EXTENDING RECIPROCAL TRADE AGREEMENT ACT

HEARINGS

BEFORE THE

COMMITTEE ON FINANCE
UNITED STATES SENATE

SEVENTY-FIFTH CONGRESS

FIRST SESSION

ON

H. J. Res. 96

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

PART 2

FEBRUARY 11 AND 12, 1937

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EXTENDING RECIPROCAL TRADE AGREEMENT ACT

THURSDAY, FEBRUARY 11, 1937

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

The committee met, pursuant to adjournment, in the committee room, Senate Office Building, at 10 o'clock a. m., Senator Pat Harrison (chairman) presiding.

The CHAIRMAN. The committee will come to order. Secretary Wallace.

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

The CHAIRMAN. Mr. Secretary, we are conducting a hearing with reference to the extension of the so-called Reciprocal Trade Agreement Act, and we would like to get any views that you desire to express to the committee with reference to its benefits or with reference to any other phase of it.

Secretary WALLACE. Senator, I appreciate the opportunity of appearing before the committee. I regret that I did not know I was to appear before the committee until late yesterday afternoon. As you are aware, I appeared on behalf of the reciprocal-trade program when the original hearings were held by this committee and also by the House Ways and Means Committee, and at that time was very strong in my belief in the wisdom of the legislation and am still of such an opinion. I did not come here equipped at the moment with any sets of figures as to the results of the program because I have not had time to go into that matter, but I am happy to take this opportunity to reiterate my belief in the fundamental soundness and will now present here a statement which has been quite hastily prepared but which I believe in most firmly.

The CHAIRMAN. You did not appear before the House Ways and Means Committee this time, which was the cause of giving some fellow an idea that you might be opposed to it.

Secretary WALLACE. In this statement I wish to straighten out any opinion of that sort. Apparently the fact that no one from the Department of Agriculture appeared before the Ways and Means Committee was interpreted in some quarters as meaning that the Department was not in sympathy with the program. I therefore took the occasion to address a communication to the chairman of the Ways and Means Committee which indicated that there is no basis for this interpretation. What I should like to do at this time is to amplify somewhat the views expressed in my letter to Mr. Doughton.

The Department of Agriculture is heartily in accord with the trade-agreements program. Between 1929 and 1934 we lost a large part of the foreign markets for our agricultural products. This was due mainly to two developments; first, the great decline in foreign purchasing power which was, up to 1928, sustained by our heavy loans to Europe and, second, the rise of trade barriers in the form of increased import duties and import quotas in all of our leading markets.

Senator VANDENBERG. Mr. Secretary, may I interrupt you at that point? Would you evaluate the two factors? To what extent do you think the latter prevailed at that time as compared with the former?

Secretary WALLACE. The great movement to raise the barriers began, as I remember it, about 1926. The wheat tariffs were raised again and again by Germany, Italy, and France, beginning about 1926. It was somewhat later than that that the more rigid controls came into effect. I do not remember the precise year when the rigid-exchange controls ant bilateral bargainings began, which served also greatly to restrict our outlet in the foreign markets. If we are going to get into the precise dates that that occurred, the decline in the loans began especially after 1930. This statement with regard to 1928, I think, probably should be qualified because the most rapid decline began after 1930.

I would not care to evaluate those two forces in any precise way, because I think it is the work of a statistician and I am not in a position to offer offhand judgment on a matter which is really highly statistical in nature. I think they are both very important.

Senator VANDENBERG. Would you prefer to go through your statement without interruption?

Secretary WALLACE. It makes no difference, Senator; whatever the Senators would prefer.

The CHAIRMAN. Just proceed.

Secretary WALLACE. I would like to leave here not later than 11:15.

Senator VANDENBERG. That is mutual.

The CHAIRMAN. All right, you may proceed, Mr. Secretary. I should think you could best read your statement and then subject yourself to questioning.

Secretary WALLACE. The only really sound and lasting way that this Government can aid in rebuilding foreign purchasing power is to permit larger imports of selected products into this country. But this alone would not suffice unless foreign countries could be induced to lower their barriers to our exports. We believe that genuine progress has been made in these directions and that still greater progress can be expected in the future.

In order to obtain reductions in foreign trade barriers it has been necessary to make reductions in some of our tariff rates—including rates on agricultural products. But we believe that such actions as have been taken with respect to reductions in duties on agricultural products have been so carefully considered and safeguarded as to preclude significant injury to our domestic agriculture. One indication of the caution which has been used in this matter is to be found in the fact that the duty reductions, on items where there might have been some possibility of a large and damaging increase in imports, have been confined to limited quantities, as in the case of cattle from Canada.

As a matter of fact, we are convinced that those branches of agriculture which have been affected by reductions in our duties in the trade agreements will gain far more from a successful trade-agreements program than they could possibly lose. In other words, any slight direct injury that may possibly be incurred will be much more than offset by two important advantages: First, there is the undeniable fact that, to the extent that foreign markets for our export products can be regained, the competition encountered by our nonexport industries from increased production of their commodities in the areas now producing largely for export will be reduced. It is apparent that if our Cotton, Corn, and Wheat Belts can keep on producing for export they will be less likely to shift to the production, let us say, of dairy products and cattle. Second, the nonexport branches of our agriculture in particular stand to gain from increased purchasing power in our urban centers brought about by larger exports of manufactured goods. There is no question but that our dairy industry, for example, is much better off when the pay rolls of the automobile and other similar export industries are high.

There has been considerable discussion of figures indicating a substantial increase in the imports of agricultural products and a tendency, at least in some quarters, to attribute this increase to the operation of the trade-agreements program. There has been an increase in agricultural imports. It is important in considering this question, however, to differentiate as far as possible between those products which are competitive with American agriculture and those that are not competitive. Some of the important noncompetitive products which bulk very large in the figures representing agricultural imports are rubber, coffee, cocoa, tea, and silk. There has been a considerable increase in the quantity and in the value of the imports of these items. This increase largely reflects improved economic conditions in the United States. It simply shows that our people have more money to buy such products. With respect to the competitive products, the figures show that the largest increases have occurred in drought-affected products, the duties upon which have not been reduced. In other words, it is unfavorable weather and improved economic conditions that have been chiefly responsible for larger agricultural imports and not the trade-agreements program.

A good deal is said about these increased imports replacing acres that could have been planted in this country. This is obviously not true of the noncompetitive products such as coffee and rubber. It also is not true of the drought-affected products. About the usual acreage was planted to these crops, but due to two of the most serious droughts in our history they did not produce our full requirements. Consequently, we have had to import a small percentage of our consumption.

Senator BULKLEY. What do you refer to as drought-affected products?

Secretary WALLACE. Well, corn, particularly; oats, perhaps. This last year oats were not as severely affected as corn. Those would be two outstanding examples, and wheat to some extent.

Whenever there are such serious droughts as those of 1934 and 1936 we should welcome rather than deplore such imports.

In conclusion, I should like to point out that the Department of Agriculatre does not consider the trade-agreements program a cure-all for our agricultural problem or a substitute for other farm progams. We do conside it an important and highly desirable supplementary program. With a return of ordinary weather American agriculture is going to be faced once more with the basic problem of exportable surpluses. We cannot get away from the fundamental fact that our agricultural plant, as it exists today, will in years of ordinary weather produce more than can be consumed at fair prices within the United States. We believe that it is extremely important to maintain, on a sound basis, as large a foreign outlet for our export products as possible, consistent with sound soil conservation practices. We believe that this can only be done through permitting larger imports of goods and services from abroad to pay for our larger exports and through securing reductions in extremely high foreign trade barriers. The trade agreements program is making definite progress along this line.

Senator VANDENBERG. Mr. Secretary, do you think you ever could regain your foreign export market for staples like cotton and wheat?

Secretary WALLACE. That would require a very detailed study, product by product, because the possibility of regaining foreign markets varies with different products. Even after the detailed study was made the answer would be at best a guess. In the case of wheat the prospect is perhaps not quite as good as in the case of cotton.

Senator VANDENBERG. Have not the exports of wheat and cotton and lard progressively gone down from year to year in spite of the trade agreements or anything else?

Secretary WALLACE. I think, Senator, that the experience of the past 3 years cannot in any way be looked to as a guide because the possibility of exporting wheat and lard was made quite remote, that is, in any increasing quantity, by the extraordinary character of the weather. In the case of wheat we had 4 years of extraordinary short crops, as a result of unusual weather, which resulted in wheat prices being higher in this country than in the world market. Naturally, in situations of that sort the increased quantities of wheat cannot be exported, no matter what our reciprocal trade agreement policy might be.

With regard to lard, the same forces were in effect, but in spite of those forces there was a considerable increase in our lard exports to Cuba, in spite of the fact that our lard prices in this country, being influenced by the increased prices of corn, were much higher. Nevertheless, we did export very much greater quantities of lard to Cuba after the trade agreement went into effect.

Senator VANDENBERG. Our total exports of lard in 1933 were $580,000,000 and in 1936 only $111,000,000 for the first 11 months.

Secretary WALLACE. I think, however, there have been larger exports of lard from this country than would have been the case if it had not been for the trade-agreement program.

Senator VANDENBERG. In dealing with our general economy, which is the thing that chiefly interests you and me too, necessarily you are dealing with the great staples like wheat and cotton, and so forth; do you see any realistic opportunity, trade agreements or no trade agreements, to substantially recapture our export markets in wheat and cotton?

Secretary WALLACE. Yes; I think I can say deliberately that there is an opportunity to recapture a substantial part of the lost export markets in wheat and cotton. I think it is rather improbable that we will be able to export as large quantities of wheat and cotton as we did in the decade of the twenties. I think that is improbable.

Senator VANDENBERG. Did Mr. Chester Davis, the former head of the A. A. A., make an investigation in Europe on this general subject of the recapture of the foreign trade?

Secretary WALLACE. Yes; he went over there and came back and reported quite pessimistically about the recapture of the foreign market for agricultural products, but also, at the same time, was very enthusiastic about our trade-agreement program.

Senator VANDENBERG. Did he not say in that suppressed interview which leaked out in the Newark paper, that it was an idle dream to contemplate the recapture of any substantial foreign trade for many years to come?

Secretary WALLACE. I do not know anything about a suppressed interview, Senator.

Senator VANDENBURG. Are you not familiar with the famous statement that he made in London, released through the Associated Press, and then killed about 3 hours before it was to appear?

Secretary WALLACE. No; I am not familiar with it. Your memory is better than mine.

Senator VANDENBERG. Then I acquit you of a long-time suspicion that I have had. [Laughter.]

Senator CONNALLY. Not necessarily a matter of memory; it is a matter of imagination.

Senator VANDENBERG. No imagination about it. It is a matter of record. Mr. Secretary, would you disagree with the National Grange in its recommendation that these treaties or agreements be submitted to ratification by the Senate or by Congress?

Secretary WALLACE. I would not want any remarks which I might now make, Senator, to reflect either on the Senator or the Grange, you understand, and I trust they will not be interpreted as a reflection on either one.

Senator VANDENBERG. All right. What is the answer?

Secretary WALLACE. I have had, of course, more opportunity to observe the way in which the State Department and the other executive departments affiliated with the State Department have operated under the act than I have had to observe at close range the operation of the Congress with respect to tariff acts, although I have had some opportunity to observe that from a lesser vantage point than that which I now occupy, and it is my judgment, if it can be offered without in any way reflecting on the Congress——

Senator VANDENBERG. We are perfectly numb.

Secretary WALLACE. It is my judgment really that a better answer from the standpoint of the welfare of the country as a whole can be obtained in the type of deliberations as employed at present than in the type of deliberations that were employed in the passing of a tariff act.

Senator VANDENBERG. So you would not think it was wise to submit them to ratification?

Secretary WALLACE. I would think that in all probability the result would be logrolling by special interests, who have special ways of exerting pressure, logrolling of the type which we saw in the formulation of the tariff acts previous to the Reciprocal Trade Act; and that logrolling ofttimes results in an act which is definitely against the general welfare. I do believe definitely that the Tariff Acts of 1922 and 1930 were tariff acts against the trend of the times, against the proper relationship of this Nation to outside nations, and were extraordinarily to the disadvantage of the Nation as a whole.

Senator VANDENBERG. But we have a thoroughly enlightened administration now, which is in complete control of the Congress, so would you still fear that if they were submitted they could not have intelligent consideration?

Secretary WALLACE. I am a thorough believer, Senator, in the democratic process in all its aspects, but, nevertheless, there are certain types of activity where it is possible, I think, to arrive at a better answer for the general welfare of certain highly technical matters which I think the executive branch can handle to better advantage than the legislative, and I believe, furthermore, that the legislative branch from time to time has recognized the nature of those particular circumstances.

Senator DAVIS. Then you believe that the parliamentary system is much better than the system that we have?

Secretary WALLACE. I would not care to make any such sweeping statement as that, Senator.

Senator CONNALLY. The present tariff act was begun in its consideration in the House in December 1928. It finally was enacted, after all the processes which you have described and outlined, in June 1930. More than 18 or 20 months were consumed by the two Houses in the enactment of the present tariff law. If any comparable delay were encountered in the process of undertaking to secure a ratification of one of these agreements which had been entered into after long negotiations, the possible benefits would have evaporated into thin air before the Congress acted, would it not? Would it not tend toward nullifying the good effects of the trade agreement if we engaged in a long interminable partisan debate as to whether a treaty should be ratified or not?

Secretary WALLACE. It seems to me so, Senator. Of necessity, there are only occasional periods when Congress can think first, last, and all the time about the fundamental merits of the case. At other times it seems to be necessary to think about situations that result in the even-numbered years.

Senator VANDENBERG. Mr. Secretary, would you disagree with the Grange when it recommends the elimination of that feature of the Trade Agreements Act which calls for generalization through the most-favored-nation clause?

Secretary WALLACE. That is a very highly technical problem on which I am not fitted to give any detailed answer. I believe the State Department has submitted a detailed analysis of that phase of the matter and I believe, furthermore, that the State Department approach to it is sound, but I myself am not versed in that very intricate field.

Senator VANDENBERG. Let me ask you this: Would you object to a slight amendment in the extension of the act which would require that no rate on an agricultural commodity should be reduced below the American cost of production, not attempting now to measure the difference in cost of production, but simply to protect as a basis the American cost of production?

Secretary WALLACE. The phrase "cost of production" is such an elusive one that I have objected to use of the phrase in the writing of agricultural bills, and I would object to the use of it, I think, in this kind of an act, because it means so many different things to so many different people.

Senator VANDENBERG. Could you suggest a phrase which would achieve the thing which I have in mind, the objective being simply to make sure that through some unwitting calculation, let us say, the American farm producer is not subjected to a competitive hazard which becomes dangerous?

Secretary WALLACE. Of course I have stated always that I felt that the farmer, insofar as it is practicable, and insofar as it is possible, should get the same benefits out of the protective tariff system as any other group. If you have in mind something that would make certain that the American farmer would be sure to get the same benefits out of a protective system as any other group, I think all of us who are affiliated with agriculture would be interested in it. Many of us who have been affiliated with agriculture have very much questioned whether the benefits of the protective system could be obtained in any large measure for the American farmer by tariffs because on a net basis agriculture is on the foreign market, and even those commodities which were not on the foreign market were affected by the competition of those which were on the foreign market and whose markets had been cut off by the action of the tariff system elsewhere.

So, I would feel that your proposal probably was merely an effort to give something to the farmers which apparently would mean something but actually would mean nothing after it was put into effect.

Senator CONNALLY. I have to go to another committee meeting, but may I ask another question before I leave?

The CHAIRMAN. Yes.

Senator CONNALLY. Would not such a position, which would to some extent hobble the American Government in further negotiation with other countries in arriving at the agreements, place it at a disadvantage with any other country which was free to negotiate without any other legislative restriction?

Secretary WALLACE. I had not thought of that, Senator Connally, but I can see how that might very well be the case.

Senator VANDENBERG. I think it would; and that is exactly what I am interested in. It strikes me there ought to be a hobble somewhere if the American farmer is going to be subjected to a destructive competition. There are farm commodities, are there not, which must have tariff protection in order to survive?

Secretary WALLACE. Yes; undoubtedly, sir. Sugar is a very notable example.

Senator VANDENBERG. Yes; I had that in mind; but are there any others?

Secretary WALLACE. Yes; there are several others, but none so notable as sugar. Flax would come in there and others—I would not say in order to survive, but in order to survive in their present state of activity. There are some others.

Senator VANDENBERG. Now, should they not be protected against a manipulated—I do not use that invidiously; I mean a negotiated tariff rate which might——

Secretary WALLACE. Senator, our experience with the State Department has been such that as long as this administration is in power, an administration so notably friendly to agriculture as this administration, I am sure you do not need to worry. Of course, if another administration should come into power it might be necessary to have something of that sort in, but in this administration I am sure it is not necessary.

Senator VANDENBERG. But your view is not shared by the farmers, which is unfortunate, because they are constantly offering complaints that these agreements are doing the precise thing which I am describing, in spite of the notorious friendship of the administration for them.

Secretary WALLACE. Now, Senator, I suppose——

Senator VANDENBERG. I am seriously interested in the economics of it and not the politics of it.

Secretary WALLACE. Yes, of course. I suppose the most notable example of fear would be in the case of cattle. If I remember correctly, this administration, showing its continual solicitude for the welfare of farmers, in negotiating that agreement, to make sure that nothing in the way of hardship would come to the cattle raisers, as a result specified a quota of, I think, some 156,000 head of these cattle that would be weighing over 700 pounds. It was drawn up in such a way that those benefits would accrue chiefly to Canada.

I think there has been a disposition on the part of the State Department at all times to consult with the Department of Agriculture to make sure in any case of that sort that some limitation in the way of a quota be used to take care of the situation which you have in mind.

Senator VANDENBERG. May I ask you at that point, do you disagree with what seems to be the almost universal testimony of cattle producers, that the plumping on the market even of this limited quota tended to break the price?

Secretary WALLACE. Yes, Senator, I disagree.

Senator VANDENBERG. You disagree with that?

Secretary WALLACE. I disagree.

Senator DAVIS. How much of an increase in supply, how large a percentage addition, do you think is usually necessary to reduce the price of a major agricultural product?

Secretary WALLACE. Well, ordinarily in the case of agricultural products the price goes down by about the same percentage as the supply increases. That is ordinarily the case. In some products it is a little less than that, but typically it is about that situation. In other words, if there is an increase of 1 percent in the supply of cattle, the price would tend to go down by about 1 percent, or, should we say, the price of that particular grade.

Senator KING. That would depend, would it not, on whether or not there was an increased consumption and the consumptive needs increased? I can conceive of a 2- or 3- or 4-percent accretion to the supply of the commodity not affecting the price because of the increased consumptive demand at home.

Secretary WALLACE. Yes, Senator.

Senator KING. So that the price might mount with the importation?

Secretary WALLACE. That is quite right. Thank you for calling my attention to that point, because it is easily overlooked in the discussion of the trade-agreements program.

It is quite conceivable that the effect of the trade-agreements program might cause sufficient increase in activities in the manufacturing centers to increase the price of cattle at a time when the imports were increasing. That might apply both to dairy products and to cattle. If the particular effect of the trade-agreements program were to increase the exports of automobiles sufficiently, the demand at Detroit for dairy products and fat cattle might be sufficient to more than offset any imports of dairy products and fat cattle from Canada into the Michigan area. I believe that the particular effects of the program would be in that direction, without regard to looking at this little market at this little time. I think continually in these discussions there is a tendency for people to look at this little spot at this little particular time with regard to this little particular commodity instead of looking at the thing as a whole.

Senator KING. I hope you will pardon me for making this observation. My recollection of the hearings in 1930 and other hearings on the tariff bills and the statistics there submitted, which you can find readily in the Tariff Commission's files, is that they will show that in the case of many commodities as the imports increased because of increased demand and increased use of the commodity there was an expansion of business and an increase in the consumptive needs and therefore in the demands, and therefore the prices rose.

Secretary WALLACE. Of course, it is a general truism that when business is good imports are larger, but whether one comes first or the other, who shall say? But you can scarcely separate them in point of time.

Senator KING. It is obvious that we do not want a one-lane method of trade. Trade must be two lanes, selling and buying.

Secretary WALLACE. That is human experience, Senator.

Senator KING. I do not ask you to commit yourself to that view, but I am sure it is so.

The CHAIRMAN. Mr. Secretary, you do not believe that the importation of cattle under the Canadian trade agreement has injured the cattle industry in America?

Secretary WALLACE. I do not, sir.

The CHAIRMAN. It was pointed out yesterday, and do you agree with it, that the character of cattle imported from Canada, or the meat from them, showed a less decline in price than other characters of meat that were impored?

Secretary WALLACE. Yes; that was true, Senator. The cattle that went down most in price were the well-finished cattle. That was due to a previous internal situation. As a matter of fact, in all of these agricultural situations you will find the significant competition is that which results from the internal situation. When tariffs cause farmers internally to feel that they suddenly have an unusual opportunity before them, the internal competition within a relatively short period immediately destroys that opportunity and brings about a situation of a kind which was worse than before they had that protection. It is the internal competition that American farmers should continually address themselves to instead of going after this bogey from outside. If they addressed themselves to the internal situation and only take care of the bogey from outside so that the bogey does not bring about instability in normal times, then they are getting somewhere.

Senator LONERGAN. Mr. Secretary, is there not a fluctuation in the cost of farm products?

Secretary WALLACE. A very wide fluctuation, Senator. You mean in the price of farm products?

Senator LONERGAN. No; in the cost of production.

Secretary WALLACE. The chief factor that causes that to vary ordinarily is the weather, if you are thinking about the cost per unit.

Senator LONERGAN. Let us take a 5-year period; what is the percentage?

Secretary WALLACE. Well, due to the very severe drought in 1936 I suppose it costs fully twice as much to produce corn as in 1932, and other costs in 1936 were also higher. I suppose it cost more than twice as much in 1936 to produce corn as in 1932.

