolution we had sent and of our position in opposition to the dye-licensing system. They expressed themselves as being entirely in accord with our position, thoroughly realizing the dangers in that matter to our own interests, but it developed in the conversation which followed that they had presented to the War

Trade Board, or the advisory committee, requests for vat dyes which they were painfully and pitifully in need of.

Senator WATSON. They say that here.

Mr. SANFORD. All right. That is their position as it was stated to us. We welcomed their cooperation, and asked them to join with us in joint action against this measure. But we were informed, in connection with this promise made by the advisory committee of the War Trade Board, that they did not feel it would be advisable for them to come out in the open and oppose the licensing system. They felt that their situation at the moment was so desperate that it would be a little dangerous, and they were a little bit afraid to say anything particularly about it, because they might bring on some antagonism.

Senator WATSON. What we want to get at is this: Did they claim in any conversation had with you that anybody here or in connection with the Chemical Foundation had stated to them that if they came here to testify before our committee they would not get any dyes?

Mr. SANFORD. They did not.

Senator NUGENT. Or that any member of the War Trade Board had made any statement of that character?

Mr. SANFORD. Nothing of that sort to me.

Gentlemen of the committee, I am leading up to the situation which will explain Mr. Demming's position in that matter. The only point I make is, that although they opposed the licensing system they did not feel at that time, from their standpoint, they should publicly oppose the licensing system.

They went along, and I saw nothing more of the shirt people, although I heard a great deal of them and from them, until I came down here December 10, at the hearing we had here. That was Wednesday, December 10, 1919. We went to Col. Wood's room at the New Willard Hotel. We found there Mr. Tim and Mr. Hunter, and an attorney. That was Wednesday night. They were in very earnest conversation; they were telling us of their desperate condition, of their difficulties, even going so far as to include the term that they were bankrupt unless something could be done. They told us of the very tremendous imports of foreign shirtings that were properly dyed, dyes for which could not be gotten here; and as the result of a conversation which lasted for an hour or two, when we were going away we asked Mr. Tim and Mr. Hunter if they were coming before your committee to present their statements. They said, "Well, we are not quite sure; we think our attorney might present proof." We heard nothing more from them. That was Wednesday night. We were here at your hearings on Thursday, and again at 2 o'clock on Friday, if you remember. None of the shirt people were here at your hearings. Mr. Nevins, Mr. Nixon, and I took the Congressional Limited at 4 o'clock for New York. We were in the dining car, just finishing our dinner, when I happened to see Mr. Hunter come through the dining car. I took him by the arm as he went by me, and said, "Hello, Hunter, where have you been for the last two days?" He said he had been in Washington. I said, "Why didn't you come to the hearing?" "Well," he said, "we were advised by our counsel not to go to the hearing, and therefore we did not."

We felt a little bit awkward, because I thought he had been in an uncomfortable position all the way along. I said to him then, "Do you feel to-day as you did last August; that it is better for you in your present serious situation to sacrifice future conditions in order to take care of the present?" Hunter said, "No; I do not mean that. I think we have taken care not only of the present but of the future." I said, "Well, I hope you have." And we had some further talk with regard to it. Finally Mr. Hunter said—I think being a little bothered because he had not done what he thought we were criticizing him for—"Up to a quarter of 2 o'clock," and you will remember that the meeting was called at 2 o'clock, "up to a quarter to 2 o'clock we had concluded no arrangements, but at a quarter to 2 o'clock they served notice" upon Mr. Choate that they would have to be taken care of for both the present and the future—

MR. CHOATE. I may say that that is a total misstatement. I had no conversation to that effect.

MR. SANFORD. I am only quoting Mr. Hunter, and the statement was made in the presence of the other two gentlemen, who can corroborate my statement. It was that they would have to get what they wanted for use in the present and the future or they would telegraph for their representatives in the shirt interests to come back to Washington and present their case to the committee.

When I got to New York, Mr. Nevins and I went to the telephone and got Col. Wood and told him of this occurrence. The original meeting was in Col. Wood's room, and he was a party to the original conversation. Col. Wood telephoned, and, I believe, got Mr. Demming in Washington, who was still here. Mr. Demming's rendering of that position was that they had been intimidated. Now, gentlemen of the committee, that is the explanation of the situation. That is the actual fact, and what was actually said. I know nothing about what was actually done. I have no accusations to make. I simply know that the shirt people have been in a desperate and pitiful situation, and that they asked for dyestuffs way last spring, and only now are some of the dyestuffs which they need on the ocean. In the meantime they are importing shirtings, to take their place, and at what they said were serious prices and at desperate risk, had already been entered into and are coming over here.

SENATOR NGENT. Did he tell you in the course of that conversation the character of the arrangements entered into?

MR. SANFORD. I did not ask him. He simply made that statement. There is the statement, and Mr. Nevins and Mr. Nixon are here, and they can corroborate it.

SENATOR NGENT. He said nothing about what had been done or by whom?

MR. SANFORD. I have quoted as nearly as I could his exact words.

STATEMENT OF MR. JOHN P. WOOD—Resumed.

MR. WOOD. As long as my name has been brought into this, I would like to tell the little that I know: Mr. Sanford says these gentlemen were in my room when he arrived. That was in pursuance of an engagement they made themselves. I was called on the telephone in New York by Mr. Hunter, whom I had never met and did not know, about Friday or Saturday before your hearing. He told me over the

telephone, in a general way, how serious their case was, and how desperate they had become because of all the promises which had not been fulfilled to them. They were coming to Washington to state their case to your committee, he said, and would like very much to see me before going on the stand, to get some information they desired. I told him I would be in Washington the evening before the hearing, at the New Willard Hotel, and would be glad to see him. In pursuance of that he and this other gentleman, Mr. Tim, called on me. It was a matter of their seeking and not by my initiative at all.

During that conversation and at the beginning, when Mr. Sanford was not present, he expatiated on the serious condition of their industry; on the fact that they had spent many thousand dollars advertising that their products were absolutely fast colors, and that now they were unable to get the dyes with which to put those colors in them; and that after making that statement to the public they would be held answerable for such colors. He brought out samples of some colors which they had to use and which were affected by the laundry, and others which they had used formerly and which were not so affected. I said, "Why not go before the committee and tell them as you have told me?" He said, "That is what I am going to do." During the conversation, and previously when I met one of them, Mr. Tim, in New York, they said they were entirely opposed to the licensing system; that they would like to have come down here and to express themselves freely, but they were afraid to; that their situation was so precarious that they could not afford to incur enmity against themselves by appearing against those in favor of the licensing system.

Senator WATSON. Of course, that statement is not consequential unless they had reason to fear from something that somebody had said to them.

Mr. WOOD. You understand, Senator, that I am not introducing this matter. My name was mentioned, and I only want to state the little that I know.

Senator WATSON. It has but one bearing, and that is that it goes to show the danger that might result from a licensing system.

Mr. SANFORD. Senator, that is the whole point.

Senator WATSON. If it did not occur it is ended, and if it did occur, all right. We will hear Mr. Choate, as I see he wishes to say something.

Mr. WOOD. I do not impute that at all.

Senator WATSON. Mr. Hunter, the chairman of the Association of Shirt Manufacturers, telegraphed me on the 6th of December that he wanted to appear, and I responded by telling him to come on. Then he sent a letter on the 15th of December denying what Mr. Denning had said.

Mr. WOOD. I can only say that they stated they were afraid. Whether that was because of an unwarranted apprehension on their part I do not know.

Senator NUGENT. Did they give any information to the effect they had been threatened?

Mr. WOOD. None whatever. Now, I think it only remains for you gentlemen to ascertain whether that was pure apprehension or whether their sudden disappearance, after coming here with a very

strong determination to tell their story to you, resulted from any intimidation, or whether any special or preferential treatment was promised them in the delivery of dyes over others, as the dyes would become available from the first domestic manufacture. I do not say that that is the case, but they seemed to get something that satisfied them, and that seemed to be something to allay the disappointment they had experienced in the matter of previous promises.

Senator WATSON. Of course, that is an argument.

Senator NUGENT. That is purely a conclusion.

Mr. WOOD. No; not a conclusion; merely a suggestion.

Senator WATSON. Does any other gentleman wish to make a statement?

Mr. NEVINS. I would like to make a little statement.

Senator WATSON. All right: come forward and give your name and address.

STATEMENT OF MR. JOHN J. NEVINS, OF NEW YORK.

Mr. NEVINS. I have nothing to add to what Mr. Sanford has said, except to corroborate exactly what he said. I was present at each of the conferences he had with the shirt people.

Senator WATSON. You remember it to be the same thing?

Mr. NEVINS. Yes, sir.

Senator WATSON. Does any other gentleman wish to make a statement.

Mr. NIXON. I would like to say just a word.

Senator WATSON. All right. Give your name and address.

TESTIMONY OF MR. FREDERICK K. NIXON, NO. 25 EAST SEVENTEENTH STREET, NEW YORK.

Mr. NIXON. I was only at one session, and that was on the train, and I corroborate Mr. Sanford's testimony as to that.

Senator NUGENT. What business are you engaged in?

Mr. NIXON. In the woolen business.

Senator NUGENT. And I will ask Mr. Nevins what business he is in.

Mr. NEVINS. Secretary of the American Woolen Manufacturers.

Senator WATSON. We will now hear from Mr. Choate.

STATEMENT OF MR. JOSEPH H. CHOATE, JR., ESQ.—Resumed.

Mr. CHOATE. I want to say that if Mr. Tim and Mr. Hunter made the statement attributed to them, and it is claimed that they were said to me, they were mistaken. I only had one meeting in New York and have had no communication with them since. The situation as I understand it and as far as I know it is simply this: That the shirt makers were disgusted with what they thought were the operations of the War Trade Board's license plan, because they did not get their German dyes. They came down here just before the hearing, at which it developed, through Dr. Herty's testimony, that nobody could have gotten German dyes until after November 5, because none were let out before that time; and where it also developed

that the delay since November 5 was chiefly due to Kuttroff, Pickhardt & Co.'s cable, telling the German trust, practically, not to carry out the plan for the importation of six months' supply of these dyes. I had rather assumed that they were convinced, therefore, that the failure of the plan to provide them with the dyes they wanted was not due to any inherent defect in the system as such; otherwise I have no information on the subject.

Senator WATSON. At all events, you had no conversation of that kind on that subject?

Mr. CHOATE. No, sir.

Senator NUGENT. So far as your knowledge is concerned, no arrangements of any character or description were made by Mr. Hunter or Mr. Tim with the War Trade Board or anybody else by which they were to secure dyes?

Mr. CHOATE. Not so far as I know.

Mr. DEMMING. Or with their counsel?

Mr. CHOATE. No. I never saw him. I do not know who their counsel were.

Senator WATSON. I think their counsel was Wade H. Ellis.

Mr. CHOATE. I do not know. They might have got assurances that there would be dyes that they wanted ready for them, but I do not know about that. Mr. Weston calls my attention to the fact that Mr. Du Pont testified before the committee here, substantially, that the dyes they wanted would be ready for them in a very short time. That might have had something to do with it.

Senator NUGENT. Do you know that they received any such assurance?

Mr. CHOATE. I do not know what the fact is in that regard.

STATEMENT OF MR. HERMAN A. METZ—Resumed.

Mr. METZ. In regard to these licenses: The War Trade Board has furnished me a number of licenses, and they have asked me questions about what customers wanted, and so forth, and I have been very glad to cooperate with them. And they have been right prompt in getting back those that came up on colors. But I want to say that we are making salvarsan here. There are four licensees, subject to rulings of the Public Health Service, and the Chemical Foundation has granted two more licenses, who are still experimenting. The other day the War Trade Board took salvarsan off the list, and allowed free entry to German salvarsan. Of course, it can not come in under the Public Health Service, because they require certain tests. Furthermore, it is held at the customhouse, because of the patent held by the Chemical Foundation. Nevertheless, the War Trade Board raises the embargo. Doesn't that show that this thing is going to be complicated if these things can arise? I feel that salvarsan is being protected under the Public Health Service, and, not only that, the price alone protects it; but it shows what might happen in this matter. The duty to-day is greater on foreign salvarsan than on the American selling price.

Senator WATSON. What is the duty?

Mr. METZ. Twenty-five per cent or 30 per cent under the existing laws.

Mr. CHOATE. What difference does it make? Under the trading-with-the-enemy act that is protected, no matter what the War Trade Board does.

Mr. METZ. Yes; but doesn't it show there is no coordination or cooperation in the matter of these licenses?

Mr. CHOATE. Not a bit.

Mr. METZ. To-day they take something off and to-morrow they put something on. It will not affect salvarsan, but it may affect something else. A man may go abroad and buy, and then when he comes to the customhouse he is stopped; he can not come in. I am not criticizing the War Trade Board, because their end of it is all right. I am criticizing that situation because the information goes out that you can bring those things in freely, and then you find you can not. But they can smuggle it in.

Mr. CHOATE. What difference does it make as to smuggling salvarsan?

Mr. METZ. Nothing, but it affects all things. We are paying you a license to make it, and we are meeting the Government's conditions, and putting up 1 per cent, and paying 5 per cent. A man smuggled a lot in a trunk; he had bored auger holes, and he filled them up all the way through. When they took the trunk up to the hotel they put it next to a radiator, and the heat swelled the wood and the customhouse found the salvarsan.

Mr. WOOD. Mr. Choate raised a question I did not intend to comment on, but inasmuch as he has raised it I would like to say something. He said the firm of Kuttroff, Pickhardt & Co. had interfered with the procuring of the vat dyes that have been the subject of so much controversy. I would like to make a statement of my own knowledge with respect to that, because a great deal was made of the matter in testimony after I left here. Kuttroff, Pickhardt & Co., acting for customers of their firm, in June last, in order to try to procure some dyes not made here, sent a representative abroad. He effected arrangements with the allied authorities in Paris for the passing of such dyes as might be licensed by the representatives of the American Government. He then went to Germany to negotiate for them. He was engaged in this matter through the intervening period of July and August—

Mr. CHOATE (interposing). We have had his statement.

Mr. WOOD. In September Dr. Herty went abroad. I think he testified that he did not go abroad to get dyes for American consumers, but to arrange the negotiations, so far as the interests of the United States were concerned, for the reparation dyes—that portion which was to be allotted to the Allies. As I understand from his testimony he found that the amount that he could get of reparation dyes was less than the amount that had been licensed for importation. So he then went to Germany himself to negotiate for the remainder of the supply of free dyes.

Now, it appears to have been conveyed to the German manufacturers' representative that the only way their dyes could come into this country would be through the same channels as the reparation dyes. When that information came here some of the consumers, who were a good deal concerned about that, prodded Kuttroff, Pickhardt & Co., who were trying to procure dyes for them; and they went to

the State Department and were informed that the free dyes could be imported by anyone who obtained a license so to do. Then they cabled to Badische Co., from whom they were trying to buy dyes, that they had reason to believe that the policy of the Government would be changed and would be different from that before stated, namely, that all would have to come through the same channels as the reparation dyes, and that they could send them in the way preferred, namely, through the regular commercial agency. The consumers for whom Kuttroff, Pickhardt & Co., were trying to obtain those dyes, I submit, however laudable Dr. Herty's intentions may have been, were injured thereby, because his actions tended to interfere with the efforts being made by an established agency. The boot is on the other foot so far as his representations to the head of the German cartel goes.

This, I think, is the story out of which Mr. Garvan and Mr. Choate have tried to create the impression that this firm was trying to interfere with the duly accredited agent of the United States. What the cable was intended to convey, and plainly enough does convey, when read with full knowledge of the related facts, is that the free dyes could be sold through Kuttroff, Pickhardt & Co. in the way desired by the American consumers for whom they were to be obtained, and in accordance with the arrangements negotiated before Dr. Herty arrived in Europe. Because of the unaccountable hostility of the Alien Property Custodian office toward this firm every cable and letter they have sent upon this business has been submitted to counsel and to business friends, to avoid anything which might even unfairly be construed as improper or irregular. The utmost care has been taken by them to proceed in a regular and honorable way, and, I think, it does small credit to those who have been advocating the licensing system to try to justify their views by interjecting these altogether unwarranted insinuations of impropriety and unpatriotic motives. The bald and simple truth is that Dr. Herty, in his negotiations with the representative of the German cartel was not acting as the representative of the United States Government in any particular. He was on his own initiative trying to obtain some of the free dyes for American consumers, just as Kuttroff, Pickhardt & Co. were trying to do, but with this difference: Dr. Herty assumed this extra duty at his own instance and without any authorization by the consumers for whom he assumed to act. Kuttroff, Pickhardt & Co. were acting by definite request of consumers who were their consumers and had been so doing for several months before Dr. Herty appeared in the matter. The purpose of the latter was not so much to obtain the free dyes as to prevent their being obtained through usual channels in the normal way.