Senator LONERGAN. With reference to the question of Senator Vandenberg's, if the plan is adopted to take into consideration the cost of production of farm products, by what would you be guided, assuming that such a plan was adopted?

Secretary WALLACE. I think it would be altogether unworkable. I do not see how you could use it as a guide satisfactorily. It would be so variable from year to year that it would completely hamstring the State Department in negotiating the agreements, I should think.

Senator LONERGAN. You would have to resort to the system of an insurance company and apply the rule of averages?

Senator VANDENBERG. The law requires at present that precise procedure from the United States Tariff Commission under the elastic tariff, does it not?

Secretary WALLACE. Yes; that is undoubtedly true, Senator, and I do not know just what the methods are that are employed by the Tariff Commission; that is, I do not know whether they take an average of a period of years or what.

Senator VANDENBERG. Following Senator Harrison's inquiry about the cattle, may I ask if you disagree with Congressman Wilcox, of Florida, in his assertion that the reduced tariffs on winter vegetables have seriously affected Florida's winter vegetable market?

Secretary WALLACE. I am not in a position to make a statement on that policy, Senator, because I have not studied it.

The CHAIRMAN. Mr. Secretary, is it not a fact that in the Canadian agreement there were certain seasonal provisions put in there that either reduced the tariff or broadened the season for shipments into Canada that made it more——

Secretary WALLACE. You mean from Florida?

The CHAIRMAN. Yes; Florida or the South, wherever it was raised. That was the reaction I got from my own people that raise vegetables. I thought that the exports of vegetables into Canada since the trade agreement was entered into had increased by virtue of the more liberal provisions given to them.

Senator DAVIS. Mr. Secretary, what effect on the price of a major agricultural product may be expected from an increase in the available supply during the so-called off season for that particular product?

Secretary WALLACE. Would you repeat the question?

Senator DAVIS. I say what effect on the price of a major agricultural product may be expected from an increase in the available supply during the so-called off season for that particular product?

Secretary WALLACE. I do not know of any major agricultural product which would have an off season.

Senator DAVIS. Do you have fruits?

Secretary WALLACE. Would you designate the particular fruit?

Senator DAVIS. Well, is there any real off season for most of the fresh fruits and vegetables in view of the wide diversity of our climate and the admitted spread geographically in the growth of these products?

Secretary WALLACE. That is a highly technical question that I would prefer to have someone who is skilled in fruits and vegetables answer.

Senator DAVIS. Would you care to have that inserted in the record for us at this particular point?

Secretary WALLACE. Yes; that can be arranged undoubtedly, Senator.

(Subsequently the following was submitted by the Secretary:)

"OFF SEASONS" FOR FRUITS AND VEGETABLES IN THE UNITED STATES

An "off season" may be defined as a period during which a particular fruit or vegetable is not available at all from domestic sources of supply or a period during which the shipments of particular fruits and vegetables are extremely light compared to other times of the year.

There are a number of domestic fruits for which there is a definite "off season" in the sense that these fruits are not at that time available at all in the fresh state. This is the case, for instance, with apricots, peaches, plums, and cherries. Other deciduous fruits, such as apples and pears, are available throughout the year in the fresh state because of cold storage. For such fruits the "off season" would be considered the period when domestic stocks are lightest and prices relatively high. For domestic deciduous fruit the "off season" is, generally speaking, the late winter and early spring. In regard to citrus fruits, oranges, lemons, and grapefruit are available throughout practically the entire year although there are periods when the supplies are seasonably small.

Most vegetables are produced somewhere in the United States at all times of the year, but, with the principal exception of potatoes, which can be carried over in storage, there are definite "off seasons" for most kinds of vegetables in the fresh state; that is to say, there are periods when supplies of most fresh vegetables from domestic sources are distinctly scarce.

In making seasonal reductions in duties in connection with trade agreements, this seasonal variation in domestic supplies has been kept definitely in mind. For instance, in the case of tomatoes, the duty on imports from Cuba was reduced from December to February, which is the period when only a little more than 6 percent of the tomatoes from domestic sources are marketed. In the case of cucumbers, the duties were reduced for the same months during which only 1.3 percent of the total shipments of domestic cucumbers are made.

Senator DAVIS. I notice that Foreign Crops and Markets for December 28, 1936, shows that during the first 10 months of the Canadian agreement our agricultural exports to that country increased by $7,809,000 over 1935, the increase being almost equally divided between concession and nonconcession items. That report also showed that our agricultural imports from Canada during the same period of time increased $29,127,000. The increased imports of commodities on which duties were lowered were almost as much as the entire increase of our exports. I think that it would be extremely valuable if you would furnish the committee with a similar picture of our agricultural imports and exports showing concession and nonconcession products as separate totals for each of the countries with which we have trade agreements, making a comparison with a previous period just before the agreement took effect, as you have done for Canada.

Secretary WALLACE. Senator, we will be happy to submit those figures, but I would like to say in connection with submitting them that they would not be significant with regard to the point you have in mind for the reason which I have stated before, the reason of the droughts of 1934 and 1936, which have made this country an attractive market for imports and have placed this country under a disadvantage from the standpoint of exports. So the figures when submitted will be worthless from the standpoint of proving anything with respect to the point which you apparently have at issue. But we will be happy to submit the figures.

Senator VANDENBERG. Any such figures ought to be volume figures rather than price figures to mean anything.

Secretary WALLACE. Yes; we will be happy to submit both volume figures and price figures, Senator.

(Subsequently the following was submitted by the Secretary:)

AGRICULTURAL TRADE WITH TRADE AGREEMENT COUNTRIES

Cuba is the only trade agreement country other than Canada for which detailed figures are available regarding post-agreement trade in agricultural items directly affected by the agreement, as compared to a comparable preagreement period. During the second year under the Cuban agreement, September 1935 to August 1936, our exports to Cuba of agricultural products on which reductions in duty, increases in tariff preferences, or bindings of existing tariff treatment were accorded totaled $12,900,000, an increase of $5,200,000 or 68 percent, over the 12-month period preceding the coming into effect of the agreement on September 3, 1934. This increase would doubtless have been greater had it not been for the effect of the droughts of 1934 and 1936 in curtailing the supplies of many of our farm products.

Our imports from Cuba of agricultural products on which duties were reduced or existing duty-free treatment bound were valued at $99,033,000 during the second post-agreement year (September 1935 to August 1936), an increase of $60,808,000 or 159 percent over the preagreement year (September 1933 to August 1934). Most of this increase was accounted for by the increased value of sugar imports, which were valued at $84,403,000 during the September 1935–August 1936 period, against $26,916,000 in the corresponding preagreement period. During the 1935–1936 period our sugar imports totaled 1,732,000 short tons, against 1,043,000 short tons during the 12 months preceding the conclusion of the agreement.

However, these figures are deceptive inasmuch as our imports of sugar during the 12 months preceding the agreement were abnormally low, shipments from Cuba and imports into this country having been postponed until after the reductions in duty under section 336 of the Tariff Act and the trade agreement became effective, on June 8, 1934, and September 3, 1934, respectively. To arrive at a more accurate basis for comparison with our 1935–36 imports of 1,732,000 tons, valued at $84,403,000, we should go back to earlier years—over the 5 years from 1929 to 1933 our imports for consumption of sugar from Cuba averaged 2,492,000 short tons, valued at $74,435,000, while during the 5 years from 1924 to 1928 they averaged 3,746,000 short tons, with an average annual value of $215,666,000.

Virtually all of our agricultural exports of appreciable importance in the Cuban market are covered by the agreement, and insufficient data are available to permit a conclusive analysis of the trade in the minor items not directly affected by the agreement. Among agricultural imports from Cuba, molasses is the major item not directly affected by the agreement. Our imports of molasses from Cuba during the second year under the agreement (September 1935–August 1936) totaled 169,177,000 gallons, valued at $9,246,000, against 133,839,000 gallons, valued at $4,505,000, during the 12 months preceding the agreement. Improved economic conditions in the United States, the repeal of prohibition, and increased imports of invert sirups (since limited by quota) were the major factors accounting for the increase shown in the post-agreement period.

With regard to trade agreement countries other than Canada and Cuba, adequate detailed data for trade in the specific items affected by duty reductions are not now available. There are submitted herewith, however, as having a bearing on the influence of the trade agreements on our agricultural trade, certain preliminary figures for the first 11 months of 1936 showing total trade and total agricultural trade between the United States and the 12 countries[1] with which trade agreements were in effect during at least 6 months of 1936.

The total value of trade (exports and imports) between the United States and the 12 trade agreement countries for the first 11 months of 1936 rose 17 percent over the corresponding period of 1935. Trade between the United States and all other countries rose 10 percent for the same period. Both exports and imports rose more to the agreement countries than to the nonagreement countries. Thus imports from the trade agreement countries rose 20 percent, compared with 15 percent for the nonagreement countries; while exports rose 13 percent to the trade agreement countries, as compared with 6 percent to the nonagreement countries.

With respect specifically to agriculture the imports of agricultural products from the trade agreements countries rose 18 percent during the 11-month period of 1936, as compared to 14 percent for the nonagreement countries. The larger part of these agricultural imports from trade agreement countries consist of noncompetitive products, such as coffee and other tropical commodities, from Brazil, Colombia, and other Latin-American countries and of sugar from Cuba, the imports of which are limited by quota. Our agricultural exports rose 14 percent to the trade-agreement countries, while they decreased by 7 percent to the nonagreement countries.

The following table shows the actual value of the trade referred to by the percentages in the above analysis.

United States foreign trade with trade agreement countries compared with total trade (January-November 1935 and 1936)

	January-November—		Increase or decrease (—)
	1935	1936	
Domestic exports to 12 trade-agreement countries:[1]			
Total	$678,000,000	$768,000,000	$90,000,000
Agricultural	147,000,000	168,000,000	21,000,000
All other countries:			
Total	1,344,000,000	1,422,000,000	78,000,000
Agricultural	509,000,000	472,000,000	—37,000,000
Imports for consumption from 12 trade-agreement countries:[1]			
Total	758,000,000	910,000,000	152,000,000
Agricultural	405,000,000	477,000,000	72,000,000
All other countries:			
Total	1,101,000,000	1,271,000,000	170,000,000
Agricultural	611,000,000	695,000,000	84,000,000

[1] The 12 countries with which trade agreements were in effect for at least 6 months of 1936 are Cuba, Belgium, Haiti, Sweden, Brazil, Canada, the Netherlands, Switzerland, Honduras, Colombia, Guatemala, and France.

Senator DAVIS. You mentioned here a moment ago about the Cuban trade and the matter of sugar. It is my impression that the concession of Cuban sugar was made in the light of its quota under

[1] Cuba, Belgium, Haiti, Sweden, Brazil, Canada, the Netherlands, Switzerland, Honduras, Colombia, Guatemala, and France.

the Jones-Costigan Act. It is also my understanding that Cuba's quota has since been increased as a result of the reduction in the quota of imports from our insular possessions. Can you verify that for me? What increase has been made in the volume of sugar imports from Cuba since the agreement was signed?

Secretary WALLACE. Sugar is operating under a quota, Senator. We will get the figures. Undoubtedly there has been an increase since the period immediately preceding, but I do not know what it is.

(Subsequently the following was submitted by the Secretary:)

IMPORTS OF SUGAR FROM CUBA

The rate of duty on Cuban 96° sugar was 2 cents per pound under the Tariff Act of 1930. This rate was reduced to 1.5 cents on June 8, 1934, by Presidential proclamation under the authority of section 336 of the tariff act. Under the reciprocal-trade agreement with Cuba, effective September 3, 1934, the rate was further reduced to nine-tenths of a cent per pound.

However, these reductions are safeguarded by quantitative restrictions on the amount of Cuban sugar and other off-shore sugar which may be entered into the United States for consumption in any 1 year. The annual quotas to Cuba and to other off-shore areas are fixed by the Secretary of Agriculture under authority of the Jones-Costigan Act (approved May 9, 1934) and Public Resolution 109 (approved June 19, 1936).

The revised quotas for Cuban sugar for the 1934 and 1935 calendar years, in terms of 96° raw value sugar, were 1,866,482 short tons and 1,822,596 short tons, respectively. The original 1936 quota to Cuba was fixed at 1,852,575 short tons, but was later revised to 2,102,607 short tons. The upward revision in the 1936 quota to Cuba was due to increased consumption in the United States and to the inability of certain other areas to fill their quotas.

Our annual imports for consumption of sugar from Cuba during the 5 years preceding the trade agreement, 1929 to 1933, averaged 2,491,647 short tons, while during the predepression years of 1924 to 1928, they averaged 3,746,226 short tons. During only 2 years (1932 and 1933) of the period from 1921 to 1933 were our imports from Cuba less than the 1936 revised quota, while in the peak years of this period (1922 and 1926) they were approximately double.

Cane sugar: United States imports for consumption from Cuba

[Compiled from Foreign Commerce and Navigation of the United States and official records and publications of the U. S. Tariff Commission]

Year	Quantity	Year	Quantity
	Short tons		*Short tons*
1921	2,530,928	1930	3,040,353
1922	4,526,480	1931	2,408,911
1923	3,401,519	1932	1,800,769
1924	3,718,806	1933	1,551,859
1925	3,901,731	Trade agreement effective Sept. 3, 1934:	
1926	4,120,676	1934	1,861,977
1927	3,690,827	1935	1,995,536
1928	3,299,091	1936	1,925,807
1929	3,650,344		

Senator DAVIS. Did you make some transfer from the Hawaiian quota?

Secretary WALLACE. I don't know anything about that, Senator, I am sure.

Senator DAVIS. Don't you?

Secretary WALLACE. No; but we will see what we can get for you along that line.

(Subsequently the following was submitted by the Secretary:)

INCREASES IN CUBAN AND OTHER SUGAR QUOTAS RESULTING FROM INABILITY OF CERTAIN AREAS TO FILL THEIR QUOTAS

In 1936, as a result of the inability of the continental beet-sugar producers, and the Philippine and Virgin Islands cane-sugar producers, to fill their quotas, their deficiencies were proportionately allocated among the other producing areas in accordance with the provisions of the Jones-Costigan Act. Under these allocations, the original Hawaiian quota was increased by 64,084 short tons, the Puerto Rican quota by 55,150 short tons, the Cuban quota by 127,503 short tons, the Louisiana and Florida quota by 20,062 short tons, and the quota for foreign countries other than Cuba by 1,765 short tons.

In addition, as a result of increased consumption requirements in the United States, it was found necessary to make increases in the quotas of various of the supplying areas as provided for in the act. The Hawaiian and Cuban quotas, among others, were increased by 54,011 tons and 106,310 tons, respectively.

Due to the maritime strike on the west coast, the Territory of Hawaii was unable to deliver 26,482 tons of the increases granted it. This deficiency was subsequently allocated among the remaining areas, Cuba receiving 16,219 tons, Puerto Rico 7,015 tons, Louisiana and Florida 3,024 tons, and foreign countries other than Cuba 224 tons.

Senator KING. I suppose, if I may interject, that there has been a corresponding increase in purchases by Cuba of American commodities? She formerly purchased $400,000,000 worth of our commodities a year, and, owing to the depression there and the unfavorable economic and political conditions, the exports to Cuba diminished, but there has been, has there not, Mr. Secretary, a considerable increase in the imports into Cuba; that is, her purchases from the United States since the quota was changed with respect to sugar imports?

Secretary WALLACE. I think so, Senator; and, if I might observe, I think it would be well, in view of the fact that there will undoubtedly be before the committee opportunity to discuss the whole sugar problem, to put the sugar problem off by itself, because that is the only way in which the sugar problem can be treated satisfactorily; that is, to consider it as a whole and not especially as a part of this trade-agreement situation. It is a very detailed and intricate problem, as I am sure you are well aware.

The CHAIRMAN. Mr. Secretary, you have the Jones-Costigan law which fixes the quota from the various countries, and with all that you have done you can do nothing today in the way of trade agreements that will violate or change that law?

Secretary WALLACE. That is true, Senator.

Senator VANDENBERG. With regard to Senator King's observation, I think the record ought to show, in order to clear it up, that our imports from Cuba are $2.35 for every $1 of increased exports to Cuba.

Secretary WALLACE. Again, if I may interpolate, Senator, we have not been able to export quite as much of agricultural products to Cuba as we might because of the drought in the United States.

Senator DAVIS. Mr. Secretary, what proportion of our agricultural imports have been subject to these concessions?

Secretary WALLACE. I cannot answer offhand, but we will get that figure for you.

Senator DAVIS. On what proportion, then, of our exports have we received concessions; that is, agricultural exports?

Secretary WALLACE. We will likewise see if we can get that figure for you, Senator.

(Subsequently the following was submitted by the Secretary:)

PORTIONS OF UNITED STATES AGRICULTURAL IMPORTS AND EXPORTS DIRECTLY AFFECTED BY RECIPROCAL TRADE AGREEMENTS

IMPORTS OF COMPETITIVE AGRICULTURAL PRODUCTS

Duty-free agricultural commodities of a noncompetitive nature, principally coffee, cocoa beans, and bananas, make up well over half of our total imports of agricultural items directly affected by the trade agreements. After eliminating from consideration our trade in these noncompetitive items, we find that the United States has reduced duties or bound existing tariff treatment in the case of competitive agricultural products the imports of which were valued at $254,300,000 in 1929 and $106,000,000 in 1934, and which comprised approximately one-fourth of our total imports of competitive agricultural products in these years.

TABLE 1.—*United States: Value of total imports of competitive agricultural products, and value and percentage of competitive agricultural imports affected by reciprocal trade agreements*

	Value		Percent of total	
	1929	1934	1929	1934
Imports of competitive agricultural products on which duties were reduced or existing tariff treatment bound:			*Percent*	*Percent*
Imports of sugar from Cuba	$137,600,000	$55,200,000	13.1	13.4
Other imports	116,700,000	50,800,000	11.1	12.3
Total imports of competitive agricultural products affected by 14 trade agreements	254,300,000	106,000,000	24.2	25.7
Total imports of competitive agricultural products not directly affected by trade agreements	796,100,000	306,500,000	75.8	74.3
Total imports of competitive agricultural products	1,050,400,000	412,500,000	100.0	100.0

As table 1 shows, imports of sugar from Cuba comprise more than half of the total value of the competitive agricultural products directly affected by the trade agreements. Imports of Cuban sugar at the reduced rates of duty under the agreement with that country do not materially affect American agriculture, as our continental and insular producers are safeguarded by quantitative restrictions on the imports of sugar from Cuba.

If imports of Cuban sugar are eliminated from consideration, as has been done in table 2, our imports of competitive agricultural products directly affected by the trade-agreement program comprise somewhat more than one-eighth (12.8 percent in 1929 and 14.2 percent in 1934) of our total imports of competitive agricultural products.

TABLE 2.—*United States: Value of total imports of competitive agricultural products, excluding sugar from Cuba, with value and percentage of such imports affected by reciprocal trade agreements*

	Value		Percent of total	
	1929	1934	1929	1934
Total imports of competitive agricultural products, excluding sugar from Cuba, affected by 14 trade agreements	$116,000,000	$50,800,000	*Percent* 12.8	*Percent* 14.2
Total imports of competitive agricultural products not directly affected by trade agreements	796,100,000	306,500,000	87.2	85.8
Total imports of competitive agricultural products, excluding sugar from Cuba	912,800,000	357,300,000	100.0	100.0

EXPORTS OF AGRICULTURAL PRODUCTS

It is estimated that slightly more than one-eight of our total agricultural exports to the world are directly affected by the 14 trade agreements now in operation. Agricultural exports valued at $217,200,000 in 1929, and $101,500,000 in 1934, and accounting for 12.8 percent and 13.8 percent of our total agricultural exports in the respective years, are benefited by tariff reductions, increased quotas, or assurances against increase in existing tariff rates.

TABLE 3.—*United States: Value of total agricultural exports, and value and percentage of agricultural exports directly affected by trade agreements*

	Total agricultural exports			
	Value		Percent of total	
	1929	1934	1929	1934
Agricultural exports affected by tariff concessions or assurances in 14 trade agreements	$217, 200, 000	$101, 500, 000	*Percent* 12. 8	*Percent* 13 8
Agricultural exports not directly affected by trade agreement concessions or assurances	1, 475, 100, 000	631, 600, 000	87. 2	86. 2
Total agricultural exports	1, 692, 300, 000	733, 100, 000	100. 0	100. 0

In appraising the direct benefits of the trade agreements to our agricultural export trade, it is desirable to analyze separately the effect of the agreements on our agricultural exports excluding cotton. Due to the fact that most of the major consuming countries already admit cotton free of duty, or at nominal rates of duty, few direct concessions can be obtained for this commodity, which makes up almost half the value of our total agricultural exports. The value of the trade agreements program to cotton will necessarily be largely indirect, the result of increased purchasing power on the part of our foreign consumers of cotton, accruing from increased takings by the United States of their products.

If we exclude cotton, as in table 4, approximately 18 percent (17.7 percent in 1929 and 18.3 percent in 1934) of total United States exports of agricultural products other than cotton are directly benefited through the trade agreements program.

TABLE 4.—*United States: Value of total agricultural exports, excluding cotton, with value and percentage of such agricultural exports directly affected by trade agreements*

	Total agricultural exports, excluding cotton			
	Value		Percent of total	
	1929	1934	1929	1924
Agricultural exports affected by tariff concessions or assurances in 14 trade agreements	$163, 900, 000	$67, 000, 000	*Percent* 17. 7	*Percent* 18. 3
Agricultural exports not directly affected by trade agreement concessions or assurances	763, 600, 000	298, 900, 000	82. 3	81. 7
Total agricultural exports, excluding cotton	927, 500, 000	365, 900, 000	100. 0	100. 0

SUMMARY

The foregoing tables show that when sugar is deducted from our competitive agricultural imports and cotton from our agricultural exports, the value and share of United States agricultural exports directly benefited by the trade agreements program is substantially greater than the value and share of our competitive agricultural imports affected. The net result is that, after deducting Cuban sugar, imports of the competitive agricultural items affected by United States tariff concessions and bindings were valued at $116,700,000 in 1929 and $50,800,000 in 1934, and comprised but 12.8 percent and 14.2 percent of our total competitive agricultural imports other than sugar in these years. On the other hand, after deducting cotton from our agricultural exports, we find that the items benefited by concessions and assurances granted by foreign countries made up $163,900,000 and 17.7 percent of our agricultural exports other than cotton in 1929, and $67,000,000 and 18.3 percent of such exports in 1934.