Mr. Garvan, in his testimony, explained the ramifications of the German propaganda in the United States and the connection of the Bayer & Co. firm with those activities. After discussing the wickedness of Bayer & Co. at much length he proceeds to speak of the recent efforts of Kuttroff, Pickhardt & Co. to procure dyes in a perfectly lawful and honorable way, but by shrewdly intermingling his reference to the two different concerns, he encouraged the inference that Kuttroff, Pickhardt & Co. were engaged in the same propaganda work as Bayer & Co., though he is very careful not to say so. There seems to be no doubt Bayer & Co. were engaged in

the direction of propaganda. But that firm is in no wise connected with the present discussion; it was put out of business so far as this country is concerned, and references to its activities have no bearing upon the discussion of the present efforts of Kuttroff, Pickhardt & Co. to procure for their customers certain dyes not obtainable in this country. There is not a scintilla of evidence of impropriety in this matter; on the contrary those who have long known this firm, and have had business relations with it for upward of 50 years, highly regard the character of its members and know there has been no improper move made by them in their recent negotiations.

Mr. METZ. I think I can say the same thing of my firm.

Mr. WOOD. Yes; that is true. But by describing at great length the wickedness of Bayer & Co., and then connecting up the name of Kuttroff, Pickhardt & Co., there has been a disposition to indicate that they have been wicked also.

Mr. CHOATE calls attention to the report of the Alien Property Custodian's office; the most they have been able to show is that before we entered the war and when it seemed likely that relations would be broken, this firm endeavored to transmit to those whom they had been representing in this country the funds which they held here, as trustees; and I submit that that was no more than the duty which a trustee owes to his principal. We were not yet at war, and it looked as though we were going to have a collision of interests with those whom they had dealt with before, and the obvious thing was to close the relations and transmit to them what belonged to them.

Mr. CHOATE. I am not going to interfere with Col. Wood's innocent pleasure of trying to defend his German friends. I only have this to say, that when Dr. Herty went over there and secured an offer from the German trust they intimated in some way that through no other channel than the Textile Alliance could importations be made from Germany to the United States. The difficulty with that is that the offer was made in the early part of October, at a time when the Textile Alliance had not been brought into the thing, and did not exist so far as the dye import scheme went. The cable from Kuttroff, Pickhardt & Co. was not a mere innocent suggestion, such as Col. Wood has made it out. The mere innocent suggestion was that imports in the future would be made through their former agents Kuttroff, Pickhardt & Co. What it said, in substance, was—

Mr. WOOD (interposing). It is in the record.

Mr. CHOATE. I know, but I want to call it to Senator Watson's attention: It has enabled you to carry out your established policy to sell in this country through us—

Mr. WOOD (interposing). No; that is not it.

Mr. CHOATE. Very nearly that.

Mr. WOOD. You look at the pamphlet in which it is copied and read the cablegram exactly as sent.

Mr. CHOATE. As regards Badische, Bayer and Kuttroff, Pickhardt & Co., while they were different concerns, and only Bayer & Co. had been contaminated, I only have to suggest that Mr. Burr's article ranks them together and says they were equally guilty. Whether they are equally guilty or not, they are now one concern and controlled by one man.

Mr. METZ. There is another issue in regard to option. What they did was to give Dr. Herty an option on 50 per cent of that stuff before November 1. They did know it was to come in under the Textile Alliance. They saw Dr. Herty, and tried to tell him it would be unwise to send it through the Textile Alliance because they did not know conditions. And they said the option had not been taken. Why didn't he accept the option before November 1? They gave Dr. Herty an option on his goods to expire November 1, and it was not made use of up to that time.

Mr. CHOATE. It was made use of as soon as the consumers made known their wants.

Mr. METZ. They gave an option and there was ample time to take it up.

Mr. CHOATE. No one could take it up until the consumers said what they wanted.

Mr. METZ. They gave Dr. Herty an option on these goods, and he did not take it up by November 1.

Senator WATSON. Well, we are not particularly interested in this. Has anybody else anything to say?

Mr. SANFORD. Senator, if you need any more illustrations of dye-stuffs and the system of licensing, I can tell you another story that would give you a very excellent idea of how that sort of thing, we believe, could be done under this system according to previous transactions. It is only a duplication, however, and I have no desire to go on amplifying this case unless you wish it.

Senator WATSON. Well, I do not think that necessary.

Mr. MACKINNEY. With reference to Senator Nugent's apprehension in regard to dye plants going out of business and the country being left in a state of chemical unpreparedness, I give it as my view that plants are here already and do not have to be established. They are already established and will be here for a long period. No one need be afraid that American dye plants will go out of business. I contend that we should wait for a few months until we have some evidence as to what dyes Germany can bring here.

Senator WATSON. Do you mean to say that without any protection at all these dye industries in America would continue to exist?

Mr. MACKINNEY. I have not the faintest doubt of it.

Mr. METZ. No one knows anything about conditions in Europe.

Mr. MACKINNEY. I have been in Europe this summer. I did not go to Germany, it is true, but I conferred with English dye makers, who had been in and out of Germany a good deal, and it is the belief of the people familiar with dyestuffs that our dye makers have a roseate future.

Senator WATSON. What did the English dye people tell you about the dye industry in Germany?

Mr. MACKINNEY. The condition in Germany to-day is that the most of the plants are almost entirely shut down for lack of fuel, and are not producing. I am a dye manufacturer myself, and I can tell you that if I thought the Germans were going to come in here and put us out of business I would be here shouting for a high tariff.

Mr. CHOATE. When did you become a dye manufacturer?

Mr. MACKINNEY. In 1915.

Mr. CHOATE. You have been importing in the last few months, haven't you?

Mr. MACKINNEY. Yes.

Mr. CHOATE. You have made large imports of certain products that come within the dye classifications, haven't you?

Mr. MACKINNEY. I have imported some dyes; yes.

Mr. CHOATE. Of what product have you imported the largest single amount?

Mr. MACKINNEY. I have no idea.

Mr. CHOATE. There is one importation isn't there, which largely exceeds any other?

Mr. MACKINNEY. As one importation but a diversified line of colors.

Mr. CHOATE. Can you state the average price?

Mr. MACKINNEY. The average price has no bearing.

Mr. CHOATE. Can you state it?

Senator WATSON. Yes; we would like to have it.

Mr. MACKINNEY. Yes. I want to make this entirely public: On December 28, 1915, I went to Europe to effect some connections with dye makers, whereby we could import some of their dyes. I visited Germany at the time, and I bought quite a lot of dyestuffs, and I stored them in Bremen. I paid prewar prices, which were very low. Those dyes were stored in Bremen until September of this year, when they were released and sent to Rotterdam and some of them are now in this country. The price at which I imported those dyes was a prewar price, and has no bearing upon the cost of manufacture to-day; in fact, I want to say that I made a very good purchase.

Any other questions, Mr. Choate?

Mr. CHOATE. No. I would like to suggest to the committee that you read Mr. MacKinney's testimony as given before the Ways and Means Committee of the House, and, more particularly, the Longworth cross-examination. Mr. MacKinney's testimony is to be found at page 375 of the House hearings.

Mr. MACKINNEY. Let me read it to the committee.

Senator WATSON. No; we can read it.

Mr. DEMMING. Senator Nugent has made a statement which, according to my recollection of the testimony at the previous hearings, was that 90 per cent of the dye manufacturing business is now here, and is well secured and will go on. That is my recollection of the testimony.