Senator DAVIS. Can you tell the committee what specific advantages for American agriculture you expect to get by the continuance of the trade agreements? That is the real question that is uppermost in my own mind.

Secretary WALLACE. Yes, Senator. The objective of the trade-agreements program is to relate this country as rapidly as can be done without substantial injury to any interest, whether manufacturing or agricultural, to the fact that it is a creditor nation and not a debtor nation. That is something that cannot be done rapidly, but must be done, or we shall have, by a stumbling process of one sort or another, again to put ourselves in the position of a debtor nation.

We either have to learn to live with the wealth of commodities that can be ours if we act sensibly, or else to reduce ourselves again to the position of a debtor nation.

A reciprocal trade-agreement policy is, I am convinced, by all odds the most sensible approach to making this profound readjustment. I cannot think of a more sensible approach to the problem.

I, therefore, look on agriculture as a part of this broad, general approach. I feel that the most serious disadvantage would come to agriculture if short-term policies of one sort or another were adopted, we will say in vast loaning abroad, such as we engaged in during the decade of the 1920's—that is, the device that was used then. If we had a resumption of that, together with a jacking up of tariffs of all kinds, both manufacturing and agricultural, I would anticipate that we would come to the end with an even greater crash than that of 1929, which would be to the most serious disadvantage of agriculture.

Therefore, I think that the present approach, with agriculture giving a little here and there as might be necessary with agriculture feeling she is a part of the whole economic system, and with manufacturing giving a little here and there, but with no substantial injury done to any group, as no substantial injury has been done, that we might slowly and gradually work this thing around so we can live with the maximum of actual commodities available of the sort that we want, and I genuinely believe that that would make for the welfare of all concerned and that agriculture will participate in the welfare.

I anticipate great benefits for agriculture out of this because this is a part of the whole movement toward peaceful relationships with the rest of the world. It is setting an example of breaking down barriers to the rest of the world. It makes for peace, and there is no group that has a greater interest in movements that make for peace than the agricultural group, because there is no group that suffers more from the aftereffects of war than the agricultural group, I think the most significant fact of all in connection with the trade agreements is the fact that it is leading in the direction of peace instead of in the direction of hard feelings as between nations.

The CHAIRMAN. Mr. Secretary, there is some anxiety on the part of some people with reference to the pending Argentine treaty or agreement wherein this proposed Argentine agreement seeks to change the policy that has been adopted by this country of a quarantine against a whole country, not a quarantine against certain inspected areas in the country.

What is the effect on the cattle industry of that proposed understanding and what part does it play in the consideration of these agreements?

Secretary WALLACE. It was my understanding that that treaty was before Senator Pittman's committee.

The CHAIRMAN. It is. It has been brought into this matter and the cattle people raised some question about the negotiated agreement, I think, because of this treaty.

Secretary WALLACE. I think it is a complete misunderstanding on the part of the cattle people. It has no bearing on this, and I should think it should not be discussed here.

Senator CAPPER. For more than a year, Mr. Secretary, the livestock organizations in my part of the country have been protesting against the ratification of that Argentine convention.

They are greatly alarmed about it, and they cannot understand why the United States should not have the privilege of demanding restrictions against the admission of cattle from foot-and-mouth diseased sections, just as they have had them in the past.

They are satisfied with the arrangements that now exist and they think that it ought to continue as we now have it.

It seems that the Argentine was very much pleased with the pending convention, but I know that the livestock organizations of Kansas and the Southwest are very much opposed to it; that they have gone on record by unanimous action in opposition to it.

Secretary WALLACE. But it has nothing to do with what we are discussing, Senator.

The CHAIRMAN. Not a thing.

Senator KING. Let me make this observation, Senator Capper, if I may, which I think illustrates the misconception existing on the part of the cattle interests, because I have had some complaints also.

A number of years ago, embargoes were placed by Great Britain and other countries upon the whole United States because of some trouble in California regarding foot-and-mouth disease. We took it up with the respective countries and got them to withdraw the embargo, but to continue in a modified form in the infected area; in other words, segregated the infected area from the whole United States.

Now, in the Argentine, they do not want an embargo on the whole Argentine, on the imports of mutton, because in some particular States of the Argentine, segregated from the rest of the country, there is some infection.

So there has b-en imported into the United States and other countries a small amount of mutton from Patagonia where th-re is no possible infection, never has been, and probably never will be, but they fear that if we establish the same doctrine which we have insisted upon establishing, of segregating the infected area from the rest of the country, that if we accept that view, then some mutton will come in from Patagonia where there is no infection, although perhaps in some other part of the Argentine there may be some little infection.

It seems to me the policy of segregating the area that is infected from the entire community or the entire State is a wise one.

We have insisted upon it and got the benefit of that quality rather than to put on an embargo against the whole Nation.

Senator CAPPER. We have got along pretty well for 20 years with the policy now in effect, and the livestock producers want to continue under that arrangement.

Senator VANDENBERG. Mr. Secretary, may I ask you just one further question? When we put an excise tax on imported coconut oil, there was an immediate and tremendous increase in the imports of babassu nut oil from Brazil. [Laughter.] Is that as funny as it sounds?

Secretary WALLACE. My memory was merely going back some 4 or 5 months ago, Senator, to the first time when I ever——

Senator VANDENBERG. If 4 or 5 months takes you back to November, I do not blame you for that. The American farm interests that are jealous of our domestic vegetable oils see a grave menace in this Brazilian import. Can you comment on that with a straight face? [Laughter.]

Secretary WALLACE. Yes; at one time I looked into the babassu figures in very great detail, but I do not remember them with accuracy. The total volume was such a small segment of the vegetable oil imports that the thing had no significance. I can say that in summary.

Senator VANDENBERG. You stand on that now?

Secretary WALLACE. Yes; I stand on it now. I am not saying anything about the future. I do not know the trend of babassu-nut production.

Senator VANDENBERG. You do not need to worry about the future, because the State Department has fixed it so that we cannot do anything about it.

The CHAIRMAN. What is babassu oil?

Senator DAVIS. It is a substitute for coconut oil.

The CHAIRMAN. I thought I knew of every kind of oil that is in the dictionary, but babassu is left out. What is it made from?

Secretary WALLACE. It is a kind of a palm nut that comes from Brazil that has a very hard shell. I think the increase in imports came very largely as the result of—what was it? Was it the result of shutting out the whale oil?

Senator KING. Perilla oil?

Secretary WALLACE. I do not think so, Senator. I do not believe it was.

Senator KING. There is rape-seed oil and perilla oil, which were substitutes for it.

Secretary WALLACE. It is possible to get exact information on this.

The CHAIRMAN. Is it a vegetable oil?

Senator VANDENBERG. It is a nut.

Secretary WALLACE. Here is a little statement with regard——

Senator VANDENBERG. This is from the State Department, is it not?

Secretary WALLACE. No; it is not from the State Department. This is from the Agricultural Department.

Senator VANDENBERG. I was anxious to get the Agricultural Department's view of it rather than the State Department.

Secretary WALLACE. As a matter of fact, this is an extract from a speech made by Mr. Wheeler, of the Agricultural Department, before the Northeastern Dairy Conference at Baltimore on January 28, 1937:

Before leaving the matter of concessions made by the United States on dairy products, or substitutes therefor, in the trade agreements, I should like to refer very briefly to the subject of babassu nuts.

Senator VANDENBERG. The date of this speech is a year ago?

Secretary WALLACE. No; it is about a week ago—January 28, 1937.

Senator VANDENBERG. Fine.

Secretary WALLACE (continuing):

In this case, it will be recalled that in the Brazilian agreement the United States agreed to continue babassu nuts on the free list. Babassu nuts were not placed on the free list. They were already there. But this action did have the effect of causing Congress to except babassu nuts when the general upward revision of excise taxes on vegetable oils was made in the last revenue act.

Due to this fact and to the high prices of competitive domestic oils and fats, there was a substantial increase in the imports of babassu nuts in 1936. In the first 11 months of the year, the oil equivalent of the imports of babassu nuts was approximately 33,000,000 pounds, of which around 1[illegible],000,000 pounds went into the production of oleomargarine. This latter figure represents about 5 percent of the fats and oils going into oleomargarine during this period. But the important thing is that these imports have probably not resulted in any significant increase in oleomargarine production. They have simply replaced a relatively small amount of other imported or domestic oils.

In short, the significance of the imports of babassu nuts, with respect to the American dairy industry has been greatly exaggerated.

Senator VANDENBERG. The statement says it did replace domestic production to some degree?

Secretary WALLACE. Five percent of the amount of other oils and fats. It does not state as to whether they were imported or domestic that got into oleomargarine.

Senator VANDENBERG. At any rate, you think that is all right?

Secretary WALLACE. I think it is an insignificant matter.

Senator KING. That may increase our exports to Brazil, and as to that extent aid the farmers as well as the manufacturers.

Senator VANDENBERG. It may.

Senator KING. Yes; and probably will.

Secretary WALLACE. I would think, Senator, to an equally small extent.

Senator CAPPER. Mr. Secretary, I got from the State Board of Agriculture in Kansas—I think you are familiar with that set-up—this resolution the other day:

We believe the act authorizing reciprocal trade treaties should be amended to require ratification by the United States Senate and also recommend the elimination of the most-favored-nation clause. Countries enjoying wide outlets in the American market of commodities on the free list should be required to take in exchange commodities produced in the United States which they need.

You may have touched on this before I came in, but this is, as I think you know, a very representative farm group, entirely nonpartisan in character, and made up of representatives of the three big farm organizations. They informed me that this was passed unanimously.

I wish you would tell me just what good reason there is——

Secretary WALLACE. In brief, my comment merely would be this, Senator, that if there was adopted the program which they describe, the results, in my opinion, would be very disappointing in the long run to the Kansas wheat farmer.

Senator CAPPER. I think the farm groups generally intend to take this view of it, that the——

Secretary WALLACE. It would be a very fine thing indeed if they had the opportunity of going in full and careful detail—if certain representatives of this group had an opportunity, with a wholly open mind concerning their own future welfare, to go into detail into the provisions of the most-favored-nation clause as it affects agriculture and the trade generally, to study the information which the State Department has.

It is a very detailed and intricate thing and I am convinced that if they would take the time to go into it in detail, they might reach quite a different conclusion.

Senator CAPPER. These farm groups believe that these trade agreements should have the same consideration that other treaties and conventions and pacts have when presented to the Senate. Of course, they are eliminated from this consideration by this reciprocal trade agreement.

Secretary WALLACE. I do not see anything in the trade agreement, Senator, that is in any way prejudicial to agriculture.

As a matter of fact, the trade agreements in operation, in my opinion, have resulted in giving agriculture somewhat greater benefits than industry has obtained. That is my opinion as the result of a study which I asked to be made as to the change in average ad valorem rates, on industrial and agricultural products.

I think agriculture has been given treatment on the whole somewhat better than industry, not a great deal different but somewhat better. I think agriculture has been given a square deal.

Senator CAPPER. There is a feeling in our part of the country that these trade agreements have been helpful and they are not criticizing that, but they believe that it has been at the expense of agriculture.

Secretary WALLACE. I would like to read this:

> Taking the principal schedules in the tariff act covering manufactured products (eartherware. glassware, metals, and textiles), the ad valorem equivalent of the duties established under the Tariff Act of 1930, on the basis of 1934 trade, was 42.4 percent. This ad valorem equivalent, taking into account the reductions made in the trade agreements, would have been 38.6 percent.

The effect of the reciprocal tariff agreements now in effect would have reduced the ad valorem rates on the industrial products from 42.4 percent to 38.6 percent. [Continuing:]

> In the case of the principal schedule covering agricultural products, the ad valorem equivalent of the duties established in the 1930 Tariff Act on the basis of 1934 imports was 38.5 percent. Taking into account the reductions in rates made in the trade agreements, this figure would have been 36.8 percent. In other words, the duties on manufactured goods have been reduced approximately 9 percent through the trade agreements, whereas the duties on agricultural products have been reduced only 4 percent.

Senator VANDENBERG. The percentage would not give any idea except as you applied it to the base figure and found out what the net results were, would it?

Secretary WALLACE. Yes; I would say that it is true, Senator. But I would again suggest that in considering these things on the basis of the past 2 years, you take into account the drought.

The CHAIRMAN. If there are no other questions, Mr. Secretary, we thank you for appearing before the committee.

There is a gentleman here who is on the calendar for tomorrow, but we might proceed with him today. Mr. Mollin desires to be heard. Mr. Mollin represents the American National Livestock Association, I understand.

STATEMENT OF F. E. MOLLIN, DENVER, COLO., REPRESENTING THE AMERICAN NATIONAL LIVE STOCK ASSOCIATION

The CHAIRMAN. What position do you hold with the American National Live Stock Association, Mr. Mollin?

Mr. MOLLIN. Secretary.

The CHAIRMAN. Where is your home?

Mr. MOLLIN. Denver.

The CHAIRMAN. All right; you may proceed.

Mr. MOLLIN. I represent the American National Live Stock Association, with headquarters at Denver, Colo. It is a voluntary association composed largely of cattle growers in the 17 range cattle-producing States west of the Missouri River, and with membership also in the State of Louisiana and a few scattered members in other States immediately east of the Missouri River.

Before starting with my testimony, I should like permission to put in the record a letter from Mr. F. R. Marshall, secretary of the National Wool Growers Association, with headquarters at Salt Lake City, Utah. This association serves the sheep growers in the same capacity that we serve the cattle growers, and the letter quotes a resolution adopted by that organization at its recent annual convention at Albuquerque, N. Mex., on January 26, 1937.

The CHAIRMAN. That letter may be inserted in the record.

(The letter referred to follows:)

NATIONAL WOOL GROWERS ASSOCIATION,
Salt Lake City, Utah, February 8, 1937.

To the CHAIRMAN, UNITED STATES SENATE COMMITTEE ON FINANCE.

DEAR SIR: We understand that your committee is soon to open hearings upon the bill to extend the Reciprocal Trade Agreement Act of 1934. On behalf of the members of the National Wool Growers Association, we would greatly appreciate it if you would have placed in the record of the hearings the following statement which was unanimously adopted at the seventy-second annual convention of this association at Albuquerque, N. Mex., on January 26, 1937:

The National Wool Growers Association, in convention assembled at Albuquerque, N. Mex., on January 26, 1937, joins all other national agricultural organization in o, posing the extension of the Reciprocal Trade Agreement Act, Public, No. 316, Seventy-third Congress.

The ill effects flowing from these agreements have paralyzed some of our industries and alarmed all producers of agricultural commodities.

Agriculture has been and will continue to be the chief sufferer from this policy which increases imports of agricultural commodities produced in the United States sufficient to supply the Nation's needs.

We submit that, under the trade agreements thus far negotiated, the imports of agricultural products have greatly exceeded the exports by many millions of dollars, which in the case of one agreement alone amounted to $7,000,000.

Under these agreements the unfavorable balance of trade has been greatly increased, which creates an unsound national economic condition.

Respectfully submitted.

NATIONAL WOOL GROWERS ASSOCIATION,
F. R. MARSHALL, *Secretary*.

Mr. MOLLIN. I appeared before your committee in 1934, when the original act was under consideration, and expressed the fear that the exports of industrial products under the trade-agreement plan might be expanded and paid for in part, at least by the imports of agricultural commodities which we produce here at home. The lowering of the tariff on cattle and other agricultural duties in the agreements executed up to date, and especially the Canadian agreement, shows that it has been found necessary to make concessions on such agricultural products as cattle, in order to work out agreements with countries whose major export consists of agricultural products. Our association has expressed itself by formal resolution as being opposed to this policy and urging either the repeal of the act or confirmation of any agreements entered into by the United States Senate.

I might say there that we are not in the surplus producing class. The cattle industry of this country has been on a domestic basis for many years. We went off the export basis 25 years ago. We have had minor imports since that time, depending largely upon the tariff and the situation of the price level in this country.

Senator KING. Have we ever exported hides?

Mr. MOLLIN. We export some, but we import many more than we export.

We do not claim that the Canadian agreement by itself will ruin the American cattle industry. Of course we have had some imports of cattle from that country and from Mexico for many years, but these imports have been regulated, partly by the supply-and-demand situation and partly by the tariff in effect.

We do claim that the imports from Canada during the past year have adversely affected market prices in this country and that the concentration of the greater portion of the quota in a short space of time, together with manipulation unduly to stress the Canadian importations, has caused prices to be affected out of all proportion to the actual numbers involved, and I think the record clearly shows this to be a fact.

The CHAIRMAN. Do you disagree with the statement made yesterday by Dr. Sayre that on that character of importation from Canada, that the price had declined less than it had on the other character?

Mr. MOLLIN. No; I do not disagree with that statement. The fact of the matter is, however, that the seasonal trend of prices on well-finished cattle during the spring of the year is downward, because that is when our feed lots from all over the Corn Belt are being emptied, while the seasonal trend on the class of cattle which comes from Canada largely during that same period of year is normally upward, but that seasonal trend was reversed last spring.

If you desire it in the record, you could get it from the Bureau of Agricultural Economics—I have it here in my brief case—which shows that fact.

We did not follow the normal seasonal trend last spring. The downward trend on good cattle went sharply downward. I do not claim this is all due to the Canada agreement, but I think it is partly due to that.

The total importations of cattle into this country for the year 1934 were 66,138 head; 1935 were 378,124 head; 1936 were 410,299 head.

The Canadian agreement, effective January 1, 1936, was entered into with full knowledge that the Bureau of Agricultural Economics had forecast late in 1935 increased receipts of fat cattle during the first half of the year 1936 and lower markets to correspond. While the Bureau had the right slant, it underestimated the increase in slaughter, because, as a matter of fact, the cattle slaughter under Federal inspection in the year 1936 was the largest ever recorded in this country with the single exception of the year 1918, while the calf slaughter was the largest ever recorded.

That is pretty good evidence of the fact that we had the largest slaughter last year that we ever had, with the single exception of the year 1918, that we are producing an ample supply of cattle in this country, and although the Government purchased some 8,000,000 cattle during the drought 2 years ago, the census figure of January 1, 1936, showed more than 68,000,000 cattle in this country.

I think the new figure for January 1, 1937, will be out very shortly, and while they do not give information in advance, I understand that they do not expect any decrease. Perhaps a slight increase during the past year, despite that heavy slaghter last year.

The CHAIRMAN. How is the price now as compared with, say, 6 months ago?

Mr. MOLLIN. The price is much better now than it was 6 months ago.

Senator KING. I have received a number of letters from housewives or from families, here and elsewhere, during the past year, complaining of the high prices they have had to meet. Not only for round steak, but the finer cuts, in fact, all branches, if I may use that expression, of the meat that they purchased. Is there any reason for those complaints?

Mr. MOLLIN. I think there would be, from my experience around the city in the last 2 weeks. The price of round steak—you spoke of that—but that is not a cheap cut, Senator. It is preferred by many housewives because there is so little waste to it. All of the waste is around that little bone. While it used to sell much cheaper than the choicer cuts, in many meat markets today you will find that they ask the same price for round steak as they do for some of the choicer cuts.

Senator KING. These complaints related to all cuts. Many of them—I do not like to divide the American people into classes—but many of them came from the working class, if I may use that expression.

Mr. MOLLIN. The greatest trouble with our industry is the spread between what we get and what the consumer pays, and that is the reason, more than any other reason, why our industry was strongly opposed to a processing tax on cattle and we were fortunate that we did not have a processing tax on cattle.

We just cannot keep that spread where it ought to be, without having any undue influence to widen. It is a difficult problem.

You remember some years ago, Senator Capper conducted an investigation on that very subject, I believe, here in Washington.

It was perhaps 5 years ago. I recall attending that conference.

Senator KING. May I ask another question? Does it tend to limit this spread as a result of the erection of smaller units, of smaller slaughtering houses in the various parts of the United States?

Mr. MOLLIN. Well, I do not think that has so much to do with the spread. I think what has more to do with this wide spread is having too many retail units. These people operate, they have to have so much to live on, and if their volume is reduced, they just take a wider margin. We have had the chain stores going into the meat business. I think we have too many retail outlets and I think that that has more to do with the cost to the consumer than the situation in regard to the packer. Although I would favor a spreading out of the packing industry, and probably it would help to the end that you have mentioned.

Seventy and two-tenths percent of the quota of 155,799 head of cattle weighing more than 700 pounds as established in the Canadian agreement, or 109,408 head, entered this country in the 4 months March to June, inclusive. This is, last spring 24¾ percent, or 37,887 head, entered in the month of April alone. Large numbers of these cattle were received at the St. Paul and Buffalo markets. I have carefully examined the official Government reports as to market conditions at St. Paul during the months in question, and find repeated instances where from 50 to 125 loads of Canadian cattle were received at that market on Monday, and in almost every instance the market slumped sharply with trading very slow and considerable numbers held over. Our central market system is such that a condition of this kind on any one market is immediately reflected by wire to all the other markets and hence my statement that the Canadian importations had an influence on price out of all proportion to the actual numbers involved.

Now, I have here a statement which I prepared last summer. It is based on the official records of the St. Paul market, official Government reports, and I would like to have it put in the record without taking the time or opportunity to read it.

If you want some information about what the Canadian receipts did at the St. Paul market, that shows it.

The CHAIRMAN. That may be put into the record.

(The matter referred to follows:)

EFFECT OF CANADIAN IMPORTATIONS ON DOMESTIC CATTLE MARKETS

St. Paul, Monday, Apr. 6, 1936

Cattle receipts, South St. Paul	5,600
Total cattle receipts for 7 markets (South St. Paul, Chicago, Kansas City, Omaha, East St. Louis, St. Joseph, Sioux City)	44,600
Actual cattle receipts (7 markets) week ago	55,556
Actual cattle receipts (7 markets) year ago	42,631

St. Paul.—Receipts Canadian cattle about 80 cars, some of these being holdovers from late last week. Trade at a standstill during much of the forenoon, despite decrease in supplies around the Midwestern market circle. Clearance still incomplete at most points around the noon hour, as salesmen felt additional declines lacked justification.

Chicago.—Moderate receipts of cattle more than offset the depressing influence of religious holidays. At the finish, some weakness had crept into the trade and sales of medium and lower grade steers indicated that most of the early strength had disappeared.

St. Paul, Monday, April 13, 1936

Cattle receipts, South St. Paul	3,500
Total cattle receipts for 7 markets (South St. Paul, Chicago, Kansas City, Omaha, East St. Louis, St. Joseph, Sioux City)	46,500
Actual cattle receipts (7 markets) week ago	46,169
Actual cattle receipts (7 markets) year ago	46,937

St. Paul.—Canadian receipts some 55 cars, part of these holdovers from Saturday. Market mostly steady on medium grade fed steers; 10 to 15 cents lower on better grades. Many loads still in first hands as afternoon opened.

Chicago.—Market ruled 15 to 25 cents lower on kinds of value to sell at $8.50 upward. Comparatively scarcity led the handful of lower grades to sell not only steady but rather actively at $8 downward.

St. Paul, Wednesday, Apr. 15, 1936

Cattle receipts, South St. Paul	4,300
Total cattle receipts for 7 markets (South St. Paul, Chicago, Kansas City, Omaha, East St. Louis, St. Joseph, Sioux City	28,100
Actual cattle receipts (7 markets) week ago	23,044
Actual cattle receipts (7 markets) year ago	25,045

St. Paul.—Canadian receipts around 60 cars. Slaughter steers and fed yearlings comprised the greatest share of the day's run. Most sales 15 to 25 cents lower, but some bids showed greater downturns and numerous carloads were still unsold around 1:30 p. m.

St. Paul, Monday, Apr. 20, 1936

Cattle receipts, South St. Paul	6,900
Total cattle receipts for 7 markets (South St. Paul, Chicago, Kansas City, Omaha, East St. Louis, St. Joseph, Sioux City)	63,600
Actual cattle receipts (7 markets) week ago	48,837
Actual cattle receipts (7 markets) year ago	50,615

St. Paul.—Canadians, about 125 cars on hand, part of these being hold-overs. The only question about lower prices was apparently a matter of degree or extent, most buyers favoring a flat 50-cent reduction for slaughter steers, while salesmen felt that around 25 cents was more nearly justified and trading was very slow to be established, with the greater share of steers and yearlings still unsold about noon. Limited selling was at 25 to 50 cents lower levels.

St. Paul, Thursday, Apr. 23, 1936

Cattle receipts, South St. Paul	4,600
Total cattle receipts for 7 markets (South St. Paul, Chicago, Kansas City, Omaha, East St. Louis, St. Joseph, Sioux City)	23,000
Actual cattle receipts (7 markets) week ago	21,935
Actual cattle receipts (7 markets) year ago	18,704

St. Paul.—Receipts, Canadians, approximated 60 loads, largely steers of medium and lower grades. Trade was draggy on the general run of slaughter steers, barely steady mostly, although strictly corn-fed native steer yearlings worked out firm, due partly to scarcity.

Chicago.—Canada had cattle here, mainly through St. Paul. The small run of Canadians here sold at $7.25 to $8.35 but other markets, notably St. Paul, saw a liberal run of "canucks", there being approximately 125 loads at that market on Monday, as well as 1,300 head at Buffalo. Thus the crop of Canadian cattle was an item in beef tonnage figures even if a moderate supply is being moved direct to Corn Belt feed lots.

St. Paul, Monday, April 27, 1936

Cattle receipts, South St. Paul	6,200
Total cattle receipts for 7 markets (South St. Paul, Chicago, Kansas City, Omaha, East St. Louis, St. Joseph, Sioux City)	47,800
Actual cattle receipts (7 markets) week ago	64,286
Actual cattle receipts (7 markets) year ago	41,399

St. Paul.—Canadians, about 110 loads, mostly steers, with some she stock. Slaughter steer and yearling trade was slow, but most sales worked out about steady. Undertone weak on the part of big killers, especially for the bulk of medium-grade Canadian steers.

Chicago.—Most of the crop were medium to good-grade steers of value to sell at $9.25 down late last week—this is what the cattle brought today on a steady to strong, but very slow, market.

Chicago, Thursday, April 30, 1936

Not only natives but Canadians are running rather freely, most of the latter cattle stopping at St. Paul and Buffalo.

St. Paul, Monday, May 4, 1936

Cattle receipts, South St. Paul	5,600
Total cattle receipts for 7 markets (South St. Paul, Chicago, Kansas City, Omaha, East St. Louis, St. Joseph, Sioux City)	50,100
Actual cattle receipts (7 markets) week ago	45,826
Actual cattle receipts (7 markets) year ago	43,868

Chicago, Wednesday, May 6, 1936

As partly explaining the recent beef pile-up, the trade is pointing to recent liberal runs of Canadian cattle at Buffalo and St. Paul. A good many Canadian steers at Buffalo had to be carried over on last Monday's market when other trade centers were congested. Fat cattle are also moving freely out of the Lancaster, Pa., district, part of these being originally Canadians, according to unofficial reports.

St. Paul, Thursday, May 7, 1936

Cattle receipts, South St. Paul	4,500
Total cattle receipts for 7 markets (South St. Paul, Chicago, Kansas City, Omaha, East St. Louis, St. Joseph, Sioux City)	23,900
Actual cattle receipts (7 markets) week ago	21,293
Actual cattle receipts (7 markets) year ago	14,995

St. Paul.—Receipts, Canadians, 75 cars, mostly steers. A few better finished yearling steers and heifers sold early at near steady rates. Otherwise the market was hardly established on the majority of slaughter steers and butcher she stock before the noon hour. Scattered sales appeared around 25 cents lower, with bids mostly that much or more off, and the bulk of the supply still in first hands around 12:30 p. m. and numerous loads of steers still without bids.

Chicago.—The fed and yearling trade more nearly approached a state of complete collapse than at any time within recent weeks. While steers were more affected than other classes, there was a pronounced break all through the list. Canadian steers ran freely at St. Paul and Buffalo, but only five or six loads showed up locally to sell at $7.25 to $7.40.

St. Paul, Monday, May 11, 1936

Cattle receipts, South St. Paul	4,300
Total cattle receipts for 7 markets (South St. Paul, Chicago, Kansas City, Omaha, East St. Louis, St. Joseph, Sioux City)	35,400
Actual cattle receipts (7 markets), weeks ago	52,615
Actual cattle receipts (7 markets), year ago	38,981

St. Paul.—Canadians, about 60 cars, some of these being hold-overs. Buyers were practically without interest in fresh purchases except at material and in some sharp reductions, while salesmen had anticipated recovering part of last week's sharp losses due to lighter receipts. Bids were frequently as much as 50 cents off on the rank and file of steers and yearlings, and the majority still in first hands when the afternoon began.

St. Paul, Monday, May 25, 1936

Cattle receipts, South St. Paul	4,700
Total cattle receipts for 7 markets (south St. Paul, Chicago, Kansas City, Omaha, East St. Louis, St. Joseph, Sioux City)	43,300
Actual cattle receipts (7 markets), week ago	34,945
Actual cattle receipts (7 markets), year ago	45,181

St. Paul.—Canadians, about 60 loads, mostly steers of medium quality and finish. Weightier steers, particularly lower quality offerings, were harder to move, and many were still unsold around the noon hour, Canadians included, resisting weak to lower bids.

St. Paul, Monday, June 1, 1936

Cattle receipts, South St. Paul	6,500
Total cattle receipts from 7 markets (South St. Paul, Chicago, Kansas City, Omaha, East St. Louis, St. Joseph, Sioux City)	47,400
Actual cattle receipts (7 markets) week ago	43,759
Actual cattle receipts (7 markets) year ago	43,639

St. Paul.—Canadians, 78 loads. With supplies running largely to slaughter steers, that part of the trade was very draggy. Limited sales occurred around 25 cents lower, with finished yearlings or steers about 900 pounds down showing less decline, while long yearlings and weightier beeves received bids up to about 40 cents off, and the majority of all offerings still unsold around 1 p. m.

St. Paul, Monday, June 15, 1936

Cattle receipts, South St. Paul	5,800
Total cattle receipts for 7 markets (South St. Paul, Chicago, Kansas City, Omaha, East St. Louis, St. Joseph, Sioux City)	45,700
Actual cattle receipts (7 markets) week ago	44,393
Actual cattle receipts (7 markets) year ago	36,160

St. Paul.—Canadians, 75 cars, largely weightier steers. Weights around 1,000 pounds down developed about steady prices, while heavier kinds remained draggy and weak, with bids frequently lower and many still in first hands when the afternoon began.

Senator VANDENBERG. The effect of the memorandum is to demonstrate that these St. Paul imports broke the price; is that correct?

Mr. MOLLIN. Yes, sir. And at that market, and three or four times a day, a condition of that kind at that market in St. Paul is wired to every one of these other central markets.

The CHAIRMAN. Is St. Paul the big market?

Mr. MOLLIN. It is the big market for beef cattle coming from Canada. It is not the biggest market in this country, but I have used St. Paul because that is where so many of these Canadian cattle stop. Some Canadian cattle enter at Buffalo, but I did not study the Buffalo market.

However, it is my understanding that a good many of the Buffalo cattle were not finished cattle. More of the lighter cattle came in at Buffalo, where St. Paul gets the heavier cattle.

The CHAIRMAN. Does the St. Paul market influence the price of the Chicago market?

Mr. MOLLIN. Yes, sir; it is a tie-up. If we had independent packers at each one of these markets, it would not make so much difference, but with the same buyers in every market——

The CHAIRMAN (interposing). You have not the same data as to the Chicago market?

Mr. MOLLIN. No; there were not enough Canadians; and occasionally enough Canadians showed up to have special mention made of them. But St. Paul gets the bigger end of the heavy cattle from Canada.

Senator VANDENBERG. And was the St. Paul repercussion reflected in Chicago?

Mr. MOLLIN. Yes, sir.

Senator KING. Breaks in the market frequently occur, do they not, where there is a very large shipment from some of the corn-fed States?

Mr. MOLLIN. Surely. I do not claim that this whole decline last spring was due to the Canadians, because we had enough cattle of our own and we did not need the Canadian. That is the position we take.

Under that condition, when we had a very large supply of our own cattle coming from our own feed lots, pushing 109,000 additional cattle into our markets in 4 months' time—in March, April, May, and June—just had an effect that was greater than that number would ordinarily have.

Therefore, incidentally, I have filed an application with the Committee on Reciprocity Information this week urging that that quota be spread out. It would be for the benefit of the Canadian producers as well.

The CHAIRMAN. You mean spread out over the year?

Mr. MOLLIN. Yes; a monthly average. Not necessarily 8⅓ percent each month, but if they would limit it to 12½ percent each month so that it would take at least 8 months for the entire quota to come in.

The CHAIRMAN. You knew when this agreement was being negotiated?

Mr. MOLLIN. Not by direct notice.

The CHAIRMAN. You had the knowledge?

Mr. MOLLIN. Yes; we got the information from a Senator's office and the State Department refused to notify us directly, but I am happy to say that they have notified us that they will now give us direct information in the future.

The CHAIRMAN. You understood that consideration was being given to a Canadian agreement?

Mr. MOLLIN. Yes.

The CHAIRMAN. Did you appear before them?

Mr. MOLLIN. I think we filed a brief. It was not possible for me to be personally here. We suspected that cattle were to be included, but we did not know it. Now, they have changed that rule.

The CHAIRMAN. You filed your brief on the cattle proposition?

Mr. MOLLIN. Yes, sir.

Senator VANDENBERG. But you never had a chance to file a brief or make an argument to the specific thing that was intended to be done?

Mr. MOLLIN. No; we did not know what was going to be done. We just had to suspect.

The CHAIRMAN. The present tariff on importation of cattle, I think, 700 pounds and over, is what?

Mr. MOLLIN. It is 3 cents a pound.

The CHAIRMAN. And this reciprocity agreement makes it 2 cents?

Mr. MOLLIN. Yes, sir; on 155,000.

The CHAIRMAN. Then it limits it to 156,000 head a year. That is true, is it not?

Mr. MOLLIN. Yes, sir; on that particular class.

The CHAIRMAN. Did you advocate a higher tariff rate than 3 cents?

Mr. MOLLIN. You mean when the Smoot-Hawley bill was written?

The CHAIRMAN. Yes.

Mr. MOLLIN. I do not remember what we asked for, but we got 3 cents a pound.

The CHAIRMAN. My information is that the cattle people got what was requested. They were quite liberal in consideration of the Smoot-Hawley tariff.

Mr. MOLLIN. We got a half a cent increase in the House and one-half a cent in the Senate.

The CHAIRMAN. In the Fordney-McCumber Act, which was a pretty high proposition itself—Mr. Fordney was a fine gentleman from Mr. Vandenberg's State, but he was a higher protectionist even than our friend over here. His bill carried that?

Mr. MOLLIN. Senator, I have only been in this work since 1929. I started in on the Smoot-Hawley tariff.

The CHAIRMAN. I will tell you what it was in that bill. It was 2 cents just the same as is carried in this Canadian agreement.

Mr. MOLLIN. I should have known that, because I knew that was the provision.

The CHAIRMAN. All right; proceed.

Mr. MOLLIN. But our reaction to this quota system in the agreement with Canada is that, of course, what it does, it permits Canadian cattle to come in here on a cent lower level than otherwise. You see, the imports of cattle—the total imports of cattle in 1934, were 66,000 head. That is because our price level was lower then, and the effect of reducing the rate is to permit them to come in on a lower level of price than they otherwise could.

It has been commonly supposed that a great many of these Canadian importations were stocker or feeder cattle, because most of them enter the country billed as such. This is done, however, to secure inspection which will permit their being sold on the market either as stockers and feeders or as slaughter cattle. As a matter of fact, I am advised that the great majority of them actually sold as slaughter cattle. Had they come in billed as such, they would not have been permitted the chance of a two-way market.

There is a little confusion about that. Because people have said that these are not slaughter cattle, but at St. Paul a commission man who was then on the market every day, told me that practically all of those cattle were slaughter cattle.

Senator KING. Is there any serious objection to having cattle imported for feed purposes, and after they have been fattened, to have them slaughtered in the United States?

Mr. MOLLIN. It is just a matter of how much protection you want to give the American industry.

Senator KING. I was wondering if the advantage of having them fed and thus furnishing an additional market for corn and feed for the fattening of the cattle, would not be some advantage to the farmer?

Mr. MOLLIN. It would be better to use at least our own feed, but we think it would be better to use our own cattle.

Senator KING. I was just wondering if there was any difference.

Mr. MOLLIN. When the Smoot-Hawley tariff was written, we worked with the representatives of the Corn Belt. We recognized that we had a mutual problem, that we could not have a high tariff on feeder cattle and not have a balanced tariff on the other. They recognized the same thing. It is a mutual problem.

In the Pacific Northwest a similar situation prevailed during the spring months. The markets up there are much smaller relatively than the central markets and much stock is sold direct. The packers made it a practice last spring to send buyers into Canada to buy cattle. Their arrival on the markets was widely publicized and exerted a severe price demoralizing influence, although eventually many of them would go right on through the original market to other points for slaughter, having merely helped to break the prices as they passed through.

I have in mind one instance—I took it out of the official paper at Spokane—where there were, I think, 18 loads of cattle on a given day, but only two of them slaughtered, and the rest of them sent on to the coast; but those 18 loads broke the Spokane market on that day.

We have pending with the committee for reciprocity information a petition filed this week for the establishment of a monthly quota to prevent the repetition of a similar effect on our markets this spring. This would be for the benefit of Canadian producers as well as of American producers, so long as the agreement remains in force.

The bulk of these Canadian cattle are of a class that would compete with what we call medium cattle in this country.

The CHAIRMAN. Let me ask you in that connection, was that in your brief that you filed with the committee that negotiated this agreement? Did you make that suggestion?

Mr. MOLLIN. For a monthly quota?

The CHAIRMAN. Yes.

Mr. MOLLIN. I do not think we did, Senator. The demand for it came later as the result of experience.

The normal trend of the market for good cattle during the fore part of the year is downward, because of the heavy supply coming from the feed lots at that time. On the contrary, the normal trend of the lower grades up to medium is strong to higher during that same period, because they are normally in lighter supply. The situation was abnormal last spring, due to the heavy receipts and slaughter and all price curves downward. The records of the Department of Agriculture show that the average price of beef cattle received by farmers at local home markets during the entire year 1936 was $6.01 while the average parity price for the year was $6.64. In no month did the actual price equal the parity price.

I received in my mail from my Denver office last night a lengthy statement put out by the Canadian Packers, Ltd., of Toronto, Canada, and I would like to read a brief statement from that.

It says [reading]:

> But whatever the effect may be on American cattle prices of shipping 150,000 cattle annually from Canada, that effect would be the same whether the cattle paid a duty entering United States of 3 cents per pound or 2 cents per pound, or nothing at all. Therefore, the present situation is this: that the terms of the Canadian-American treaty might be revised so that no further injury, if any, would be done to the American cattle producers, and yet the Canadian cattle producer might by the removal of the duty be benefited to the extent of 2 cents per pound on all the cattle produced in Canada.
>
> It is understood that the terms of the Canadian-American agreement are now under review for the purpose of making mutually advantageous changes. If so, the Canadian Government should urge—
>
> (1) That instead of 150,000, the quota should be 200,000.
>
> (2) That the stipulated number might be shipped either in the form of live cattle or dressed carcasses, thus making the concession more flexible.
>
> (3) That to the number of 200,000 cattle, or carcasses, admission should be free.
>
> The difficulty of securing this modification would lie entirely to the opposition of the American cattle producer. No doubt he would strenuously oppose the change. But his opposition would be based on prejudice and not on firm economic reasoning. And the administration which, against his opposition, reduced the duty from 3 cents per pound to 2 cents per pound might be induced to take the further logical step of removing the duty entirely.
>
> In the negotiations emphasis should continually be laid upon the fact that the protection given the American producer lies entirely in the quota, and not in the amount of duty.

Announcement has been made of the—I say "announcement", that is not an official announcement that has been in speeches of some of the represetatives of the State Department, but there has been no formal notice.

Announcement has been made of the intention to negotiate trade agreements with various South American countries whose principal exports are also agricultural products, one of which is canned beef. The imports of canned meats (practically all beef) during the year 1929, the last full year prior to the enactment of the Smoot-Hawley Act, were 89,931,947 pounds. In the year 1934 these imports, after slumping to much lower levels in the interim, were 46,779,053 pounds.

In 1935, with the basis changed to straight canned beef, no other meats included, they were 76,262,525 pounds; and in 1936, on the same basis, 87,764,354 pounds.

I call your attention to the fact that last year's imports of this commodity were practically on the same basis as the last full year pre-Smoot-Hawley Act.

Incidentally, I recall that when we got the tariff increased at that time, American packers told us that there would not a pound of beef come into this country over the 6-cent tariff, and now we are back to the pre-Smoot-Hawley level.

The CHAIRMAN. Are there any American industries in the packing business down there?

Mr. MOLLIN. Yes, sir; they furnish the bulk of the canned meat that comes into this country.

Senator KING. Have you any figures there showing the consumption by the people in the United States of meat in its various forms per annum?

Mr. MOLLIN. I have the per-capita consumption.

Senator KING. The total?

Mr. MOLLIN. In pounds per capita. I have not the total consumption otherwise. That is the only way I have it with me. Would you like that in the record?

Senator KING. Yes. And if you will put into the record also the total consumption of meats of all kinds, if you have it?

Mr. MOLLIN. In pounds. Well, I can get that for the record.

Senator KING. If you will.

Senator LONERGAN. Mr. Chairman, I would like to ask the witness a question. I was interested in what you said, if I understood you correctly, that the increased number of retail stores for the sale of meat increased the price of meat?

Mr. MOLLIN. I think it increased the cost of distribution; yes, sir.

Senator LONERGAN. And that was added then, of course, to the price to the consumer?

Mr. MOLLIN. Yes; I have been told that a retail shop, he just operates on a percentage of volume. If he takes in, we will say, $2,000 a week, he figures a certain percentage of that is profit, and he knows what his cost was, so he just adds on a certain percentage to his cost to get his margin. If his margin drops and his expense does not drop, he just increases the spread. I have been told that by people in the business.

Senator KING. Is that not true with respect to all commodities sold by retailers?

Mr. MOLLIN. I think that is true.

Senator KING. That is one of the factors involved in their prices and in their business.

Mr. MOLLIN. I think we are suffering possibly a bit from a sort of a transition stage from the days of the old straight meat retailer, and the chain stores coming in and handling meat. We have had thousands of new units put in, and perhaps the situation will adjust itself, but in the transition stage, I am satisfied it has increased the cost of distribution.

Senator KING. In the big cities, you would hardly expect to find the retailer of beef alone.

Mr. MOLLIN. Not beef alone, but they used to handle meat. Now, they handle everything.

The CHAIRMAN. How much canned meat is prepared in this country?

Mr. MOLLIN. I do not think any, practically, except to fill Government orders, and when the C. C. C. camps were first started they even used South American beef, but we got that stopped.

The CHAIRMAN. The importation of canned beef does not come in competition with the production of canned beef in this country? I mean, as canned beef. Of course, if they do not bring in the canned beef, you go on the theory that they would use the other?

Mr. MOLLIN. Yes, sir.

The CHAIRMAN. On the same theory that if we do not import any bananas they will eat apples?

Mr. MOLLIN. It is not on the same theory——

The CHAIRMAN (interposing). Somewhat. I may be a little farfetched in my illustration.