Mr. CHOATE. No—

Mr. DEMMING (continuing). All this controversy with regard to licensing is in regard to the remaining 10 per cent. I want the Senator to consider the converse of that proposition. As I understand the evidence and the situation, looking at it from the textile standpoint, with the tariff as proposed in this Longworth bill, the American dye industry is amply protected and will go on manufacturing at the rate of 90 per cent of all dyes used in this country. We are asked to have this oppressive as we regard it, and, I will say oppressive, vexatious, burdensome measure of licensing, put upon the textile trade merely to protect 10 per cent of the business done by American dye manufacturers. That is the converse of your proposition. We say that is unfair. American dye manufacturers are making so much profit by reason of these large prices—because everybody concedes it is a big protection, a large margin—the American dye manufacturers are making such profits that they can go ahead and ex-

periment and employ chemists for research work under the ordinary protective plan. Why should it be licensed?

Mr. CHOATE. Gentlemen of the committee, you see how impossible it is to get together with people who believe that the tariff rates in the Longworth bill are too much protection.

Mr. DEMMING. We do not say it is too much, but it is ample.

Mr. CHOATE. There is no sincerity in their desire to protect dyes.

Mr. DEMMING. We are just as sincere as you are.

Senator WATSON. Well, never mind, gentlemen. We have given everybody ample opportunity to be heard, and now we are going to close the hearing.

(The following statement by Mr. Choate was subsequently furnished by him, and directed by Senator Watson to be inserted in the record, and is here printed in full, as follows:)

I desire to make the following correction of statement made by me in the course of the hearing on January 12, 1920, which I have found to be incorrect.

According to the testimony of Mr. Sanford, Messrs. Hunter and Tim told him they had made certain statements to me. In denying that such statements had in fact been made by either Hunter or Tim, to me, I said:

"I had only one meeting with them in New York and have had no communication with them since."

Again, in stating in answer to Mr. Demming, that I had no knowledge of any arrangement made by anyone with the counsel of the shirt makers, I said:

"No; I never saw him. I don't know who their counsel was."

Since these statements were made, I have been reminded of the following facts which had completely escaped my memory, but which made both my statements incorrect:

During the hearing, while the opponents of the bill were testifying, I was told that the shirt makers had asked Mr. Wade Ellis to act for them, but that he was undecided whether to do so. At the close of the session Mr. Ellis happened to be in the hall as I left the committee room. I spoke to him. He told me that he had not yet decided whether or not to act, but was trying to get all the available information. I then outlined to him what I knew of the situation, and told him that the delay of which the shirt makers complained was due largely to the action of the German agent here in suggesting to their principals by cable that they need not carry out the dye-import plant on which the shirt makers' supplies depended. During a part of this interview the talk was general with a group of bystanders, one of whom, I am told, was Mr. Hunter, with whom I thus have talked since my New York interview. I do not, however, recall his making to me any statement at all resembling that testified to. How far Mr. Ellis afterwards decided to act as counsel for the shirt makers I did not know. I had, however, when I spoke, completely forgotten his connection with the matter.

J. H. CHOATE, JR.

JANUARY 13, 1920.

(And, at 1.07 o'clock p. m., the committee adjourned the hearings on this subject, but to meet again at 10 o'clock to-morrow, Tuesday, January 13, 1920, to take up another subject.)

UNITED STATES TARIFF COMMISSION, WASHINGTON.

[Memorandum on H. R. 8078 concerning dyes and coal-tar products—submitted for the use of the Committee on Finance, United States Senate.]

To the Committee on Finance of the Senate:

In response to your request of December 15, 1919, transmitted through the chairman of the subcommittee dealing with H. R. 8078, the United States Tariff Commission respectfully submits certain comments on the amendments to H. R. 8078 which were urged at the hearings of December 8-13, 1919, and also suggestions concerning some administrative problems involved in the proposed plan of that bill, together with the requested draft of possible sections believed likely to render such licensing plan administratively less controversial and more effective. In thus complying with the subcommittee's invitation, the commission ventures to state that it is in no way concerned with any policy involved in the proposed legislation, and alike in its discussion and draft, seeks only to indicate and illustrate the possibility of simplifying and clarifying its administrative features should the pending measure in substance be enacted.

PREVIOUS COMMISSION REPORTS.

The commission would first call attention to a pamphlet entitled "Dyes and other Coal-Tar Chemicals," dated December 12, 1918, which was submitted by the Tariff Commission to the Committee on Ways and Means of the House of Representatives a little more than a year ago. This report contains a detailed discussion of Title V of the revenue act of September 8, 1916, which levied increased duties on dyes and other chemicals derived from coal tar. Although this law has been successful in its main purpose, of encouraging the development of an American industry, it has become clear that it is not so worded as to give effect completely and perfectly to the presumable intent of Congress. The commission points out that there are many ways, partly chemical and partly legal, through which the purpose of Congress in passing the act of 1916 may be evaded. Attention is also directed to certain difficulties of administration of the existing law and it is pointed out that changed conditions, which have arisen since the passage of the act of 1916, may make it wise to modify, in some particulars, the policy expressed in the present law. As a result of this study, the commission suggested to the Committee on Ways and Means of the House of Representatives 45 amendments to the existing law. These amendments are incorporated in a draft of a bill which will be found on page 23 of the commission's report, "Dyes and other Coal-Tar Chemicals," dated December 12, 1918. The report contains a detailed explanation of each of these amendments, and an appendix, giving the decisions of the appraisers of the Court of Customs Appeals on all litigation under the act of 1916, prior to the publication of the report. The commission's report made no suggestion as to the rates of duty, since the commission does not consider it a part of its functions to suggest rates of duty.

The drafted bill, thus prepared by the commission, was accepted by the House of Representatives as the basis of H. R. 8078. At the time of the hearings on this bill before the Committee on Ways and Means, the commission submitted another report to the committee, which discusses in detail the development of the American industry and the tariff problems which have arisen. The report is entitled "Report on Dyes and Related Coal-Tar Chemicals, 1918."

Your attention is also called to a letter signed by the acting chairman of the commission, addressed to Congressman Longworth, which is published in the Congressional Record of September 25, 1919, on pages 6300 and 6301.

The changes made by the House in the bill as prepared by the commission include an increase in the rates of duty, the elimination of a provision in the existing law under which the duties are to be reduced gradually, beginning on September 8, 1921, and the addition of a plan to give still further protection to the American industry through the control of imports by a system of licensing. Under the bill, as finally passed by the House, this licensing plan is to be administered by the United States Tariff Commission.

SUGGESTED AMENDMENTS TO H. R. 8078.

At the hearings before the Senate committee the following suggestions for amendments to H. R. 8078 were offered:

(1) Mr. Hollander, of Rohn & Hass Co., Bristol, Pa., asked that hydrosulphites and sulphonylates be added to Group III. These substances are chemicals used

in the dyeing and printing of vat dyes, discharge printing, and the stripping of colors from imperfectly dyed fabrics. These products were made by the German dye manufacturers and supplied to the textile mills through the same commercial channels as the dyes. When these products became unavailable on account of the war, the textile mills were compelled to make these hydrosulphites and sulphoxylates themselves. The necessary raw materials are readily available in the United States. A solution of the hydrosulphite is usually made, but is unstable and quickly spoils on standing, so that it has to be made up fresh immediately before use. It is convenient, but not essential, to the textile mill to have these materials available in solid form already prepared. Mr. Hollander states that his firm has now succeeded in making these products in the United States, and information has reached the commission that at least one other firm, the Jacques Wolf Co., of Passaic, N. J., is also making these products.

These products are in no sense coal-tar products, directly or indirectly, being made from sodium sulphite, zinc, and formaldehyde. The present bill is limited to products derived from coal tar or natural products identical therewith. The Committee on Ways and Means refused to include any product not of coal-tar origin in the bill, and if any exception is made to this policy many other requests are likely to be made to broaden the scope of the bill.

(2) Lieut. Col. M. A. Reasoner, of the Medical Department of the United States Army, and Mr. Carl Pfanstiehl, of the Special Chemical Co. of Highland Park, Ill., suggested that a long list of rare sugars should be added to the bill. These products, although chemically allied to ordinary sugar, are in no sense competitive with ordinary sugar. They are used in relatively insignificant amounts in bacteriological experimentation and in the diagnosis of disease. They are obtained from various plants by processes which in many cases involve complicated refining operations. They have no connection, direct or indirect, with coal tar or with the dye industry, either in origin of raw materials or in use of the products. These sugars do not logically belong in this bill.