Mr. MOLLIN. The trouble is, Senator, we cannot get the packers to interest themselves in this problem. They would rather sell their South American canned beef.

Senator VANDENBERG. That is what I would like to know. Why do we can no beef in this country?

Mr. MOLLIN. They cannot can it in this country and compete with the low cost of beef from South America, even by the time you add the 6-cents tariff and the ocean freight, they still can lay it down in New York City cheaper than it can be canned here.

I have gone into that very thoroughly during the past summer, and we tried to get some of the packers to start canning beef. Hornell promised me they would start it, but they have not done so, and I think it is just the price that keeps them from doing it.

Senator VANDENBERG. Suppose you transferred all of that canned business into the United States, what will that mean to your industry?

Mr. MOLLIN. I have some figures which I will put into the record. These are figures of per-capita consumption of meat for the year 1934 and 1935. The figures for 1936 are not yet available.

	1934	1935
Beef	62.7	57.5
Veal	9.6	9.2
Lamb and mutton	6.3	7.4
Pork	65.4	46.7
All meat	144.0	120.8
Lard	12.9	8.2

The CHAIRMAN. The figures for 1937 were less?

Mr. MOLLIN. Yes, sir; quite a little less. But that was partly due to the drought, I guess.

The CHAIRMAN. And it is partly due to the good times and the people more able to buy?

Senator VANDENBERG. More money is circulating?

Mr. MOLLIN. Well, Senator, there was quite a reduction from 1934 to 1935 in consumption. I think that is probably largely due to the drought.

To continue:

I call your attention to the fact that last year's imports of this commodity were practically on the same basis as the last full year pre-Smoot-Hawley Act. If reduced to a basis of 900-pound cattle, the 1936 imports would be the equivalent of approximately a half million such cattle, while reduced to a basis of canner and cutter cows, they would considerably exceed that number.

Our attention is often called to the fact that a few top cattle sell at extravagantly high prices in Chicago. That is the situation which exists today and is due largely to the effect of the drought last year, with the result that on January 1, 1937, the feed lots of the Corn Belt contained only 77.2 percent as many cattle as they contained a year earlier.

The CHAIRMAN. I am interested in the figures on production of cattle in the United States for the last 10 or 15 years. Has it shown an increase?

Mr. MOLLIN. Well, it has varied up and down. I have here figures that go back to 1930 only, and that starts in with 61,000,000 cattle in 1930—in round numbers.

Senator KING (interposing). Does that mean calves, as well?

Mr. MOLLIN. Yes. The figures are:

$63,000,000 in 1931, $65,000,000 in 1932, $70,000,000 in 1933, $74,-000,000 in 1934, $68,000,000 in 1935, and $68,000,000 in 1936.

The CHAIRMAN. But it shows a gradual increase, except influenced by drought, or something like that?

Mr. MOLLIN. Yes, sir.

Our industry has not fully recovered from the low prices of the depression years. We had many years of such low prices and only 1 or 2 good years recently hampered at the same time greatly with drought conditions in many sections.

The regional agricultural credit corporations, which were formed under the Hoover administration and which have been in process of liquidation ever since this administration came into power, are still carrying nearly $25,000,000 worth of livestock loans, ineligible to rediscount in the new production credit associations and which no private agency is willing to take over. That shows that we are still not entirely out of the woods.

The CHAIRMAN. But you have a greatly improved condition among the cattle people?

Mr. MOLLIN. That is true.

We commend the changes which have been made in administration of the act, as outlined by Assistant Secretary Sayre yesterday. If the act is to be continued in force, there are two major changes which should be made in order adequately to protect American agricultural producers:

First. The public hearings which have been referred to should be held before the committee which actually writes the agreements instead of before a committee which has nothing to do with the writing thereof. Under the present system, it seems almost futile for an organization located many miles away from Washington to go to the expense of making personal appearance at such hearings, as there has been little evidence that any attention is paid to them.

Second. Agreements entered into should be subject to confirmation by the United States Senate. I do not understand that such a change would entail any detailed action by the Senate as to what individual rate reductions should be, but it would seem to be a desirable check entirely in keeping with the American system that the committee which writes the agreements should be conscious of the fact that before going into force they must be accepted by the United States Senate.

The CHAIRMAN. When you were before the committee, you advocated that, did you not?

Mr. MOLLIN. Yes.

The CHAIRMAN. Proceed.

Mr. MOLLIN. So long as a majority of the Senate is in sympathy with the policy of the administration in this respect, it would not seem that such a change in the act would stalemate the operation of the law but would merely, as suggested above, constitute a healthy check upon the activities of this committee, which is not in close enough touch with the people and industries whose fate they hold in their hands.

The CHAIRMAN. We appreciate your coming here.

Mr. MOLLIN. I appreciate the opportunity to have come and made a statement.

(Subsequently the following was received and ordered placed in the record:)

UNITED STATES DEPARTMENT OF AGRICULTURE,
BUREAU OF AGRICULTURAL ECONOMICS,
Washington, D. C., February 12, 1937.

SENATE FINANCE COMMITTEE,
Washington, D. C.
(Attention: Mr. Johnston, Secretary.)

GENTLEMEN: In response to a telephone request from Mr. F. E. Mollin, secretary of the American National Livestock Association, we are sending you herewith a tabulation showing our tentative estimates of yearly meat consumption by kinds, including both total and per capita, for the years 1934 to 1936, inclusive.

These estimates make allowance for imports and exports to and from foreign countries but do not allow for the movement of meats to and from our three noncontiguous Territorial possessions—Alaska, Hawaii, and Puerto Rico. The amounts moved to and from these Territories, however, are extremely small in relation to our total consumption, consequently they would not affect these totals except to a very small degree.

Meat consumption in this country in any one year is determined almost entirely by the number of animals slaughtered in the country during the year as practically all meat produced from slaughter in any one year moves into consumption very soon after it is made available for us.

Mr. Mollin advises that these figures are to be included in his remarks following his testimony before your committee.

Very truly yours,

C. V. WHALIN,
In charge Livestock, Meats and Wool Division.

Estimated yearly consumption of meat and lard in the United States, 1934–36

Kind	1934		1935		1936	
	Total	Per capita	Total	Per capita	Total	Per capita
	Million pounds	*Pounds*	*Million pounds*	*Pounds*	*Million pounds*	*Pounds*
Beef	6,815	53.8	6,504	51.0	7,304	57.3
Veal	1,047	8.3	977	7.7	1,066	8.3
Pork [1]	8,314	65.7	6,236	48.9	7,328	57.1
Lamb and mutton	793	6.3	875	6.9	839	6.5
All meats [1]	16,969	134.1	14,592	114.5	16,597	129.2
Lard	1,523	12.0	1,110	8.7	1,361	10.6

[1] Excluding lard.

NOTE.—The low per capita consumption of meats in 1935 and 1936 compared with 1934 was due to reduced domestic production. Meat consumption in the United States in any one year is determined largely by the volume of slaughter. The number of hogs for slaughter in 1935 was greatly reduced partly because of the adjustment program but mainly because of the reduced feed production on account of the 1934 drought. This reduction in feed supplies also caused farmers to feed fewer cattle for market in 1935. This reduced the supply of beef and per capita beef consumption. Increased feed production in 1935 as compared with 1934 enabled farmers to feed more cattle and hogs for the 1936 market; hence, meat consumption in that year was larger than in 1935 and yet materially less than in 1934.

The CHAIRMAN. The committee will adjourn until 10 o'clock tomorrow morning.

(Whereupon, at 11:55 a. m., recess was taken until 10 a. m. Friday, Feb. 12, 1937.)

EXTENDING RECIPROCAL TRADE AGREEMENT ACT

FRIDAY, FEBRUARY 12, 1937

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

The committee met, pursuant to adjournment, in the committee room, Senate Office Building, at 10 a. m., Senator Pat Harrison (chairman) presiding.

The CHAIRMAN. Are there any on the calendar today who desire to submit briefs for the record?

(No response.)

The CHAIRMAN. Mr. White, I understood you wanted a few minutes and desire to put a brief in the record.

STATEMENT OF JOHN C. WHITE, WASHINGTON, D. C., REPRESENTING THE AMERICAN COTTON SHIPPERS' ASSOCIATION

Mr. WHITE. I wanted to make a short statement, not more than 5 minutes.

The CHAIRMAN. All right, Mr. White. The witness is Mr. John C. White, representing the American Cotton Shippers' Association.

Mr. WHITE. Mr. Chairman, my appearance is for the American Cotton Shippers' Association, with its headquarters at Memphis, Tenn., and for its affiliated associations, which are the Texas Cotton Association, the Oklahoma State Cotton Exchange, the Atlantic Cotton Association, the Southern Cotton Shippers' Association, the California-Arizona Cotton Association, and also the Arkansas Cotton Trade Association.

The individual members of these associations are cotton merchants and cotton exporters, and they are in function the salesmen of the American cotton crop in this country and the various foreign countries.

I do not need to emphasize to you the importance of the cotton crop in the economy of the South and of the Nation, but there is some very interesting data on this subject just published by the Department of Agriculture. I ask permission to put in the record a table which shows the quantity of cotton exported and the value of cotton exported for a considerable period.

The CHAIRMAN. You may put that in the record.

(The document referred to follows:)

United States: Production and exports of cotton, exports of all commodities, and exports of agricultural commodities, 1850–51 to date

Season [1]	Cotton production	Quantity of cotton exported	Ratio of cotton exports to production	Value of cotton exported	Value of all commodities exported	Ratio of value of cotton exports to all commodity exports	Value of total agricultural exports	Ratio of value of cotton exported to total agricultural exports
	1,000 bales [2]	*1,000-bales, 500 pound*	*Percent*	*1,000 dollars*	*1,000 dollars*	*Percent*	*1,000 dollars*	*Percent*
1850–51 to 1859–60	3,449	2,360	68.4	173,607	232,283	53.2	180,564	65.2
1860–61 to 1864–65	2,140	138	6.4	11,723	170,108	6.9	123,951	9.5
1865–66 to 1869–70	2,463	1,481	60.4	214,724	307,696	66.5	210,440	85.1
1870–71 to 1879–80	4,397	2,846	64.7	194,531	574,888	33.8	453,290	42.9
1880–81 to 1889–90	6,495	4,258	65.6	221,320	750,146	29.5	573,952	38.6
1890–91 to 1899–1900	8,900	6,105	68.6	226,366	1,006,183	22.5	703,235	32.2
1900–1901	10,124	6,800	67.2	317,761	1,460,463	21.8	951,628	33.4
1901–2	9,508	6,949	73.1	287,119	1,355,482	21.2	857,114	33.5
1902–3	10,630	7,084	66.6	316,278	1,392,231	22.7	878,481	36.0
1903–4	9,851	6,207	63.0	372,476	1,435,179	26.0	859,160	43.4
1904–5	13,438	8,908	66.3	393,080	1,491,745	26.4	826,905	47.5
1905–6	10,576	7,118	67.3	393,141	1,717,953	22.9	976,047	40.3
1906–7	13,274	8,943	67.4	476,904	1,853,718	25.7	1,054,405	45.2
1907–8	11,106	7,666	69.0	438,871	1,834,786	23.9	1,017,396	43.1
1908–9	13,241	8,955	67.6	421,491	1,638,356	25.7	903,238	46.7
1909–10	10,005	6,353	63.5	448,710	1,710,084	26.2	871,158	51.5
1910–11	11,609	8,027	69.1	581,806	2,013,549	28.9	1,030,794	56.5
1911–12	15,694	11,116	70.8	567,554	2,170,320	26.2	1,050,627	54.0
1912–13	13,703	9,146	66.7	548,689	2,428,506	22.6	1,123,652	48.8
1913–14	14,153	9,508	67.2	610,041	2,329,684	26.2	1,113,974	54.8
1914–15	16,112	8,702	54.0	376,246	2,716,178	13.9	1,475,938	25.5
1915–16	11,172	6,113	54.7	384,171	4,272,178	9.0	1,518,071	25.3
1916–17	11,448	5,525	48.3	522,556	6,227,164	8.4	1,968,253	26.5
1917–18	11,284	4,492	39.0	654,180	5,838,652	11.2	2,280,466	28.7
1918–19	12,018	5,774	48.0	924,202	7,081,462	13.1	3,579,918	25.8
1919–20	11,411	6,707	58.8	1,333,925	7,949,309	16.8	3,861,511	34.5
1920–21	13,429	5,973	44.5	591,312	6,385,884	9.3	2,607,611	22.7
1921–22	7,945	6,348	79.9	600,130	3,699,909	16.2	1,915,866	31.3
1922–23	9,755	5,007	51.3	639,199	3,886,682	16.4	1,799,168	35.5
1923–24	10,140	5,815	57.3	906,569	4,223,973	21.5	1,867,098	48.6
1924–25	13,630	8,240	60 5	1,049,065	4,778,155	22.0	2,280,381	46.0
1925–26	16,105	8,267	51.3	922,737	4,653,148	19.8	1,891,739	48.8
1926–27	17,978	11,299	62.8	855,788	4,867,346	17.6	1,907,864	44.9
1927–28	12,956	7,857	60.6	820. 105	4,773,332	17.2	1,815,451	45.2
1928–29	14,477	8,419	58.2	847,409	5,283,938	16.0	1,847,216	45.9
1929–30	14,825	7,035	47.5	657,727	4,617,730	14.2	1,495,907	44.0
1930–31	13,932	7,133	51.2	420,972	3,031,557	13.9	1,038,034	40.6
1931–32	17,097	9,193	53.8	339,940	1,908,087	17.8	752,145	45.2
1932–33	13,003	8,895	68.4	342,699	1,413,397	24.2	589,653	58.1
1933–34	13,049	7,964	61.0	421,406	2,008,484	21.0	787,347	53.5
1934–35	9,636	5,036	52.3	325,685	2,085,092	15.6	[3] 668,713	48.7
1935–36 [4]	10,638	6,267	58.9	383,537	2,374,150	16.2	[3] 766,304	50.1

[1] Cotton (quantity and value) 1850–51 through 1866–67 season beginning July; 1867–68 includes 13 months July through July; 1868–69 to date season beginning August. All commodity exports and agricultural exports are for season beginning July 1.
[2] Running bales 1850–51 through 1898–99; 1899–1900 to date bales of 500 pounds gross weight.
[3] Excludes distilled liquors which are classified as nonagricultural.
[4] Preliminary.

Mr. WHITE. It shows that over one-half of our cotton is exported, and it shows that the value of the cotton exported has varied from $1,333,000,000 down to $325,000,000.

Senator VANDENBERG. What does it show by way of trend during the last 3 years on the export of cotton?

Mr. WHITE. For the last year the exports were about 6,000,000 bales, which was approximately 1,000,000 bales in excess of the previous year. The previous year was about the low point of cotton exports in the recent history of the country.

Senator VANDENBERG. Have not cotton exports fallen off tremendously in the last 3 or 4 years?

Mr. WHITE. The average exports, I suppose, during the previous 10 years would have been almost 8,000,000 bales, compared to 6,000,000 bales last year. Of course, that decline in the exports is the very reason we are appearing here in behalf of this measure, because we have felt that the primary reason, or a very important reason, for the decline in the volume of the exports and the value of the exports has been the increasing tariff burdens we have placed upon the importation of foreign goods which we must receive in order to get payment for the cotton we sell.

Senator VANDENBERG. Do you think that is the reason that your cotton exports have fallen off?

Mr. WHITE. We are sure that it is a very, very important reason. For instance, on this question of the "favorable balance of trade", which has been continually with us over this period, our opinion is that it has been the very reason that our exports have had to be forced in the market at a declining value.

Senator VANDENBERG. How much did the restricted production have to do with the export situation?

Mr. WHITE. Restricted production had something to do with it, of course; also the 12-cent loan the year before last had a lot to do with the very low volume of that particular year.

The importance of the cotton crop to the South and the Nation is further emphasized by the fact that over 2½ million workers are engaged in the production of cotton, and over 40,000,000 acres have been planted in cotton. Now, if we are going to lose our exports for cotton, it means that as many as one-half of these workers and as much as one-half of this land could be devoted to other crops. There you have a tremendous potential capacity for the production of other crops, including dairy products and cattle. Also, this means a plentiful supply of cheap labor in the South for manufacturing purposes. That has been a source of considerable complaint in the past, and a further loss of cotton production and the inability to find a market for the cotton produced will simply emphasize the trend in the future.

Exports to February 9 were about 600,000 bales lower this season than they were last. The confused state of international trade, for which again an important factor has been our tariff policy and restrictions on both exports and imports, is primarily responsible. We have not had any pegging of the price of cotton this year, such as was an important factor 2 years ago, and the only explanation can be that the people to whom we sell cotton cannot pay for it because we will not take what they have to pay us in.

Senator VANDENBERG. Has not the rest of the world started to grow cotton in the last few years to a degree that almost permanently forecloses your exports on the old basis?

Mr. WHITE. I do not think so. There has been a considerable increase of production in Brazil and Argentina, and there will probably be a continued increase of production in those countries, but that production, in terms of exports, amounted to about 500,000 bales for Brazil and, say, 100,000 for Argentina. Also, of course, one or two of the other major producing countries have gone back practically to a capacity crop, but they will depart from that, and we will have an opportunity, if we will take advantage of it, to increase our present exports of cotton and to get back almost to the same high basis as we enjoyed during the period when we were making very heavy loans abroad.

Of course, we cannot continue the loan policy and we are not advocating it, but we do feel that we ought to be given the opportunity to sell this cotton and to take whatever these countries can pay us in.

Senator VANDENBERG. Do you trace any increased cotton exports to the trade agreements thus far?

Mr. WHITE. I would say some slight increase, because every time you give them a few more dollars to spend in this country they are going to spend a good deal for cotton. In the case of France you have a considerable increase in cotton imports in the last year. You could hardly say that the reciprocal trade agreement alone was responsible for it. Cotton cannot gain any direct advantage from a reciprocal trade-agreement policy. It goes into most of the foreign countries without restrictions. There has also been some slight increase in the exports of cotton to Canada. We do not expect any advantage through the trade-agreement policy insofar as getting a particular advantage or concession affecting our cotton. We may come to that, of course, with the increase in foreign competition, but we are not there yet. Our hope is that we will permit enough of the foreign goods to come in to pay us for the cotton which these countries are anxious and willing to buy.

Senator VANDENBERG. In other words, you are speaking hopefully rather than factually?

Mr. WHITE. We are speaking hopefully and we believe that the policy as outlined by Secretary Hull will have the results that we hope for. We do not expect it to show quick results. As a matter of fact, we have been disturbed by and we have urged the State Department to pay a little less attention to this Yankee bargaining which they have, in our opinion, carried much too far.

On the most-favored-nation clause, we are, of course, for that because the cotton trade cannot be conducted on a simple bilateral basis. We are convinced that the cotton trade is multilateral and that the favored-nation clause is essential for our most important export commodity if it is to be given any advantage whatsoever from the program.

In conclusion, Mr. Chairman, I just wish to say that we regard this reciprocal trade policy as the only acceptable and practical way of restoring international trade to a sound basis, and we therefore urge immediate action upon this agreement.

The CHAIRMAN. Thank you very much, Mr. White. Have you a statement you want to put in the record? You may give it to the reporter.

Mr. WHITE. I wish to place this resolution of the American Cotton Shippers Association in the record.

The CHAIRMAN. That may be done.

(The document referred to is as follows:)

Be it resolved by the American Cotton Shippers Association in convention assembled:

1. That this association express its disappointment that the consummation of trade agreements with cotton-consuming countries has not proceeded with greater rapidity; and that so much attention has been given to advantages given us by other countries and to prevention of competition with inefficient American

industry, whereas the basic necessity is to permit immediately enough imports to come in to pay for American agricultural products on a profitable basis.

2. That this association advocate a general reduction of tariffs so that cotton exports can be continued.

3. That attention is called to the fact that one-half of the fertile land and agricultural labor of the South can, and will, be turned into the production of other agricultural commodities or into industrial-labor channels, unless imports to pay for exports of such cotton are allowed to come in freely.

4. That this association oppose any measures designed to increase tariffs in the form of customs duties or excise taxes or to place other difficulties in the way of foreign trade.

5. It is desired to emphasize that the problems created by international trade restrictions that impede the exports of cotton are in no sense original. The problems are distinctly and positively national. In the event that current efforts through the negotiation of reciprocal trade treaties are insufficient to restore the normal volume of cotton exports and, in the event that a general tariff revision is not attempted, it seems inevitable that there will be a sharp contraction of the exports of American cotton. If such is the result, it is equally inevitable that the productive resources of southern agriculture will seek alternative crops which will be in direct competition with other agricultural areas. In addition, the labor now utilized in the production and marketing of cotton will be released and pressure will be exerted upon the wage scales of industry generally. It is, therefore, submitted that the most important national problem, both from a social and economic point of view, is the maintenance and reestablishment of a normal volume of cotton exports. In the absence of successful efforts to restore cotton exports, at a price fair to the producer, it appears certain that a national crisis of major proportions will ensue. The American Cotton Shippers Association calls upon agricultural producers in other regions and upon industrial labor groups to exert their influence toward the successful culmination of governmental policies which will achieve the result of reopening the channels of international trade. Not only does the self-interest of these groups dictate such a course, but the general welfare of the people of the United States demands it.

6. That these views be presented to the President, the Secretary of State, and congressional committees having jurisdiction of legislation concerning the tariff.

The CHAIRMAN. Mr. Garvan.

STATEMENT OF FRANCIS P. GARVAN, NEW YORK CITY

Mr. GARVAN. Mr. Chairman and members of the committee, I thank you for this opportunity to express my views to you, and I hope you will be patient with me in the disconnected manner in which I must necessarily present my thoughts.

I might say in the beginning that I have been working on this problem for some 20 years. That was a job given to me by President Wilson, and I have never been able to conscientiously lay it down.

I appear here for no interests whatsoever. I appear here entirely in carrying out the trust which was imposed upon me by the Government some 20 years ago. It is 20 years this fall since I came here and became acquainted with the situation of our foreign dependence. Then it was mainly in science and it continued to be in science.

Just before I go into my remarks, in view of the last gentleman's testimony, I would like to present to you two charts. We know that the cotton problem is perhaps the most serious in the country and we know that all of us are doing our very best to find some way of solving the problem, but the last gentleman said that he has gotten an idea that the world can be made to take our cotton irrespective of their own economies. He has gotten the idea that cotton purchases here are made and purchased because of exports to this country, because he claims the foreigners must have the ability to buy our cotton and that ability to buy our cotton can only come from exports to this country.

This is a chart of the foreign purchases of the United States agricultural products compared with the foreign purchases of United States securities and increase in our short-term liabilities in foreign countries. This chart shows that the foreign purchases of United States agricultural products, all commodities except leaf tobacco and unmanufactured cotton, and then for leaf tobacco and then for unmanufactured cotton and for the securities during the period of the year 1935. It shows that they bought all commodities except leaf tobacco and cotton amounting to $223,000,000. They bought of tobacco $133,000,000. They bought of unmanufactured cotton, $390,000,000. They bought of our securities and increased our short-term banking liabilities $1,411,000,000, in the year 1935.

So, at least for the years 1935 and 1936—I think it is useless to go back over the years—it shows they never had any lack of money to buy all the cotton that we could raise at any proper and decent price to our farming communities.

I repeat; there were $223,000,000 foreign purchases of all commodities except tobacco and cotton; $133,000,000 of tobacco; $390,000,000 of unmanufactured cotton, and $1,411,000,000 of securities and increased liabilities in our short-term international banking position.

For the 9 months of 1936 the foreign purchases of United States agricultural products, all products except cotton—I did not put in tobacco in the second one because I did not have time—$238,000,000 of all commodities; unmanufactured cotton, $210,000,000; of our securities, $870,000,000, during the first 9 months of this year. Of course, the time is not sufficient for me to put in before you to get the last figures for December, and so forth.

So, I say that while they bought perhaps $1,000,000,000 of agricultural products, they bought $2,250,000,000 of our best securities and increased their short-term position and have on deposit here for purchase—I have copies of these charts for the committee and I ask for the insertion of them in the record.

The CHAIRMAN. That may be done.

(The charts referred are as follows:)

(1) Foreign purchases of United States agricultural products compared with (2) foreign purchases of United States securities and increase in our short-term banking liabilities to foreign countries

Countries or areas	Foreign purchases of United States agricultural products			Foreign purchases of United States securities and increase in our short-term banking liabilities to foreign countries
	All commodities (except unmanufactured cotton)	Leaf tobacco	Unmanufactured cotton	
First 9 months of 1936				
United Kingdom	$102,400,000		$40,200,000	$225,270,000
France	11,500,000		26,000,000	[1] 8,297,000
Germany	7,800,000		28,400,000	37,269,000
Italy	600,000		14,200,000	4,726,000
Netherlands	7,700,000		2,200,000	80,469,000
Switzerland	866,000		34,000	167,250,000
Other Europe	16,500,000		27,700,000	67,277,000
Total, Europe	147,366,000		147,734,000	573,964,000
Canada	26,600,000		9,500,000	138,465,000
Latin America	13,600,000		300,000	90,106,000
Far East	11,900,000		49,800,000	66,712,000
All other	38,934,000		3,366,000	997,000
Grand total	238,400,000		210,700,000	870,244,000
1935				
United Kingdom	83,600,000	97,400,000	77,300,000	554,934,000
France	10,700,000	2,600,000	40,000,000	210,246,000
Germany	7,300,000	2,300,000	40,700,000	36,599,000
Italy	900,000	200,000	30,300,000	23,988,000
Netherlands	8,700,000	1,500,000	5,500,000	114,493,000
Switzerland	340,000	700,000	60,000	130,380,000
Other Europe	20,100,000	8,200,000	69,700,000	129,964,000
Total Europe	131,640,000	112,900,000	263,560,000	1,200,604,000
Canada	26,100,000	1,300,000	16,300,000	17,000
Latin America	17,500,000	1,400,000	1,700,000	69,820,000
Far East	200,000	8,600,000	109,200,000	128,303,000
All other	47,660,000	9,500,000	140,000	12,671,000
Grand total	223,100,000	133,700,000	390,900,000	1,411,415,000

[1] Red figures.

Sources: U. S. Department of Agriculture Foreign Crops and Markets, Mar. 30, 1936, p. 388; U. S. Department of Commerce Foreign Commerce and Navigation, 1935; U. S. Treasury Department Statistics of Capital Movements between the United States and Foreign Countries, p. 13.

Mr. GARVAN. I might add that this states them as to countries. So that if any one country claims its inability to buy our cotton, the figures are right there.

Senator VANDENBERG. Mr. Garvan, are you going into the question of the total foreign investment at the present time in American securities?

Mr. GARVAN. I am.

Senator VANDENBERG. All right.

Mr. GARVAN. I will go into it in order.

Senator VANDENBERG. Suit yourself.

Mr. GARVAN. Mr. Wallace testified yesterday that the basis of applying for this bill and its continuance, and the basic philosophy of the whole proposition of its original request from your committee to give up the powers which you have exercised for 150 years to such men—I took a little interest in looking back over the history of this committee, and I was surprised at it. There is no book on it, and the only history I could get was the list of the personnel of this committee for some 100 years, and it was most inspiring, most encouraging—Daniel Webster, Henry Clay, John C. Calhoun, all the way down to your present distinguished chairman. It is a history of the progress of America as governed and helped by this committee.

Senator BARKLEY. Do you think the action of this committee in the enactment of the Hawley-Smoot bill was helpful to the United States?

Mr. GARVAN. I do.

Senator BARKLEY. You do not agree with most people in this country, then?

Mr. GARVAN. It is my misfortune and all that. I cannot discuss the entire bill because I do not know all the topics, but, by and large, I would say that the protective policy in the development of American industry, insofar as the tariff did that, was a good thing. In reference to the one thing I do know about, and that is the chemical industry, the action of this committee in building that industry for the last 20 years has been the greatest public service that I think has ever been rendered by any committee of Congress.

The chemical industry at the time of the war, as you know, was dependent upon Germany. Today you gentlemen can make your neutrality laws or make your other laws in perfect peace and quiet and with a singleness of purpose which was denied this country up to the time that we had an independent chemical industry able to cope with the world. I could not discuss general tariffs because I am not a general tariff man.

Senator BARKLEY. The reason I asked you that question, this committee has dealt largely with tariffs, and I assumed that in the encomium which you were heaping upon the past membership of this committee, it had to do with its tariff policies. I do not mean to intimate by my questions that they were always wrong, but I wondered whether you could demonstrate the propriety of your praise by——

Mr. GARVAN. I tell you why I make the praise and why I make this contrast with this new policy. No matter whether right or wrong, in specific instances on this committee for 150 years you have been building new industries in America, and this reciprocal says "death" to new industries. It forbids new industries. That is the main distinction in a sentence, I would say; that we cannot have any more new industries as long as the theory set forth by Mr. Hull and Mr. Wallace governs the making of our tariffs.

Senator BARKLEY. You are utterly and diametrically opposed to their theory of this?

Mr. GARVAN. Yes.

Senator BARKLEY. Have you, out of the province of the Chemical Foundation, contributed anything to the writing of books or magazine articles or propaganda against the theory?

Mr. GARVAN. Yes, surely; with all my force and with all my——

Senator BARKLEY. Will you furnish the committee with the amount you have expended?

Mr. GARVAN. Absolutely. I have here—any propaganda that I am a part of I am ready to show exactly word for word and exactly penny for penny and exactly to whom it went. I have here the accountant's report of the Chemical Foundation from the first day it was founded in 1919 up to the 1st of January 1936. The data is not through for this year. I will furnish to this committee this detailed account down to the 2-cent postage stamp from that day up to this, what it was spent for and every detail.

I might say that Senator Nye's committee voiced something that may be in the back of your head and came to our office and spent 2 weeks with a force of 10 or 15 men going through every letter and every file, and then the accountants made up for them this report which shows every cent received and every cent spent for the 19 years of our career. It was handed to them and I then went before the committee and offered to testify, but they did not see fit to call me, nor did they see fit after their examination of this account to put it in the record. It is available to you, to your chairman, to any member of the committee, to the public record, to any public citizen or any citizen of America.

Senator VANDENBERG. Mr. Garvan, I think the record ought to show, as a member of the Nye committee, that we found there was no necessity to call you after we made the examination because there was nothing to complain about.

Mr. GARVAN. I thank you.

The CHAIRMAN. Is the Chemical Foundation a profit-sharing proposition?

Mr. GARVAN. No, sir; there is no profit to the Chemical Foundation.

The CHAIRMAN. Explain that.

Mr. GARVAN. I want to explain to you that it was founded—when we got in the war and the Alien Property Custodian came to seize the German-owned property, we found this condition of dependency which had done so much to force us into the war. We were dependent for dyes which controlled the employment of 4,000,000 people. We were, dependent for drugs which controlled the only cure for syphilis, and the draft told us that there were 10,000,000 syphiletics in the country. They controlled the nitrates, the foreigners did; they were controlled in Chile, and because of the U-boats which sunk the ships there, they were threatened. So you could go down the line of control.

President Wilson was in just the same position as your good President is today with Mr. Runciman. The control of Great Britain over this country has been substituted for the control of Germany, which I will explain as I go on. You asked me about the Foundation and I want to explain.

The Germans notified President Wilson that unless they forced England to lift the blockade they would squeeze us because of our necessities. We have the letters and the telegram of Bernstorff—"Now is the time to shut off the dyes and throw 4,000,000 men out of work."

We have the official notification of the German Government, through Herman Metz, saying he spoke for the chemical industry of Germany, that they would not give us any dyes and they would not give us any Salvasan, until the will of Germany was accepted by this country.

(Information referred to is as follows:)

NEW YORK, *June 16, 1915.*

HON. WOODROW WILSON,
White House, Washington, D. C.

MY DEAR MR. PRESIDENT: I know that you are conversant with the serious situation that confronts the textile and other industries of this country through the failure to continue the receipt of dyestuffs and chemicals. Efforts are being made to have the recent "Order in council", allowing two shipments to pass, modified somewhat so that shipments will be allowed through on a basis that Germany will agree to.

In this connection an extract from a letter received from Justizrath Dr. Adolph Haeuser, president of the Verein zur Waehrung der Interessen der chemischen Industrie Deutschlands, in Berlin, and which is composed of all the dyestuff and chemical manufacturers in the German empire, dated May 26, will probably interest you. It is as follows:

"I note that you have carried out your plan to organize an American dyestuff consumers' association. We here are gladly ready to send dyestuffs to America, but we rest on the standpoint that we cannot accept this as a favor or gracious act on the part of England, but that we can only send dyestuffs when England recognizes the right of America to receive goods from us, and you send us cotton in exchange for such dyestuffs. This is also the standpoint of our Government.

"Any other standpoint would be unworthy of America or Germany. We are, of course, somewhat accustomed to seeing the American Government look at situations through two pairs of spectacles according to whether Germany or England is concerned in the question. England can simply deny American suggestions offhand and the American people yield with astonishing submission, although the entire carrying on of the war on the part of England and her Allies depends entirely upon the good will of America. When Germany, however, does anything toward using her own good rights, the act is decried in America. I hope America will succeed in forcing England to stop interfering with commerce between Germany and America, and, if so, you will find us only too glad to give you all the dyestuffs that you need."

I submit this to show you the situation as it is viewed by Dr. Haeuser, who at the present time represents officially the entire chemical industry, as president of the Berlin organization. This simply indicates that they have available goods in Germany which we need here, and which we can get if Germany is assured that the goods will not be taken off by England and that she will get cotton in return. I submit the extract to you for what it is worth, knowing that you appreciate the situation and assuring you that, so far as I am concerned, I fully appreciate the delicacy of the situation that confronts you.

Yours very truly,

H. A. METZ.

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 dyestuffs impossible." The cable was sent to me by Dr. Adolph Haeuser.

The same man that, as I have shown before, wrote the letters directing what Germany wanted in a tariff policy. He has now been made the head of them all, the president of the Verein zur Wahrung der Interressen 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 as much as those of belligerant countries.

Yours very truly,

H. A. METZ.

[Telegram to foreign office in Berlin]

Serial no. 432 of March 13, 1915. It is reported to me by Hossenfelder,. 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.

REPORT OF CONSUL GENERAL HOSSENFELDER TO THE IMPERIAL CHANCELLOR, DR. VON BETHMANN-HOLLWEG

NEW YORK, *March 3, 1916.*

* * * 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 demands. 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 becames 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 iteself 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 cannot escape its obligation in relation to its own country, will demand from England the unmolested 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. * * * *

This history I would like to put in the record because it exactly duplicates the present position. President Wilson made up his mind that this country must be independent, that never again should we fall into the hands of a foreign government, and he took the German patents, which covered the field of chemistry, and he directed us to form a corporation which would be an eleemosynary corporation, to so administer those patents that that condition of dependence would never come again.

There was a board consisting of Cleveland Dodge and Judge Ingraham—there was a board of trustees set up without pay. They asked me to be president of it without pay. For 20 years I have served—excuse me for having to speak of the personal side, but I must—for 20 years I have served absolutely without pay. I have never had a postage stamp of expense, I have paid my own office rent, my own traveling expenses, and there is not 5 cents of personal expenditure in that record. Mrs. Garvan and myself have given over $1,000,000 out of our own pockets to that cause.

Senator BARKLEY. Let me ask you about the corporation. It is a corporation?

Mr. GARVAN. It is incorporated.

Senator BARKLEY. In what State?

Mr. GARVAN. Delaware.

Senator BARKLEY. What is the capital stock?

Mr. GARVAN. The capital stock—the exact figure I cannot give you; we will call it $500,000, $490,000, or something of that kind.

Senator BARKLEY. It was capitalized on the basis of 6 percent dividends on the common and preferred?

Mr. GARVAN. Yes.

Senator BARKLEY. With the excess over that to be devoted to the development of chemistry?

Mr. GARVAN. Yes.

Senator BARKLEY. Can you tell us how much excess profit——

Mr. GARVAN. We have never paid any dividends on either the common or the preferred, and the common stock we expect to be all surrendered and given to us for nothing.

Senator BARKLEY. Could you have paid a dividend out of profits at any time?

Mr. GARVAN. Not and be consistent with the purposes of my trust. We needed every penny. In fact, at times I had to loan on my notes over $1,000,000 to carry along. For a long number of years we got nothing until science and the industries had developed. Our whole income has been from license fees.

Senator BARKLEY. Will you give the committee a list of the books, pamphlets, and articles which have emanated from the Chemical Foundation upon the subject which is now under discussion?

Mr. GARVAN. Every patent and the amount that came in on it and the people who paid that amount are in detail in this book. I would prefer to wait a couple of weeks until we get 1936.

Senator BARKLEY. I am not asking for it this morning.

Mr. GARVAN. Surely that is available to anybody at any time. Now, I said we have gone on for 20 years until we have the greatest chemical industry in the world. You are absolutely safe in times of war. We have carried on until I think we only have one dependency, and that is tin. There were dependencies of nickel, but the Chemical Foundation has perhaps stretched its charcter a little and has spent $7,000 discovering nickel in Alaska. There is all the nickel that we need there. I cannot go on and develop it, but I am putting into the record information so that the Government can take care of it. I hired Professor McCaffery, of one of our northern universities, who is one of the best metallurgical experts in the country, and I paid his expenses to Alaska because we got a lead there, and he found an island just loaded with plenty of nickel, but it is up to American capital or the American Government to take that up from there. We are not in business and we cannot go into business.

Senator BARKLEY. To revert to the question of a moment ago with reference to giving certain information about the amount expended for magazines and books and propaganda, can you also furnish your mailing list to which that has been sent?

Mr. GARVAN. Surely.

Senator BARKLEY. Will you do that?

Mr. GARVAN. Every detail of every kind. I would like to put in this record the report of Dr. McCaffery on the situation on nickel so the Goverument may be officially notified that if they want to be independent on nickel it is up to them to go out and get the capital interested. The owners of this are men of poor circumstances who are now being approached by Japan, by Germany, and by England to continue the foreign monopoly of nickel which is so essential in our steel making and so essential to our national defense. It is up to the United States Government if the opportunity is lost to throw off one more international monopoly and take one great big step toward independence.

The CHAIRMAN. Without objection, that may be put in the record.

(The report referred to is as follows:)

YAKOBI NICKEL REPORT

NOVEMBER 1, 1936.

Mr. W. W. BUFFUM,
The Chemical Foundation, New York City.

DEAR MR. BUFFUM: I had copper assays made on the nickel samples from Yakobi and the copper and nickel contents are as follows:

Sample	Percent nickel	Percent copper
No. 1	3.12	0.60
No. 2	6.91	.90
No. 3	7.86	.55
No. 4	2.16	.15
No. 5	4.13	.55
No. 6	2.02	.15
Average for all	4.37	.48

One of the difficulties the I. N. Co. has had for years past is their high copper-nickel ratio in their ores. To produce the nickel they sold they were compelled to produce millions of pounds of copper which they had to stock pile.

I think the ratio indicated above for Yakobi is very favorable.

Yours very truly,

RICHARD S. MCCAFFERY.

A REPORT OF THE NICKEL DEPOSITS ON YAKOBI ISLAND, ALASKA

The property of the National Nickel Co. is situated on Yakobi Island, northwest of Chichagof Island in the Alexander Archipelago in southwest Alaska. Yakobi is about 20 miles long and 8 miles wide. The property is due west about 100 miles from Juneau, Alaska. It comprises 47 mining claims, all of which are unpatented, and the group contains about 940 acres.

The claims have been developed by one tunnel 90 feet long crosscutting the ore body on Yakobi nickel no. 2 and no. 4 claims, and by a number of trenches and open cuts at or near a contact between agabbroic rock and what appears to be a metamorphosed diorite. The ore occurs in a norite gabbro at or near this contact. The ore consists of the minerals pyrrhotite and pentlandite with a relatively small amount of chalcopyrite, all in a fine-grained norite matrix.

The topography of the island is very rugged, especially around the Bohemia Basin, surrounding which all the claims are located. The mountains rise steeply from the floor of Bohemia Basin, which is about 2 miles in length in a north-south direction, and about 1½ miles east and west. Along the floor of the basin are outcrops of gabbro rock, and in the streams there are boulders and rocks of all varities of gabbro. Surrounding this mass of gabbro is a series of what are probably metamorphosed igneous rocks which form the mountains around the basin, and on the flanks of these mountains are found the outcroppings of the nickel ore.

The "backbone" of Chichagof Island, of which Yakobi Island is really a part geographically, is like all the large islands in this neighborhood, parallel with the coast range of mountains on the mainland, and the upheaval resulting from the injection of the igneous rock which produced the coast range was also the cause of the mountain ranges on the islands.

There is very considerable faulting at all the points that were visited on the islands. Also to travelers on the waterways the main faulting systems are plainly visible in a great many instances. In fact, these fault systems account for the geographical shape and contour of the islands and also for the waterways. In addition, the whole region is characterized by intense regional and dynamic metamorphism, and as a result of these various factors the basic igneous rocks and sulphide magmas on reaching the surface of the earth have formed the nickel-ore deposits.

This occurrence of a norite contact with nickel ore at or near the contact, as at Yakobi Island in Bohemia Basin, is not a new type of occurrence or type of ore body. The Sudbury, Canada, nickel ore body is exactly like the Yakobi deposit.

A comparison of the Sudbury, Canada, and the Yakobi deposits is as follows: [1]

[1] Overbeck, Bull. 692, U. S. G. S. p. 128.

SUDBURY	YAKOBI
1. Ore bodies are near or in norite. The chief commercial deposits are marginal deposits outside the norite.	1. The outcrops are marginal in igneous rock norite or diorite.
2. Predominating sulphides are pyrrhotite, chalcopyrite, and pentlandite.	2. The same.
3. Ore minerals occur in places as blebs disseminated in norite.	3. The same.
4. Later granite intrusive bodies cut the norite.	4. The same.
5. In general, the rocks at the margin of the large intrusive body appear to be more basic than the rocks at a greater distance from the margin.	5. The same.
6. Ore is rocky.	6. Barren blocks of rock seem to be included in the ore.
7. Micropegmatite is abundant.	7. The same.
8. Freshest hypersthene occurs with the ore.	8. The same.
9. Transition from nonore to ore is sharp.	9. The same.
10. The shape of the ore body is rudely lenticular.	10. The shape of ore body is not known.
11. The sulphides in the ore are later than the silicates. The pentlandite is apparently later than the pyrrhotite.	11. The same.

In Squid Bay and in Surge Bay on the west side of Yakobi Island nickel ore has been found, too; also nickel ore has been found on Fleming Island, 10 miles south of Lisianski Strait, and nickel ore has also been found 100 miles south of these occurrences on Snipe Bay, 20 miles from the southerly end of Baranof Island, which is really geographically the southern part of the Chichagof, Baranof Island system.

The geographical structure of Chichagof and of Yakobi Island has never been adequately or thoroughly studied, due to their remoteness, to the very rugged topography, and to the coverage by vegetation and swamps. Practically the only geological work has been done from a small boat skirting the shores. From this reconnaisance survey of the United States Geodetic Survey, it is probable that Chichagof and Baranof are generally of the same geological character as the parts that have been examined, and it is not at all improbable that other occurrences of the same nickel ore will be found on these islands.

These nickel deposits in this region are all of the same general type and are closely comparable with the Sudbury, Ontario, deposits. It must be borne in mind, too, that all these deposits arise from deep-seated sources, and they must from their very origin go down. There is no uncovering or outcropping of the primary batholyth any place in the region, and there is no reason to suppose that these particular deposits do not go to depth.