(3) Mr. Samuel Isermann, of Van Dyk & Co., New York City, asked that perfume materials of coal-tar origin be included in the bill. This request was also made to the Committee on Ways and Means, and the situation was explained clearly in the House Hearings. (See pp. 518 to 534 of the hearings before Committee on Ways and Means on H. R. 2706 and 6495, 1919.)

The matter can be summed up by quoting a portion of a letter dated August 5, 1919, addressed to Congressman Longworth, signed by the acting chairman of the Tariff Commission, and printed in the Congressional Record of September 5, 1919, page 6300, which reads in part as follows:

UNITED STATES TARIFF COMMISSION,
Washington, August 5, 1919.

HON. NICHOLAS LONGWORTH,
House of Representatives, Washington, D. C.

DEAR MR. LONGWORTH: In connection with H. R. 8078, now pending before the House of Representatives, I desire on behalf of the United States Tariff Commission to call your attention to the following suggestions of amendments or questions involving modifications of the original policy, which may seem desirable to Congress in view of changes in the situation which have occurred since the beginning of the armistice:

* * * * *

(5) The commission also desires to call attention to the following questions, which involve a question of policy, but without making a recommendation.

Perfumery and perfume materials. Materials of the coal-tar origin are not covered by the act of September 8, 1916, or H. R. 8078. The Tariff Act of October 3, 1913, contains the following provisions:

"48. Perfumery, including cologne and other toilet waters, articles of perfumery, whether in sachets or otherwise, and all preparations used as applications to the hair, mouth, teeth, or skin, such as cosmetics, dentifrices, including tooth soaps, pastes, including theatrical grease, paints, and pastes, pomades, powders, and other toilet preparations, all the foregoing if containing alcohol, 40 cents per pound and 60 per cent ad valorem; if not containing alcohol, 60 per centum ad valorem; floral or flower waters containing no alcohol, not specially provided for in this section, 20 per centum ad valorem.

"49. Ambergris, enfleurage greases, and floral essences by whatever method obtained; flavoring extracts, musk, grained or in pods, civet, and all natural or synthetic odoriferous or aromatic substances, preparations, and mixtures used in the manufacture of, but not marketable as, perfumes or cosmetics; all the foregoing not containing alcohol and not specially provided for in this section, 20 per centum ad valorem."

In addition, certain other perfume materials of natural origin are specifically mentioned elsewhere in the act of 1913, especially in paragraph 46.

Commercial perfumery is made by mixing or compounding various natural odoriferous substances, such as various balsams, essential oils, floral essences, animal products (musk, civet, etc.), and synthetic chemicals with each other and a suitable solvent (usually alcohol) and a suitable fixative. Other vehicles, such as talcum powder and cold cream, are also extensively used.

Some of the synthetic chemicals used are of coal-tar origin and others are not derived directly or indirectly from coal tar. These perfume chemicals are as a rule complex substances which are difficult and expensive to make; they must be of the highest purity and quality and they have a small market. For these reasons they are very expensive—only a few of them can be bought as low as \$1 per pound, and prices above \$25 per pound are common, and even sales at \$100 per pound are not unknown.

The manufacture of perfumery and perfumed materials is divided into two distinct branches: (1) Manufacturers and dealers in perfume materials, and (2) manufacturers who purchase their materials and mix, bottle, advertise, and distribute the finished perfumery or other perfumed toilet articles to the retail trade.

In the preparation of the report of the Tariff Commission, dated December 12, 1918, suggesting a revision of Title 5 of the act of September 8, 1916, perfumery materials were purposely left out because Congress had apparently clearly expressed an intent to leave them dutiable under the tariff act of 1913. Perfume materials of coal-tar origin are, however, so closely allied to drugs and flavors of similar origin that they might logically be included with them. There are materials, such as methylsalicylate, which may be used as drugs, flavors, or perfumes. Benzyl benzoate and benzyl acetate are worthy of special mention by name because in addition to their use as drugs and perfumes they were found during the war to be useful as a solvent for the varnish used on airplane wings and large amounts were made for this purpose. The material used for this purpose does not require to be of the high quality necessary for use in medicine or perfumery, and, therefore, it is suggested that these two substances be mentioned by name in order to forestall a claim by an importer that the materials are not perfume materials, but solvents for airplane varnish.

If Congress desires to include perfume materials in Group III, the following amendments to H. R. 8078 will accomplish this purpose:

Insert, on page 5, line 7, of the H. R. 8078, after the word "flavors," the following: " * * * benzyl acetate, benzyl benzoate, synthetic odoriferous or aromatic substances, preparations, and mixtures, used in the manufacture of, but not marketable as perfumes and cosmetics and not containing alcohol."

Add to the repealing clause, page 8, line 8, after the figure "46" the figure "49."

On page 5, line 2, after the word "flavors," insert the words "synthetic materials for perfumes and cosmetics."

* * * * *

Very truly yours,

THOMAS WALKER PAGE,
Acting Chairman.

No action was taken by the House of Representatives on this question.

(4) Mr. Herman A. Metz, a manufacturer and importer of dyes, and Mr. Walter F. Sykes, an importer of dyes, expressed disapproval of the provisions of H. R. 8078, which require the assessment of specific duties on the basis of prewar standards of strength and which require accurate and truthful labeling of the dyes imported. The provision referred to was incorporated in the bill at the suggestion of the Tariff Commission and is fully explained in section 37 of the report entitled "Dyes and Other Coal-Tar Chemicals."

At a later date a slight modification of phraseology was suggested by the commission in a letter addressed to Congressman Longworth, dated August 5,

1919, published in the Congressional Record of September 25, 1919, which reads in part as follows:

"(3) The commission further suggests that the words "standards of strength" be stricken out of line 17, on page 7, of H. R. 8078, and that the words "a standard of strength for each dye or other product" be substituted therefor, and that the words "strengths used," in line 18, be changed to "strength in ordinary use." These changes will make the sentence read: "In the enforcement of this section the Secretary of the Treasury shall adopt a standard of strength for each dye or other product which shall conform as nearly as practicable to the commercial strength in ordinary use in the United States prior to July 1, 1914."

It is believed that these slight changes in language will make the original intent clearer.

The word "standards" was used in the plural sense, because there were many different dyes, so that no single standard would do for all. On the other hand, it was intended that there should be a single standard for a given dye even in cases where several different strengths appeared on the market, and that the standard should conform to the strength chiefly or ordinarily used. In some cases a dye was sold and used in an "ordinary" quality or strength and also in a "double" or "extra strength."

The bill was amended on the floor of the House in accordance with the suggestions of the commission.

The principal argument against this proposal was made by Mr. Walter F. Sykes, who claimed that it will take a long time to establish the standard of strength, and implied that shipments would be held up in the customhouse until the standards were established so that this provision would in effect be an embargo.

The commission is of the opinion that this provision will not operate in the way indicated by Mr. Sykes. It is merely intended to guide customs officials in the assessment of duties. Customs officials would be aware that if they put the standards too low, importers could enter protests and have their rights determined by the Court of Customs Appeals. It may be assumed that customs officials will not assess duties on the basis of double or extra strength unless reasonably sure of their ground. At first some assessments may be too low, but with experience and legal decisions fewer cases of undervaluation may be expected. The provision for truthful labeling is designed primarily to assist in the proper valuation of imports. Incidentally, it will add to some extent in the elimination of dishonesty in the trade. It is considered fair to the importer that this requirement for labeling should not be enforced for six months.

The commission believes that no further change in the provision in question is necessary.

THE PROPOSED LICENSING PLAN OF H. R. 8078.

As already stated, comment on details of the proposed licensing plan in the pending bill is wholly unrelated to any questions of policy. The commission, in responding to the subcommittee, has adopted the assumption that before any final decision on the entire plan is reached, so far as possible its details should be perfected. In presenting the accompanying suggestions, therefore, the commission merely has in view that, whatever administrative body may be called on to administer the act, Congress should definitely and explicitly determine the governing rules, so that, so far as possible, it will only remain to apply the legally declared intent in specific cases, rather than to initiate policies without statutory guidance.

SPECIFIC PROVISIONS.

The following provisions of the pending bill present administrative questions:

(1) Page 9, line 3: "* * * to import or bring into the United States, or any of its possessions * * *" The words "or bring into," in addition to the word "import," would appear to require a license to ship goods between the United States and external territorial possessions of the United States, such as the Philippines. This is certainly not intended.

(2) Page 9, line 5: "* * * except under license previously obtained * * *." The word "previously" might well be omitted. If it is retained in the bill, goods might be refused admission at ports of entry for lack of li-

license, although shipped in good faith in ignorance of the requirement for license. If the word "previously" be omitted, the goods might be held in the custody of the Customs Service pending application for a license. Numerous cases of this sort have arisen during the administration of the licensing control of imports by the War Trade Board. If, in instances of this sort, the word "previously" should be interpreted to prevent remedial action, serious and unnecessary hardship and injustice might be done.

OUTSTANDING LICENSES OF THE WAR TRADE BOARD.

(3) Page 9, lines 4, 5, and 6: "* * * * except under license previously obtained * * * from the United States Tariff Commission * * *." Licenses issued by the War Trade Board for importations of these products are now outstanding and steps have been taken to import goods under the licenses. Conceivably some such goods may not arrive until after the passage of the bill. Presumably, provision should be made to avoid the unanticipated cancellation of these licenses; the authority of the War Trade Board over imports of this class should be definitely terminated, and that board should be instructed to turn over its pertinent records to its administrative successor.

(4) Page 9, lines 6 to 11: "* * * * any of the products enumerated in section 500 of this act, or any product derived directly or indirectly from coal tar, including crude products and intermediate products, as well as dyestuffs, medicinals, and other finished products, and including mixtures and compounds of such product and other products * * *."

Under the pending bill a license is required to import free-list articles as to which there is no claim from any source that competition is to be feared. If the articles subject to license are definitely stated to include the articles dutiable under Groups II and III of section 500, then lines 7 to 11, of page 9, should be omitted. The clauses referred to appear not only unnecessary, but would result in confusion and litigation, because the description of the articles is not the same as in Groups II and III.

REASONABLE FEES.

(5) Page 9, line 16, "* * * * the commission may charge a reasonable fee for the issue of each license * * *." The provision authorizing the commission to charge a "reasonable fee for the issue of each license" provides, in effect, for increases in the rates of duty. Doubtless the Committee on Finance will consider, on its own initiative, the advisability either of requiring no fees at all, thus absorbing fees in duties, or of definitely stating in the law the amount of such fees. Absorbing the fee in the duties would involve fewer complications by far than collecting and accounting for the sums charged for licenses.

When discussing the constitutionality of the delegation by Congress of what is in effect the power in some particulars to change tariff rates, the following administrative suggestions may be noted:

(a) There is no possible basis for estimating in advance what fees are needed and will pay the expenses of administration.

(b) Fees can not provide for the considerable initial outlay required in establishing office and laboratory equipment.

(c) The commission probably would be hampered by suits in regard to the "reasonableness" of fees imposed.

DEFICIENCY APPROPRIATION.

(6) Page 9, lines 19 and 20: "The deficiency shall be paid out of the appropriation for 'expenses of collecting the revenue from customs'. * * * * The provision that the expenses shall be met from the appropriation for 'expenses of collecting the revenue from customs,' authorizes an expenditure from a fund already appropriated for the Customs Service. Thus, two independent branches of the Government would be expending money from the same appropriation, and neither one could be held responsible if the appropriation were exceeded. It seems necessary that a special appropriation should be made for the purpose of carrying out the provision of this law. The amount required would depend on the manner in which the act determined certain matters of policy.

REASONABLE TERMS FOR DOMESTIC DYES.

(7) Page 9, line 21ff. "Sec. 503 (b). The said United States Tariff Commission shall issue licenses to import for domestic consumption such of the products covered by section 503 (a) of this act, as may be unobtainable from domestic sources and also such and such only of the said products as may, though obtainable from domestic sources, be unobtainable on reasonable terms as to price, quality, and delivery * * *." We here encounter gravely important administrative problems intimately connected with the fundamental question of policy involved in defining the circumstances which would justify the refusal of a license, or would require the granting of a license, in any specific case. The commission here ventures the opinion that whatever policy Congress may choose to adopt should be stated as definitely and explicitly as possible in the law, and that, wherever possible, the duties of the commission should be confined in the light of information to be gathered by it, to the application of such expressed policy, to specific cases. Applicants who are refused licenses are likely to feel aggrieved and to charge that the commission is ruling in an arbitrary manner, is exceeding its authority, is acting on the basis of incomplete or inaccurate information, or is taking an unnecessarily long time for investigating specific cases. On the other hand, American dye manufacturers may be expected to assert that licenses are being issued too freely. The complex administrative task must be undertaken immediately after passage of the act without allowing time to build an organization or collect needed information. It is, therefore, probably inevitable that mistakes will be made, and this adds force to the recommendation that the policy to be pursued shall be stated as definitely as possible by Congress in the law itself.

The commission may conclude that an application for an important license should be granted if the manufacturers have not furnished the commission with satisfactory proof justifying the refusal of a license under the law. Sanction for this or other decisions may be accorded by changing section 503 (p. 9, line 21ff) to read substantially as follows:

"The commission shall, upon application, issue licenses to import for domestic consumption any of the articles covered by section 503 of this act, unless the commission shall be satisfied that the article applied for is obtainable from domestic sources on reasonable terms as to price, quality, and delivery, to be ascertained and determined by the commission."

It is assumed that the words, "to be ascertained and determined by the commission," will have the legal effect of making the findings of the commission as to facts final and binding on any court. It is to be borne in mind that the commission could rarely in court defend its action in either granting or refusing a license without the public disclosure of confidential information on which its action would be based.

REASONABLE PRICES.

(8) Page 10, line 2: "* * * though obtainable from domestic sources, be unobtainable on reasonable terms as to price, quality, and delivery * * *."

The commission takes for granted the desire of Congress, in the exercise of its law-making functions, to define the phrase, "reasonable terms as to price, quality, and delivery," as definitely as may be done, leaving only the administrative task of applying such definitions to specific cases in the light of facts to be ascertained and determined.

One possible way to define a reasonable price would be in terms of pre-war invoice prices. Two publications of the Department of Commerce, special agents series No. 121, and miscellaneous series No. 82, show quantities and value of dyes and chemicals imported in the fiscal year ending June 30, 1914. These prices might be multiplied by some factor—for example, 4, 6, 8, or 10—to be specified in the law. Such a definition might be stated as follows:

"If an article is obtainable in the United States at a price not exceeding _____ times the average foreign invoice price during the fiscal year ending June 30, 1914, it shall be deemed to be obtainable on reasonable terms as to price."

While this method would involve the least administrative difficulty in the case of those dyes and chemicals recorded in the publications referred to, it would fall in the case of new dyes or mixtures.

An alternative would be to define reasonable prices in terms of current prices of foreign goods delivered in this country. The difficulty with this

method is, that, unless and until licenses are granted and the goods brought in, it would be impossible to ascertain such prices.

Such hard and fast rules are lacking in the flexibility which advocates of the licensing plan claim are essential to the execution of the plan.

A definition possibly more in harmony with the fundamental idea of the licensing plan would be as follows:

"Under this act reasonable terms as to price for any article shall mean the lowest price or prices, for the time being, which in the judgment of the commission shall be sufficient to insure the maintenance in the United States or or any of its possessions of the production of each article by an efficient plant operating on a substantial commercial scale."

The commission would repeat that it is not advocating the adoption of this or any other definition of reasonableness, but is merely offering these alternative definitions as a basis of discussion for the purpose of clarifying the issue.