The tunnel before referred to on these claims is situated about 900 feet above sea level on one of the claims of the Yakobi nickel group. The tunnel was thoroughly sampled beginning at the face of the tunnel by taking channel samples 5 feet long. The samples were taken at 10-foot intervals, and the results are indicated in the diagram herewith (fig. 1). These samples, excluding the leached zone at the tunnel portal, indicate a deposit 80 feet wide, averaging for that length 4.32 percent nickel and with the tunnel face still in ore. This tunnel afforded the best place to secure representative samples on the property. Ore of the same general character as that in the tunnel is shown in the various trenches and cross cuts on the property, but is impossible in these places to secure such representative and accurate samples as the tunnel affords.

FIGURE 1

Distance from tunnel face:	Nickel content (percent)
5 feet	3.12
15–20 feet	6.91
30–35 feet	7.86
45–50 feet	2.18
60–65 feet	4.13
75–80 feet	2.02

Leached zone

Yakobi tunnel

SUMMARY

On the property of the National Nickel Co., Yakobi Island, Alaska, there is a contact between a norite rock and a metamorphosed intrusive that can be followed for a length of over 2 miles. This contact has all the characteristics of the Sudbury, Ontario, deposit. For considerably over a mile this contact has been prospected by a tunnel, surface cuts, and trenches, all of which show an ore body of 100 feet in width and possibly more in places. The remainder of the contact has ore showing in places, but is as yet unprospected.

There is abundant and excellent timber available on Yakobi Island, and there are several places where cheap water-power development could be made of possibly 5,000 kilowatts.

The shallowest water is Lisianski Strait and in Lisianski Inlet is 60 feet at mean lower low water. This shallow part is only a few hundred yards long; the balance of the strait and inlet is from 5 to 10 times that depth. Any ocean carrier can enter them from the Pacific Ocean and they form a well-protected harbor.

My opinion is that this property affords excellent possibilities for the development of a large nickel mine.

RICHARD S. MCCAFFERY, *Madison, Wis.*

OCTOBER 19, 1936.

Mr. GARVAN. I would like to state also in reference to manganese—of course, you have to base this thing a good deal upon Secretary Hull's testimony before the House Ways and Means Committee that we were within 1 year, or at the most, 2 years of war. So I think the way to consider these treaties is to take the history of the last war and the situation the United States was in at the beginning and consider that we now face the beginning of another world war and see what condition we are in and what impediments to the full accomplishment of our independence we can sweep away.

I think these reciprocal treaties are one of the main impediments for our becoming stanch and independent and free in judgment as to whether we will or not enter, as to whether we will or not remain neutral, as to whether we will or not take control of our own currency system, as to whether we will or not be permitted to solve the great problems of this depression in the American way out of the development of new industries and new usage for our farm products, new usage for our acres, for our mines, and for our labor.

Senator BARKLEY. What were you going to say about manganese?

Mr. GARVAN. I was going to say this about manganese—I wish you would not ask me any questions as to my sources, but I can assure you that what I state is absolutely true. It comes right down to this, the committee of our steel institute just yesterday or the day before, with white faces——

Senator DAVIS. What is that?

Mr. GARVAN. With white faces, because they said we faced absolute war and because of their condition in manganese. Now, no steel can be made without manganese. This reciprocal treaty, according to the testimony—I am only quoting the testimony of Mr. Sayre himself—made an agreement with Brazil to reduce the tariff 50 percent on manganese. At that time Brazil was exporting little or no manganese to us. They extended that agreement to Russia, Mr. Sayre says, in return for a verbal promise of $30,000,000 a year purchases by Russia in this country. The record shows $36,000,000 in first agreement year and $11,000,000 July through November 1936 was all we got for that.

There was in this country a struggling endeavor to use our own low-grade manganese deposits. That was a revolution in science; it had to be advanced in science. In addition, there was an American company, they call it the Freeport Co., I think it is a subsidiary of the Freeport Sulphur Co., or the Gulf, or some of those interests—they had found a great volume of those low-grade ores where they could do what they call surface mining in Cuba. They had spent millions of dollars in American money in the development of the science part of that and in the building of the plant. They took their coal from Alabama; they took the shipping for the coal and the shipping for the manganese back here in American bottoms. It was just as much an American venture as if it had been on our own land. There are companies which are struggling and asking capital to develop——

Senator BARKLEY. Don't you know, Mr. Garvan, that in 1929 and 1930 the large steel manufacturers protested to this committee and to the committee of the House against the imposition of the tariff which he bill carried on manganese, making the statement that they could not obtain or develop enough manganese in this country to supply the needs of the steel industry, and that in spite of the fact that the tariff went on in behalf of these low-grade ores and in behalf of their development, that they never were able to produce and have never been able to produce enough manganese to supply the steel industry in this country; that, regardless of any trade agreements, they have not done it and cannot do it?

Mr. GARVAN. Just a moment. I agree with you absolutely that that was a brutal and selfish money proposition of the steel companies and a desperately stupid one, and if you call them here today they will repudiate it.

Senator CLARK. Were they any more stupid than they are now, when you say their faces were so white?

Mr. GARVAN. I think now they are more enlightened.

Senator CLARK. They were not any more enlightened when they testified last year before the Munitions Committee?

Mr. GARVAN. They have found they have not got any manganese in case of war; that it can be cut off by any airplane or shipping war.

Another phase of this act that I want to show you is this: They find that the Cuban Co. has gone ahead losing money until they have lost a half a million dollars in operation, but they have conquered scientifically the making of manganese and are importing 9,000 tons a month. They were able to state to the steel companies the day before yesterday that they were now able to furnish 33⅓ percent of the peace usage of manganese, and in case of war would be able to furnish 25 percent, and that, given a year's time, they could double—it was a question of doubling their capacity. I have not had time since this came up to ask how the American industry on this continent is growing up, but that will come because of this scientific development.

Senator BARKLEY. If it turns out that there is not enough superior manganese that can be extracted from the low-grade ores to supply the demand of the United States steel industry, and that is the situation now, notwithstanding this tariff which was put on in 1930, would you still say we ought not to enter into any agreement with any nation by which we might import manganese at a lower tariff rate in return for the prospect of selling——

Mr. GARVAN. Certainly not; but I think the rate should be fixed with the idea of forcing to the greatest extent the scientific development of the industry here.

Senator BARKLEY. Of course, if science can get something out of nothing, that might be a good idea; but, if there are not enough low-grade ores in this country to permit the development of enough manganese to supply our domestic needs, is that a good philosophy?

Mr. GARVAN. Certainly not. If there is anything we are actually dependent upon, then I say use your own policy in trading for it, or in buying it, or anything else.

Senator CLARK. Mr. Garvan, as far as war purposes are concerned, on this question of manganese it would be true, as you suggested and as testified before the Munitions Committee, that our chances of importing manganese from the outside might be cut off in the event of war. Then it would seem to be the part of prudence for the United States to take possession of the manganese reserves of this country and put manganese on the free list and let the Americans get it the cheapest they can.

Mr. GARVAN. Surely.

Senator CLARK. That was the testimony before the Munitions Committee. I have forgotten the exact figure, but the testimony before the Munitions Committee was to the effect that the added cost of the tariff protection amounted to more than the total value of the manganese deposits in the United States.

Mr. GARVAN. Did they include Cuba?

Senator CLARK. No; they did not include Cuba.

Mr. GARVAN. I think the economical development is going to take place in Cuba because there the ore is near the ground and they save the cost of mining, and there the company that has spent the most on research is now able to assure the United States that the manganese gives the whole picture right to you. I am not saying we can develop manganese to the full extent. I do not know. Nobody knows. But the principle is, for God's sake, give America a chance. The principle is, don't say you cannot develop manganese. What did the tariff do, taking off the 50 percent? Did it do anything at all except to hand 50 percent to the Russians or to the United States Steel Co., selfish interests?

Senator BARKLEY. The United States Steel is not the only steel manufacturer that uses high-grade manganese.

Mr. GARVAN. I don't mean selfish in the wrong sense. I mean mistaken economy.

Senator DAVIS. You mean the steel industry of the United States rather than the United States Steel?

Mr. GARVAN. I don't want to take any present company or anything of that kind. The question is above that. There is a dependence on manganese, and should there be any restrictions on the urging and the forcing and the driving of American science and American capital to realize that terror in the case of war—that is what I say, and unless you develop these things in time of peace you cannot develop them—I would like to submit a memorandum bringing that manganese situation up to date.

Senator DAVIS. Where are our manganese deposits in this country?

Mr. GARVAN. Virginia and in the Northwest somewhere. It is so long since I looked at that part of it that I would like to refresh myself. I will put it all in a memorandum and submit it.

The CHAIRMAN. You may do so.

Mr. GARVAN. I was brought up for a moment on the position of the Cuban companies which today are ready to furnish 33⅓ percent of our needs, and, given encouragement, if they can make it they will furnish 100 percent. Of course, the price as wrapped up in the price of steel is very small.

I further would like to submit a study on how that treaty worked on the low-grade development of the ore of Alabama and the Southern States. If they do not have manganese, they will have to close, because their ore is deficient in manganese, and they did close because of this tariff.

The CHAIRMAN. You may put that in the record.

Mr. GARVAN. Thank you. Now, to come back to the main issue, as I said before, Mr. Sayre and Secretary Hull base their theory on the idea that we are a creditor nation, and therefore, in order to collect our debts, in order to sell our cotton, in order to sell our other exports, we must import more and more. Now, I have made a balance sheet. My principal reason for appearing here—I am not interested in any of these products; I have no financial interest in the chemical industry personally or any other way. My family owns no stock, and I have refused to buy a share for the last 20 years, although I was fully cognizant of its rising value. We own stock in the Union Carbide Co., which my wife's father founded, and that stock came to her in 1913, before any discussion was dreamed of; and I did not feel that I was entitled, in order to continue my attitude of independence, to ask her to sell that stock which was the result of her father's founding and which was developing. Furthermore, they only took minor licenses from the foundation and had no great interest in the patents of the foundation. They have never had any necessity for it, because their branch of chemistry was the oil chemistry—an utterly new branch that had not been developed before the war.

My main reason for coming here is, I assume that you are going to recommend the passage of the bill; I do not question that; that is your function. But my main reason here is that I found that as we went on and got ahead in chemistry and got ahead in psychics and got ahead in the other sciences that the most neglected science in this country was arithmetic. I found that out with my own children. I found my boys had stopped their arithmetic at 12 years of age, according to our school system, and yet that they went on and studied economics and they studied philosophy and they studied every "ism" under the sun with the basis of a 12-year-old boy's conception of arithmetic, and they went into public life, into professional life, and scientific life, with that inadequate groundwork of arithmetic. That led me to start a campaign, which I started at the trustees' meeting of the Catholic University in 1933, to see if we could not get our schools and our secondary schools and colleges to go ahead with the mother science, with the basic science of all.

Then, along that line we found that perhaps the greatest neglect of arithmetic was in the basis of our foreign trade or our international balance, and I took a simile that if you are going to run a decent family you have got to repair the leak in the roof first; you cannot discuss domestic economy if there is a leak in the roof; you cannot discuss domestic economy and make up your family budget, which must start with an inventory of your supplies on hand, if your five barrels of potatoes in the cellar are being carried out the back door by somebody. Your budget is gone immediately.

So, I have devoted these years, with the help of a firm of accountants, to searching out the facts of foreign relations balance sheet, and all I am asking of this committee I want to point out to them where I think this reciprocity treaty is going, and I do want to ask them to add to it a clause requiring a statement under oath of every foreign holding in American property, of any description. That is first; that is the inventory. Second, I want them to compel the contemporaneous under oath reporting of every foreign transaction which they have, that is, the net result. so that on the 10th or 15th—England has it on the 14th—there comes out a clear and truthful statement of the financial transactions of the month before. Third, I want to include in that a compulsory report to the Treasury—you can make it secret—the Internal Revenue—of every agreement and every contract now existing between every American citizen, corporation, or body of any kind, and any foreign body so that we can start with an inventory of what the world has here and thus we can study its importance. If we have found manganese deposits how do you know but what somebody owns them and is depreciating their value or their possibility of development.

We found potash only to see it practically pass into English control. We found tin in the Black Hills of Dakota and I had to get a man to go over the fence at night in order to get a sample to send to M. I. T., and I found that the English had bought it up and had a watchman on guard so we would not discover we were not dependent on them. They own 20 percent of our chemical industry today. They will be demanding directors tomorrow, just as they have in the International Nickel, the president of which, as you saw, went on our General Electric board the other day.

All these things that are essential to any real defense—we do not declare any principle; let us delay our decision on principles until we get some books. The present bookkeeping of the United States, as far as its foreign relations is concerned, is, to put it mildly, rotten.

Senator BARKLEY. No matter who owns those deposits of articles that might be necessary for national defense, if we got into a war we could sequestrate them.

Mr. GARVAN. But you do not know them.

Senator BARKLEY. We knew them in the war before. We took possession of the German patents and the German dyes.

Mr. GARVAN. Yes; but look at the time it took us, and it brought us into the war.

Senator DAVIS. These properties you are talking about are undeveloped properties?

Mr. GARVAN. I do not know; some are developed and some are undeveloped. As it is now, it is my contention that through J. P. Morgan & Co. they control our main industries through their capital there.

Senator BARKLEY. What is your remedy there?

Mr. GARVAN. Knowledge, first, through accounts.

Senator BARKLEY. Then what?

Mr. GARVAN. Then it is up to you gentlemen of Congress. The solution will appear from the records just the same as the businessman must have his books before he can decide business policy.

Senator BARKLEY. Would you prohibit any foreign country or citizen from buying real estate or property in this country?

Mr. GARVAN. No, sir; but I would like to prohibit them buying without the knowledge of the United States Senate and this committee.

Senator BARKLEY. And would we be undertaking to pass on every transaction?

Mr. GARVAN. No, no.

Senator BARKLEY. Then what is our function with respect to control——

Mr. GARVAN. Your function is to control the country.

Senator BARKLEY. With respect to the purchase of private property by any individual?

Mr. GARVAN. I do not know what the problem is. I would have to see what it was. If they can control the manganese, I think your policy is what Senator Clark said—don't allow it. Don't allow them to force us into a war.

The CHAIRMAN. Do you know whether England or any other country has such a system of bookkeeping?

Mr. GARVAN. I know England has every detail right there in hand, and so it was a terrible injustice to send our poor President into negotiations with Mr. Runciman of the London Board of Trade. He knew no figures and Runciman had every detail. I can show you the reports of the English societies, and so forth. Runciman knew every detail of the foreign ownership.

Senator BARKLEY. How do you know the President was so helpless because he did not know anything about what Mr. Runciman had in his possession?

Mr. GARVAN. I will not say, because he did not know anything.

Senator BARKLEY. How do you know he did not know anything?

Mr. GARVAN. Because they are not in the Government figures. I have searched every department and I have got every figure of every department in the Government. I know what figures the Government has got and I am going to explain to you their inadequacy, and I am going to explain to you the helpless condition of anybody attempting to deal with England when they have got the figures and they have got the control that they have today. You do not know how far the English control goes in this country today until you study it and you cannot know it until you have got some bookkeeping. Bookkeeping is all I ask, that we have the figures.

It is not my function to make the laws; I am only a boy plodding along doing the best I can, but it is your function and it will be your responsibility, and all I want is a perfect picture of the trade. What do you know today of the contracts there are in this country involving us in the next war? I went through this in the last war, and they had controlled our metal situation, they controlled our drug situation, they controlled our dye situation, they controlled our potash situation. That is the main thing that I plead for.

Now, I will take up and just show you just what information President Roosevelt had and just what information Runciman had. I will take the month of December 1936 and I will take the year 1936. Now, of course, the year 1936 will perhaps need a little bit of revision as the figures come out, but in substance you will find them correct.

The Department of Commerce issues a statement every month showing what they call the trade balance. That only applies to goods. You see the headline every month, and you have for years seen the headline, that our exports exceed our imports. That goes out to the public and everybody gets the general idea from that headline—I have a collection of headlines of the country showing how they get the impression from this monthly report that all is well, that our exports are exceeding our imports.

So, I have used every possible way and taken every possible figure from the Government on which you can figure.

Take the monthly statement for December: First, it shows a statement of exports, including reexports, general imports, and the balance of trade. Including the reexports, the exports were $229,000,000 and the imports $244,000,000. The excess of imports is shown to be $14,000,000. They show separately, and it never gets in the headline, the gold and silver imports. We find that we have imported in December $56,000,000 of gold. That does not show as against the goods and we imported $244,000,000 worth of goods.

I have given here my sources for every quotation.

When you take the gold and silver which came in in December—I will pass that for a moment. Also you will find in December the figure of $14,000,000 which the Government put. It is not on the basis of C. I. F., "cost of insurance and freight." Every other country in the world keeps it on C. I. F., even the dear old League of Nations keeps it on C. I. F., England and everybody else.

When you take the C. I. F.—I have been very moderate, I have only called it 7.15 percent for freight, 1.25 percent for insurance on our imports, while the Department of Commerce calls it 9 and sometimes 10; but our study shows a little margin there of possible error so we put it down to 8.40, and under that basis which all the world uses on goods alone, without gold and silver, we were $32,000,000 in the hole during the month of December.

Then we go on and take in the silver, and we were $34,000,000 in the hole. When you take the gold and silver combined we were $91,000,000 in the hole in December.

Do you think the President knew that? He had been handed the balance of trade at $14,000,000 and there was no chance for him to know it. Don't you suppose Runciman knew how much gold was shipped here? There is a lot of academic discussion that gold is not a commodity, but that is just a theory that the professors pulled off the shelves. What is it measured in? Look up ounces in the Oxford dictionary—throughout my whole discussion, in order to satisfy my international friends I have gone to the Oxford dictionary and thrown away and discarded poor old Webster. So, any word I use has the definition of the Oxford Dictionary for its approval.

Gold is measured in ounces. Yesterday it is dug in Africa, it is brought over here and you hand out Treasury certificates for it. You take it down and bury it in Kentucky. Is it a commodity? What is it? Is it a theory?

I will come to that again and I will show you the situation. I might just as well do it now because that is a very important question. Let me find what the Bank of England says about it. Even the Tariff Commission now says that gold is a commodity as far as it is exported from the country which mines more than it uses itself. How you can change the definition I do not know.

(Information referred to is as follows:)

[From Midland Bank Monthly Review (London), April–May 1935]

A THRIVING INDUSTRY

THE CONTRIBUTION OF GOLD-MINING TO WORLD RECOVERY

Among industries of substantial importance in world economy, the business of producing gold is probably unique in having enjoyed a degree of prosperity heightened by the world crisis. The reason for this experience is simple. So long as there exists at least one country on a full gold standard, an essential condition of which is freedom to buy gold from or sell gold to the central institution at a fixed price, there is literally an unlimited demand for the commodity at that price. In other words, not only is a minimum price for the product of the industry guaranteed, but there is besides no limit to the amount the market will take. Added to this, the effective minimum price, translated into terms of the producing countries' currencies, has risen substantially in recent years, without a corresponding rise in costs, in consequence of widespread departure from the gold standard. Happily, prosperity in any one industry cannot fail to contribute to recovery in others, and in this respect gold producing is not exceptional. We propose here to describe briefly the contribution of the gold industry to general recovery from the world depression, and further to consider what contribution it can make to the maintenance in the long run of world-wide prosperity. Gold, unlike other primary products, is not "used"; the fact that world stocks pile up and up need not be taken as evidence of what commentators on the commodity markets choose to call "statistical weakness." True, all the gold produced in the world since A. D. 1500 would now make a cube with edges less than forty feet long, but the cube has more than doubled in the present century; yet no one is disturbed on that account as to the prospects for the industry. The virtue of gold, in the long run, lies not in its "use" for any practical purpose, but in its function as a monetary basis, broadening with the natural growth of the world's trade. Assuming this function is retained in the future, what, then, are the prospects of its efficient performance? A discussion of this question is to form the second part of our inquiry.

THE TREND OF PRODUCTION

We can best begin our description by observing the movements in the quantity of gold produced throughout the world in recent years. The following table, giving the principal figures in thousands of fine ounces, is taken from the latest annual report of the Union Corporation:

	1930	1932	1934
Union of South Africa	10,716	11,559	10,480
Canada	2,102	3,044	2,970
Australasia	622	964	1,215
Rhodesia	555	580	693
British West Africa	242	293	382
Other parts of the Empire	384	438	489
British Empire	14,621	16,878	16,229
Russia	1,434	1,990	4,224
United States	2,100	2,219	2,586
Mexico	670	584	660
Japan	389	402	460
Korea	160	312	400
Elsewhere	1,462	1,946	2,841
World total	20,836	24,331	27,400

The most significant facts emerging from the table are the substantial increase in the world's total output, along with an actual decline in the production of South Africa, for many years past the principal source of gold. The main reason for the increased production common to all important areas except South Africa lies in the higher prices obtainable for gold in terms of the producers' currencies. Its price in France the center of the gold bloc, remains at the statutory figure established after the war and post-war inflation, but most of the producing countries have in effect abandoned their former fixed prices, and their currencies have undergone depreciation in relation to those of the gold bloc. Gold producers, therefore, receive in their own currencies considerably larger sums than formerly for each unit of their output; on the other hand, since their currency units have not depreciated correspondingly in terms of commodities, their costs of production have not risen proportionately to the value of their product. Hence the phenomenon of a large increase in output, along with a continued rise in its value per ounce. Even in the United States, which alone among the principal producers has restored a modified form of gold standard, gold producers are in a similar position, for by virtue of devaluation of the dollar they now receive $35 per fine ounce for their gold instead of $20.67 as formerly. In view of the higher returns thus obtainable, and the peculiar fact that enlarged output has no depressing effect on prices, a thirty per cent increase in world production since 1930 is not surprising.

What is surprising, at first sight, is the decline in the output of South Africa, which, however, even now produces more than twice as much as any other country. For a number of years to 1931 South Africa's output showed a slow but steady annual increase, and in 1932 a sharp rise was recorded. At that time South Africa was still in the gold standard, and the South African pound was at a premium over sterling; consequently the higher price of gold in London, where South Africa's output is almost entirely marketed, did not have its full effect on the profitability of the industry. Nevertheless, enough of the potential benefit came through to stimulate greater mining activity. At the end of 1932, however, Souh Africa left the gold standard, and almost immediately her pound came to parity with sterling. From that moment the industry felt the full stimulus of the greatly increased sterling value of gold in the London bullion market; yet since then production has fallen to a level actually below that of 1930, and by 1934 South Africa's contribution to the world total had declined to 38 percent, as against more than 50 percent four years earlier.