Attention is called to the fact that such a definition, like the one in the pending bill, will probably be difficult and expensive to administer. An unduly high price or inability to secure prompt deliveries might be regarded as prima facie evidence that the domestic production is not adequate to meet the domestic demand, and that import licenses should therefore be granted. However, the determination of the exact price in each case which would justify the granting of import licenses would be exceedingly difficult. A knowledge of costs of production would be needed, but, even with the most complete and hearty cooperation of American dye manufacturers, such cost data would be difficult to obtain, because in many cases costs are unknown even to manufacturers. Many American manufacturers have no adequate cost-accounting system, and even those who attempt to determine costs meet with many difficulties. Costs are largely joint, and the proper division of overhead costs among the different products of the factory is largely arbitrary. Moreover, there is insufficient experience for the proper determination of depreciation and obsolescence.

Furthermore, any conclusions as to "costs of production" will be greatly influenced by the decision as to whether costs of experimentation are to be charged to current costs of dyes already successfully produced, or are to be capitalized and spread over a long term of years. There will doubtless also be many cases in which the cost of a given product will be decidedly different in different factories. In such a case the decision on what is the "reasonable price" will have to depend on the report of expert agents of the commission on the efficiency of the plants in question.

In order to determine what constitutes a reasonable price it will evidently be necessary for the commission to have a staff of cost accountants and chemists and engineers to visit plants and examine the books of the companies. A cost investigation on a sufficient scale to detect or prevent the padding of cost reports of manufacturers would probably involve an expenditure of not less than \$150,000 per year. Some estimates put the expense at a much higher level.

The commission has already made some effort (for another purpose under existing law) to ascertain costs of production in a few typical cases and has encountered all these difficulties. It has, however, acquired experience for doing the work on a larger scale.

REASONABLE QUALITY.

(9) Page 10, line 2: "* * * on reasonable terms as to price, quality, and delivery. * * *"

Reasonable terms as to quality is the point on which consumers of dyes have expressed greatest anxiety in connection with any proposed control of imports. This is due to the fact that in many cases (although the cost of the dye is insignificant) the nature and quality of the dye is extremely important in determining the quality of the finished textiles or leathers. Many dye consumers therefore, object to having their own judgment and experience on this matter subject to that of any administrative official, who can not possibly be as fully informed in regard to the special needs of each consumer as is the consumer. The commission can not hope to acquire an equally detailed knowledge of the needs of consumers. The denial of an application for an import license to any applicant, who claims that he can not secure a domestic product of a quality to enable him to compete with foreign manufacturers in his own

field, may cause serious hardship and injustice. On the other hand, if the commission is required by law to grant all applications where the applicant claims that he is unable to secure deliveries of a domestic product which is equal to the imported article, then we may expect that all applications for a license to import will be made on this ground. To destroy the discretionary powers of the commission in this manner would be in effect to destroy the commission's control over imports, and thus defeat the fundamental purpose of the whole plan. It is evident that unless the commission is authorized in its discretion to refuse licenses in spite of claims of inferiority of domestic goods, the whole plan would afford little or no protection to domestic dye consumers beyond the vexatious delay imposed on importers.

The commission might organize a laboratory with a staff of experienced chemists, and reach a conclusion of its own after considering the evidence of the applicant and the domestic maker, and the report of its own chemists thereon. While it is probable that in the great majority of cases a fair conclusion would be reached by this method, there would certainly arise cases in which a mistake would be made which would cause serious injury to the applicant for a license. The maintenance of such laboratory and staff would cost, it is believed, at least \$50,000 a year.

For similar illustrative purposes, and without recommendation, the following definition of reasonable quality is offered as a suggestion:

"An article shall be deemed to be of reasonable quality if such article in the judgment of the commission is of the same chemical constitution and is capable of giving results in use substantially equal to the article for the importation of which a license is applied for."

Attention is called to the fact that under the language here proposed the commission would have no authority to force an unwilling consumer to accept a dye of different chemical nature as a substitute for the particular dye asked for.

Although the discovery of a new dye having appreciable advantage over the known dyes is a noteworthy chemical achievement, it will not be difficult for foreigners to produce many new dyes closely resembling the dyes now in use, and for these new dyes licenses would normally issue. However, in order to prevent fraud through the device of renaming old and well-known dyes the commission might require a sufficient description of each new dye to establish its chemical nature and to enable the collector of customs to determine whether goods offered for importation under the license are in fact the goods described in the license.

REASONABLE DELIVERY.

(10) Page 10, line 2: "* * * on reasonable terms as to price, quality, and delivery * * *"

Reasonable terms as to delivery under the pending bill (p. 10, line 11), require immediate delivery, but the amount required to be available for immediate delivery is not specified. In view of the fact that at least six weeks would ordinarily be required to import the product, reasonable delivery from domestic source might be defined as delivery within that length of time. The amount required to be delivered, however, should be more definitely stated in the law. Furthermore, unless one or more American manufacturers will contract to deliver with adequate security for failure to make the agreed deliveries, the commission might be forced to conclude that the product applied for is not "obtainable on reasonable terms of delivery." A possible substitute definition might be worded as follows:

"Reasonable terms as to delivery shall mean delivery within six weeks of an amount of such article or articles sufficient to supply the needs for domestic consumption of the applicant for a period of six months, with a guaranty of such delivery by an American producer, which in the judgment of the commission shall be adequate."

In order that the commission may have information in regard to the availability of these products from domestic sources it will be necessary for the commission to receive reports at frequent intervals from American manufacturers showing their production, stocks on hand, contracts or accepted orders, and the amounts which are available for future delivery and the price at which each product is being offered. These reports will probably be required at least quarterly, and a sufficient staff of clerks will be required to tabulate them.

It will also be necessary for the commission to have authority to require these reports from manufacturers and to send its agents to inspect the plant and books of American dye makers to insure the accuracy of the information on which its action must be based. While the power to require such reports may be open to question, it may, perhaps, be enforced by forbidding any manufacturer who fails to comply with the orders of the commission to ship his goods in interstate commerce.

UNKNOWN REQUIREMENTS.

(11). Page 10, lines 6 and 7: "* * * Having regard to the necessities of such industries as are unable to determine beforehand their requirements. * * *"

This clause might well be eliminated because impossible to administer. It must be apparent that if consumers are unable to predict their own future requirements, the commission can scarcely do it for them.

LICENSEES.

(12). Page 10, lines 7 to 11: "Nothing herein contained shall authorize the commission to refuse a license to a manufacturer, person, or agent to import for actual use by the manufacturer a foreign dye when such domestic dye of equal quality is not immediately available for his use."

It is possible that this sentence may be held to mean that the commission may not refuse a license to any person, even a mere speculator, who wishes to import, not for actual use by himself, but for resale.

One object avowed by some proponents of this bill is to prevent agents of German manufacturers from regaining their former dominant position in the industry. If Congress approves this object, the requirement should be made definite. The experience of the War Trade Board indicates that the situation can be controlled with much greater ease if licenses are refused to dealers and speculators and given only to actual consumers of dyes under the condition stated in the pending bill, that the goods are "for actual use by the manufacturer," and not for resale. On the other hand, in such cases as drug products, a restriction to the actual consumer would hardly be possible. If such power is given, it should therefore be made discretionary. With these considerations in view, the following possible amendment is suggested:

"The commission may refuse a license to any person not an actual consumer of the article for the importation of which a license is applied for. The commission by order may require the licensee to agree not to resell any article imported under such license, and by order may require from time to time sworn reports from licensees showing the respective amounts of receipts, consumption, and stocks on hand of articles imported under licenses, and also of the same articles obtained from domestic sources."

In addition, penalties should be provided for violations of the commission's orders.

ALLOCATION OF LICENSES.

(13) Page 10, lines 12-14: "The commission in passing upon applications for such licenses may regulate its own practice and procedure, but shall so regulate the same as to prevent all avoidable delay."

The experience of the War Trade Board indicates that in view of the instruction to limit the issue of licenses to the actual current needs, which will require allocation between various applicants, licenses must be issued periodically for amounts estimated to cover the needs for the period rather than on the basis of "first come, first served." The War Trade Board has in practice operated on the basis of a six months' estimated requirement. It is therefore suggested that line 14, on page 10 (* * * regulate the same as to prevent all avoidable delay * * *) should be eliminated, leaving this matter in the discretion of the commission.

If import licenses are not to be granted to all applicants for the full amounts applied for, but are to be limited in amount, then a license to import gives a profitable privilege, and such licenses are likely to be sought by speculators. The allocation of these licenses among the various applicants will be a difficult and embarrassing task. It is believed that this difficulty would be reduced if the commission could eliminate speculators entirely and restrict licenses to actual consumers by forbidding resale of goods imported under licenses.

PEACE TREATY ALLOTMENTS.

(14) In case the peace treaty is ratified before the passage of this bill some provision should be made for the control and allocation among consumers of the dyes which will be allotted to the United States by the Reparation Commission.

LIMITATIONS ON PROPOSED LEGISLATION THROUGH OUTSIDE CONTROL OF PATENTS.

(15) Still other difficulties and complications will arise owing to the fact that some dyes and drugs are still covered by United States patents and can not be sold in the United States without the consent of the owner of the patents. The dyes thus covered by patents, although few in number in comparison with the number of dyes in commercial use, nevertheless constitute an important class, the manufacture of which has been relatively retarded in this country by the existence of the patents. With few exceptions, these patents were owned by German citizens or corporations and were seized and sold to American corporations by the Alien Property Custodian. Some were sold to the Grasselli Chemical Co., of Cleveland, Ohio; others to the Chemical Foundation, Inc.

It follows that a license to import, although it would permit the passage of the goods through the customs house, might not, in fact, make the dyes in question available to American consumers. It would still be possible for these outside bodies, one a private corporation, the other a quasi-public corporation, to nullify the action of the commission. If Congress desires that complete control of the situation be placed in the hands of some one administrative body, it may be that the Committee on Finance might secure from these two corporations definite statements of policy in forms satisfactory to the committee. Should these corporations bind themselves to issue licenses under their patents, without discrimination and at definitely stated rates, to all recipients of import licenses, this possible interference with the proposed Federal control could be eliminated.

POSSIBLE REDRAFT OF CERTAIN SECTIONS OF H. R. 8078.

SEC. 503. That, as used herein, the word "person" shall include individuals, partnerships, associations, and corporations.

SEC. 504. That during the period of two years after the date this act shall take effect it shall be unlawful for any person to import into the United States or any of its possessions, except under license issued by the _____, any of the articles included within Groups II and III of section 500 of this act. Any person who shall as principal or accessory import or attempt to introduce into the commerce of the United States or any of its possessions any article covered by this section, without license as herein provided, shall be fined not exceeding \$5,000 or the appraised value of such article whichever shall be greater, or shall be imprisoned for not more than one year, or both: *Provided*, That the _____ may cancel all outstanding licenses issued to said person and may refuse to grant any further license.

SEC. 504 (a). That any product covered by section 500 of this act which shall be imported into the United States or any of its possessions without license as provided in section 504 shall be forfeited whenever and wherever found, and destroyed under regulations prescribed by the Secretary of the Treasury.

SEC. 505. That the _____ shall upon application issue license to import for domestic consumption any of the articles covered by section 504 of this act unless the _____ shall be satisfied that the article applied for is obtainable from domestic sources on reasonable terms as to price, quality, and delivery, to be ascertained and determined by _____.

Under this act reasonable terms as to price for any article shall mean the lowest price or prices, for the time being, which in the judgment of _____ shall be sufficient to insure the maintenance in the United States or any of its possessions of the production of such article by an efficient plant operating on a substantial commercial scale.¹

¹ This is but one of many possible alternative definitions for this and other expressions of sec. 505. The definitions here given are in no sense declarations of any commission policy. They merely illustrate the feasibility of stating more clearly whatever intent Congress has in using the words "reasonable terms."

Under this act an article shall be deemed to be of reasonable quality if such article in the judgment of _____ is of the same chemical constitution and capable of giving results in use substantially equal to the article for the importation of which a license is applied for.

Under this act reasonable terms as to delivery shall mean delivery within six weeks of an amount of such article or articles sufficient to supply the needs for domestic consumption of the applicant for a period of six months, said delivery to be secured and guaranteed to the satisfaction of _____.

The _____ shall limit the issue of licenses to import any article of an amount which in _____ judgment is approximately equal to the needs for domestic consumption of the consuming industries in the United States within a period of six months.

The _____ may, in _____ discretion, refuse a license to any person not an actual consumer of the article for the importation of which a license is applied for. The _____ by order may require the licensee to agree not to resell any article imported under such license, and by order may require from time to time sworn reports from licensees showing the respective amounts of receipts, consumption, and stocks on hand of articles imported under licenses, and also of the same articles obtained from domestic sources.

The _____ in passing on applications for such licenses may regulate its own practice and procedure.

SEC. 506. That for the purpose of enforcing the provisions of this act the _____ shall have the power to require by order from time to time from any persons engaged in the manufacture within the United States or any of its possessions of any articles included within Groups II and III of section 500 of this act and who ship or deliver for shipment any of such articles in interstate commerce, sworn statements showing their actual production, stocks on hand, contracts or accepted orders for future delivery and cost of production of each article and the price at which such article is being offered for sale and a sample thereof and any other information which _____ may require. The information thus secured shall not be matter of public record, but shall be for the confidential use of the _____ only and shall not be published or revealed except in the form of totals or averages or summaries which will not disclose the operations of individual domestic manufacturers; *Provided*, That the _____ may in _____ discretion notify any applicant for an import license of the names and addresses of domestic manufacturers of the product applied for.

SEC. 507. Any person who refuses or neglects to comply with any order of the _____ issued by authority granted in this act and who while so refusing or neglecting to comply ships or delivers for shipment in interstate commerce any of the articles included within Groups II and III of section 500 of the act shall be guilty of a misdemeanor, and on conviction thereof shall be punished by a fine not exceeding \$1,000 per day, in the discretion of the court, until such order of the _____ shall be complied with.

SEC. 508. That, for the purpose of enforcing the provisions of this act, the _____ shall also have power through its duly authorized agents, to visit and inspect all factories and warehouses and books of record of persons engaged in the manufacture within the United States or any of its possessions of any of the articles covered by Groups II and III of section 500 of this act and who ship or deliver for shipment in interstate commerce any of such articles, and _____ may take samples thereof and may do such other acts as may in the judgment of _____ be necessary.

SEC. 509. (This section should confer on the licensing authority further and full powers of investigation with adequate authority to subpoena witnesses and compel the production of all necessary books, papers, documents, and other records to carry into effect the purposes of this act. It should also contain suitable provisions for enforcement and penalties for refusal to comply with its requirements.)

SEC. 510. That, from and after the date when this act shall take effect, a license from the War Trade Board section of the Department of State shall no longer be required for the importation of any of the articles covered by section 500 of this act; *Provided, however*, That individual licenses already issued by the said War Trade Board section and of prior date shall remain in effect and that importations under such licenses shall be permitted without an additional license from the _____.

Provided, further, That from and after the date when this act shall take effect, the Secretary of State shall forthwith cause to be transferred to _____ all papers, questionnaires, documents, books, and other records of the War Trade Board section of the Department of State, relating to the issuance of individual import licenses on articles covered by Groups II and III of section 500 of this act.

SEC. 511. That the _____ shall have exclusive jurisdiction over the distribution among consumers in the United States and in its possessions of any of the articles covered by Groups II and III of section 500 of this act, which may become available to such consumers under Annex VI of Section I of Part VIII of the Treaty of Peace with Germany, submitted to the United States Senate on July 10, 1919, and, to the extent to which such products shall become available to said consumers, the _____ in issuing licenses as provided for in section 505 of this act shall adopt such regulations and establish such procedure as will insure a utilization of the licenses for a maximum importation of the said products which shall have been made available under the provisions of the Treaty of Peace referred to herein.

SEC. 512. That to meet all necessary expenses of the _____ and _____ agents in performing the duties imposed by this act or in pursuance of law including rental of suitable quarters, the purchase of supplies and equipment, books of reference, law books, periodicals, and for printing and binding, and the payment for personal and other services in the District of Columbia and elsewhere, and traveling and subsistence expenses in the United States, also actual reasonable and necessary traveling expenses and expenses for subsistence outside of the United States which shall not be restricted by the limitations of existing law, in accounts approved by _____, the sum of \$150,000 is hereby appropriated for the fiscal year ending June 30, 1920.

SEC. 513. Except as otherwise herein specially provided, this act shall take effect on the day following its passage.

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