This decline in output is in essence the result of definite policy, pursued by the mining companies themselves and strengthened by Government action. The object of this policy is the prolongation of the economic lives of the mines—the desire to spread their profitability over a long period rather than to take full and immediate advantage of conditions deemed to be lasting. At the same time, the tendency to defer in part the benefits of the wider margin between costs and the value of gold has been strengthened by the Government's claim that the State should share in the more or less fortuitously enlarged profits accruing to the mining companies. The policy is expressed, in practice, in the milling of lower grades of ore than had been profitable formerly. Obviously, a ton of ore containing so little gold as to be not worth milling while gold yields only 85 shillings an ounce may well be worth milling with gold at 100 or 120 or 140 shillings an ounce. Hence a larger proportion of the ore taken from the mines is profitable to mill, and a great deal of ore which would have been left in the mines is profitable to raise. The cost of raising and milling a ton may be unchanged; that ton may yield less gold than a ton raised on more careful selective working; but, with a higher price for gold, the smaller yield will produce a disproportionately increased monetary return. At the same time, by lowering the standard of selection of the ore to be raised, the long-term value of the mine is increased; instead of tapping only the richest resources, a more general and therefore more conservative exploitation is made possible. The basis for the policy pursued in South Africa lies, then, in the general principle that the higher the price of gold, the lower the grade of ore than can be profitably mined.

Translating this description into accounting records, between 1932, when South Africa was still on the gold standard, and 1934 the working costs per ton of ore milled by a representative group of mines rose only from 19s. 2d. to 19s. 5d., but working costs per fine ounce of gold derived from the ore rose from 59s. 3d. to 75s. 6d. In South Africa as a whole, according to the Transvaal Chamber of Mines, the tonnage of ore milled in 1934 was 13.8 per cent greater than in 1932, but the average yield of fine gold, in pennyweights per ton milled, fell by fully one-fifth. Total working costs rose by 15 per cent, but were more than offset by an increase of 45 per cent in the aggregate value of the gold produced, notwithstanding a 10 per cent fall in its quantity. In the result, the working profits of the mines more than doubled between these two years. To summarize, more ore was treated, less gold produced, and larger profits were realized.

THE IMMEDIATE RESULTS OF ENLARGED ACTIVITY

In more than one way the changed condition of the industry has made a substantial contribution to recovery, both in South Africa and the world at large. In the first place, increased activity has enlarged the volume of employment. The average number of employees in the South African mines in 1934 was 27,600 white people and 244,100 natives and colored people, representing together an increase of nearly fifteen per cent since 1932. Disbursements in salaries and wages rose by one-sixth. Clearly, an addition of £2¾ millions to the payments for services rendered in the industry—on a total wage bill standing already at about £16 millions—must have given a strong impetus to prosperity in a country with so relatively small a white population as South Africa. As a further factor in recovery, moreover, the increased profits must be considered. These are distributed in three directions: to the shareholders, to the South African Government, and in expenditure on capital developments by the mining undertakings themselves. The Government, through its method of taxation, has reinforced the companies' policy of conserving their resources. Besides ordinary taxation, an excess profits duty has been payable by the mines since 1933. The duty is designed to secure to the Government one-half of the additional profits accruing to the industry through the rise in the price of gold, and is calculated on an elaborate formula, using as the main basis the profit per ton milled in November and December 1932, the two months preceding South Africa's departure from the gold standard. The formula for assessment is calculated to encourage the reinvestment of profits in schemes calculated to enlarge the scale of operations, and to extend the working lives of the mines. The two objects are closely related, for the mining of lower-grade ore tends both to increase the volume of current employment in the mines and to conserve their reserves of ore. In the financial year to March 31 last this excess profits duty yielded about £4 millions, and in the current financial year it is calculated to yield over £5 millions. The total amount paid in taxation by the mines in 1934 was more than £13 millions, an increase of 210 per cent over the figures for 1932. It is largely by virtue of this additional income from the mining industry that the South African Government has been able to carry out its various plans for assisting other branches of economic activity, chiefly agriculture, while maintaining budgetary equilibrium.

Notwithstanding this vastly heavier burden of taxation, the profits remaining after additions to the companies' internal and physical resources rendered possible a striking increase in the sums disbursed as dividends. Last year the distributions amounted to about £16 millions, an increase of nearly 90 per cent as compared with 1932. The figure appears large, but it has to be borne in mind that it includes, like all mining dividends, a partial return of original capital, to compensate for gradual exhaustion of the physical assets of the undertakings. A large part of the dividends, roughly computed at 60 per cent of the total, is remitted abroad, chiefly to this country; the remainder reinforces the stimulus to general recovery at home. Adding together the increase in wage disbursements, the enlarged contribution to Government income and the local distribution of dividends, the industry is spreading over the South African community roughly £15 millions more in a year than before the departure from gold—a handsome contribution to the restoration of economic prosperity.

The dividends remitted abroad—perhaps as much as £10 millions last year—are larger than they would have been but for the widespread abandonment of the gold standard, and smaller than they would have been but for the increased taxation. The net addition to the former distributions serves to counterbalance the low rates or no rates at all paid in many lean years. It is through the overseas investor, chiefly British, that the industry upon which South African economy is built has been developed, and it has been calculated by Professor S. H. Frankel, of the University of the Witwatersrand,[1] that from the earliest days of the South African industry up to 1932 the aggregate return on all the capital put into the industry works out at less than five per cent per annum—a surprisingly low figure when the wasting nature of the assets and the special risks of mining investment are taken into account. Nevertheless, it is incontestable that the enlarged distribution of dividends abroad has contributed, through their spending or reinvestment in the recipient countries, to recovery outside South Africa. Moreover, a further effect of South Africa's greater activity, of special importance to this country as an exporter of manufactured goods, is the increased purchasing power made available there for the importation of goods, not least among them capital equipment, from other countries. Britain's exports of machinery last year, for example, received a welcome stimulus, South Africa having bought £4 millions worth, as compared with only £2 millions in 1932.

We have dealt at some length with the industry in South Africa, partly because of the interest of its own special position; but the results of the more favourable conditions of the industry are paralleled elsewhere. Between 1930 and 1934 the world's output increased by almost one-third. Employment within the industry probably rose by at least as much. Even in South Africa, with its exceptionally high degree of mechanization, the number of workers rose, notwithstanding the decline in output. In other countries, particularly those which, like Chile, are more concerned with alluvial gold working, the new employment created was probably considerably greater, at least when judged by proportions. Internal recovery in Canada and Australia in particular has been assisted by the relative prosperity of gold producers. Finally, a further consequence follows from the fact that still nearly three-fifths of the world's output of gold is produced within the British Empire. As the principal buyers of gold over the past few years have been countries outside the sterling area, sterling has received substantial support from the greater activity of the mines. This again has probably been one of the contributory factors in the relatively earlier and more definite recovery experienced in countries within the sterling area.

LONG-TERM CONSIDERATIONS

We pass now to the long-term question, whether the effects of the world crisis and depression upon the gold-mining industry have been such as to assist, on any restored international gold basis, the maintenance of a steady upward trend of economic activity. To answer this question we must inquire into the adequacy or inadequacy of the available and prospective supplies of gold. The conception of adequacy, used in relation to a monetary metal, is not simply an arithmetical one; it is far less definite than the conception of, let us say, the sufficiency of a given supply of power for the regular, full operation of a particular plant. For an international gold standard to operate favourably, not only must the world's stock of gold and the rate of increment thereto be maintained, but no persistent difficulty must be experienced by central banks in obtaining and retaining individual holdings which they themselves consider, on their own particular standards, to be sufficient for their needs. Clearly, then, a large number of factors, not to be expressed in arith-

[1] For details of the basis of this estimate see Economic Journal, March 1935.

metical terms, enters into the question whether any given supply of gold is adequate for constant business expansion throughout the world. It is not only a question of how much is produced, but also of where the stocks assemble.

To quote figures recently published by the Union Corporation, in 1930, the year before Britain's departure from the gold standard, the world produced 21 million fine ounces of gold, of which 5½ millions were absorbed by industry and the arts or taken into hoards in the east, leaving an addition of 15½ millions to the world's "monetary" stocks. Since then the net absorption into industry and the arts has almost vanished, largely through the inducement, set up by the high price of gold, to "reclaiming" of old gold. Moreover, under the same inducement the east, especially India, has become a large seller of gold instead of a constant absorber of it. Hence in 1934 the world's production of new gold, amounting to 27½ million ounces, was augmented by 6½ millions of surrenders from non-monetary holdings, making the year's addition to the total "monetary" stocks no less than 34 millions, having a sterling value of approximately £240 millions—almost enough, if so foolish a thought could be entertained, to extinguish the entire fiduciary issue of notes of the Bank of England. Altogether, in the past four years the huge total of 125 million ounces has been added to the world's "monetary" stocks, enlarging their size by approximately 22 per cent.

It will be observed that these quantities are given in ounces, but their efficacy as a monetary basis is determined by their valuation in terms of national currencies. If the same valuation were applicable to the world's stocks at the two dates the increase in terms of money would be the same as in volume—and this, be it noted, a far more rapid rate than in earlier years. But in fact the restoration, in any conceivable reestablishment of an international gold standard, of the parities between gold and currencies operative in 1930 is unthinkable. In consequence of the appreciation of gold in terms of currencies the world's stocks are doubly enlarged—enlarged in quantity and in unit value as well. The Union Corporation has calculated that if all the world's former gold currencies were devalued by forty per cent, representing approximately the position of the dollar and sterling, the world's monetary stocks at the end of 1934 would be more than twice as large as in 1928. This consideration, coupled with the probable maintenance of the enlarged output of new gold, is rightly taken to indicate that the general adoption of parities reduced in this proportion would remove any risk of a positive shortage of gold, considering the supply of gold in the mass.

Our phrase "in the mass" introduces an important qualification of this conclusion, but before discussing it we must refer to what is probably a minor consideration. The term "monetary gold" as used in association with the figures quoted includes gold held in private hordes in the western world, and gold held in exchange stabilisation funds, neither of which amounts can be accurately stated. However, by deducting from the "monetary stock" the amounts recorded as in the possession of central banks and treasuries the Union Corporation is enabled to compute the aggregate size of these highly volatile holdings, though they cannot be divided into their two parts. The result for the end of 1934 is 69½ million ounces, which, valued at £7 an ounce, gives an aggregate of nearly £500 millions, and this figure gains some support from the estimate of private hoards alone published a year ago by the Bank for International Settlements. It seems likely that, in the event of the general fixing of new effective parities between gold and currencies, these holdings would fairly quickly find their way into true monetary stocks, in central banks and treasuries, adding approximately one-ninth to their present physical volume. The movement might be offset, or more than offset, if the professed example of France were widely and vigorously followed, and large quantities of gold were passed into circulation; but a movement of this sort seems hardly likely. Hence some further reinforcement of the rapidly growing gold stocks might be expected to follow from any general return to a gold standard.

THE QUESTION OF DISTRIBUTION

We have already observed that the quantity and valuation of monetary gold in the mass are not the only elements in a realistic conception of "adequacy." The fall in commodity prices which ushered in the world crisis, so far as it is traceable to monetary causes, was due, not to any quantitative shortage of gold in the aggregate, but to the difficulty experienced by many countries, among them Great Britain, in retaining a stock sufficient for their own needs. The shortage was real in the sense that the supply was not well spread. Similarly, the enlarged amount of gold available on a general devaluation of currencies would be adequate only if it were evenly distributed and remained well spread throughout the world.

The position at the moment in this respect is clearly unsatisfactory. The world's central banks and treasuries at the end of 1934 held nearly 700 million fine ounces of gold, apart from the quantities held by exchange stabilisation funds; but of this total nearly 400 millions was held by France and the United States alone—a proportion which bears no reasonable relationship to the shares of those two countries in the world's trade and finance. The United Kingdom, notwithstanding its pre-eminence in world trade and finance and the position of sterling as a basis for other currencies, held less than one-fourteenth of the total, and no other country held more than about one-eighth of the quantity in France alone, amounting to nearly 160 million ounces. Germany—to mention only one country of great importance in world economics—had next to none, and the whole of central Europe but a handful. It seems highly doubtful, therefore, whether the world's stocks of monetary gold, as now distributed, can be regarded as adequate, on any realistic test, for the restoration of an international gold standard system.

Let us suppose, however, that by some method of redistribution, forming part of a general scheme of restoring fixed relationships between currencies and gold, the available supplies were at the outset spread over the world on a basis of rough approximation to individual needs. What are the chances that it would remain so distributed, and that newly available supplies would spread themselves on a similar plan? Have world economic relationships changed so much since 1925–31 that the chances of such smooth working have been strengthened to the point of reliability? Have the burdens of international indebtedness been adjusted to the prospective exporting capacity of debtors, and have creditor countries shown any greater readiness than before to throw open their markets to acceptance of the physical instruments of debt service? It is difficult to see any evidence of such a radical reversal of conditions. Until these questions can be answered affirmatively the only possible conclusion is that, even if an initial redistribution of gold supplies were accomplished, the gold would not be any more likely than in 1925–31 to remain well spread. So long as this conclusion holds good the enlarged supplies of gold can be considered adequate only on pure arithmetical reasoning, which ignores the essential component of the quality of adequacy.

The second part of our discussion issues, then, in a negative result. Beyond a doubt, the gold-mining industry is providing an appreciable immediate stimulus, both directly and indirectly, to general business recovery over a large part of the wrold. But to the question wherher an enlarged supply of the monetary metal is likely to facilitate a world-wide return to a gold basis for currencies we can give an affirmative answer subject only to a qualification which in effect renders it for the time being nugatory. The qualification is that the answer must depend on extraneous developments which at the moment appear no more likely to prove favourable than at the time of the earlier abortive attempt to reconstruct an international monetary system on a gold basis.

As a matter of practical economics it seems evident that, notwithstanding the great increase in quantity and value of the world's gold stock and the enlarged perspective supply of new gold, the time is no riper than three years ago for an effort to re-establish fixed parities between currency units and gold. The factors in maldistribution which we have indicated are no doubt the principal considerations determining the Chancellor's view, repeated only a few weeks ago, that this country can be no party to an attempted restoration of an international gold standard until the conditions for its successful operation become more favourable. This is the only view which can claim both wisdom and realism as parts of its foundation.

I have here the Midland's Bank Monthly Review for April and May, and I would like to show you just what we have been doing in buying this gold. The Times this morning says that Secretary Morgenthau is in great distress and does not know what we are going to do with this continued import of gold. Of course, that to my mind is perfectly simple, although he does not discuss that. If you hang up a price of $35 for gold, you will get all the gold in the world and get all the gold that can be mined. If you hang up a price of $35 a barrel for potatoes, you will get all the potatoes in the world. You have got to change the price or put against the price the debts the country owes you that is sending in the gold.

Senator BARKLEY. What happens to the books here when you change the price?

Mr. GARVAN. That is the Treasury's trouble, not mine. I can only think an inch ahead of my nose. I am not a fiscal expert.

Senator BARKLEY. You would run into an enormous deficit immediately on the books, would you not?

Mr. GARVAN. I do not know. I cannot answer that. That is the problem of other people than me. But I do say you can collect your debts.

Senator BARKLEY. In other words, you can either go on or quit there?

Mr. GARVAN. I do say this—I will just point out these things without any endeavor to criticize.

Senator DAVIS. You just said you would tell us how we could collect our debts?

Mr. GARVAN. No; I said you could collect the debts. In the first place, I would hire an American lawyer and give the job to him.

Senator BARKLEY. To bring suit against the world?

Mr. GARVAN. I would pick out the best lawyer, and I would not be letting my securities go out to my debtor. If a man owed me $11,000,000,000, I would not let a man come in and sell me something more and take a mortgage on my house and never mention his debt.

I do want to call to the attention of this committee and to the attention of Mr. Morgenthau that he has already written a practical repudiation of the war debt. Just visualize that he has issued a legal opinion in favor of the debtor, which is one of the effects of an internationalistic mind. I cannot understand an internationalistic mind. It is all right for a college professor. It is all right for a clergyman. But when a man has a sworn trust and is employed by me as my representative to collect $10,000,000,000 worth of money I don't know why he writes a brief for the debtor. It was not what the American people wanted their public officers to do. I claim a public officer has no right to be an internationalist.

Senator BARKLEY. What did Mr. Morgenthau say? Are you going to put that in the record?

Mr. GARVAN. Yes; I am going to put that in the record. It is quoted and it is official. He said two things. You will remember that these bonds of England and the other countries are in the Treasury. They are in the denomination of $4,000,000 each. They are signed by those governments under the treaty of 1923 and 1926. Those treaties have a provision in them practically to this effect, that as a commission—I cannot now give the details of how they are to be handled, but the United States, any time it does not like the $4,000,000 bond, can call upon them for a bond in any denomination they think the markets of the world will stand, and there will be reissued within 6 months bonds in the shape and form which I desired. Do you see? The $4,000,000 bonds were practically interim certificates.

I talked with Mr. Crisp about every detail of it before he died, and he said that as a body the international negotiators could not do the clerks' business of forming the type of bond that would be sold on the market, but it was the intention that the United States Treasury immediately should give notice and go to work to put those bonds in a position where they could be sold.

Now, Mr. Morgenthau says about that—his was not the initial neglect, don't think that at all; it had gone on from 1926 up to date, and that responsibility belongs to each and every Secretary of the Treasury. They committed the first mistake and Mr. Morgenthau has only gone on and not seemed to be able to rectify it.

His first defence is that we could not issue those bonds because of the Liberty Loan Act, which said that no United States bonds should be sold for less than par. Now, the Liberty Loan Act was passed 3 or 4 years before the treaty with England, and a boy lawyer knows that that legislation is repudiated by the subsequent specific legislation on these points. Why utter that? That is England's business. Some English barrister, some internationalist, wrote that. Why raise the defense? Why should I raise the defense, even if it is good—concede for the moment that it is a good defense, how long would it take Mr. Morgenthau to come up to the chairman of this committee or the proper committee and say to him that that was an obstacle in a former bill which would not permit them to sell? If he said to you, "Will you by half past 12 have a joint resolution passed so the United States Government will be able to collect its debts", how long would it take Congress to pass it? Fifteen minutes.

So, that is one defense. But the thing that gets me is the state of mind that raises the defense of England. You will find that in all this international policy internationalism is nothing but what England has put over on the world. You will find internationalism in this country and at the head of it you will always find J. P. Morgan. You will always find him behind these different associations. I want to just jump in there and show you how far it has gone. I just want to show you the logical end of it, which has just come to my attention, the latest thing in this internationalism, which is the foundation of the World Foundation. That is something new to you. It is just about the culmination of what they are trying to do with this country. It says:

Unsecured by the growing virulence of warlike tendencies, and stimulated by the yearning for peace equally intense throughout the world, a group of men has been working for some time on the following proposals. They now put them forward as one of the means whereby, in their opinion, constructive peace endeavors should be raised above their pacifism, and provided with a concrete aim—the intelligent organization of life on this planet.

Not much to do, don't you know. It is an afternoon's job. It is signed by Allen of Hurtwood, Norman Angell, W. Arnold-Forster, M. J. Bonn, G. Ferrero, W. E. Hocking, G. A. Johnston, Stephen King-Hall, Lord Lytton, Ray Lyman Wilbur, and so forth.

I am having their lives looked up to place before you, but I just wanted to state the purposes of this foundation, and then I will show you who composed it, who their friends are, and where we stand on this proposition.

Some of the ablest statesmen in the world have been laboring to point out the fatal consequences of continued insistence on old doctrines of national sovereignty, and the compelling need for evolution toward a world system adequately equipped for dealing with world questions.

The churches also have been helping to spread recognition of the truth that there are certain elementary human rights due to the whole brotherhood of men without distinction of race, creed, or sex, and drawing attention to certain loyalties other than, and by no means incompatible with, the loyalty due to the state.

A great many unofficial organizations, national and international, are helping in the course of their work to create ideas and emotions favorable to the evolution of some kind of world commonwealth.

Senator BARKLEY. Who said that?

Mr. GARVAN. This book, the World Foundation, which has just come out, and a new society has just been formed.

The list of such organizations would belong and would include the League of Nations societies in Great Britain, the United States, and elsewhere; the Council of Foreign Relations, and the Foreign Policy Association in America; the Institute of International Affairs in Britain and the Dominions; the Institute of Pacific Relations; and others.

Then they say please join and send $1 to our bankers, J. P. Morgan & Co., New York.

Senator BARKLEY. That is the World Foundation?

Mr. GARVAN. The World Foundation. You were not here when I read——

Senator BARKLEY. Is that in anyway patterned after the Chemical Foundation?

Mr. GARVAN. Your question answers itself. It accentuates the difference between the aims and purposes of the Chemical Foundation, which is entirely an American national organization, sworn officers of the Government.

Senator BARKLEY. Are any of these associations or foundations or organizations listed there sponsors for or the publishers of the magazine known as Foreign Affairs?

Mr. GARVAN. I do not want to do an injustice, but I think that is published by the Council of Foreign Relations. I am not sure.

Senator BARKLEY. A very good magazine.

Mr. GARVAN. Very good. You gentlemen, of course, are flooded by the Foreign Policy Association of America.

You went out and I did not give you the names of the founders of this World Foundation. They are: Allen of Hurtwood; Norman Angell; W. Arnold-Forster; M. J. Bonn; G. Ferrero; W. E. Hocking; G. A. Johnston; Stephen King-Hall; Lytton; Thomas Mann; F. Maurette; Gilbert Murray; E. J. Phelan, the only American whom I can really identify there; H. S. Polak; Jules Romains; Arthur Salter; Arnold Toynbee; Ray Lyman Wilbur; and S. De Madariaga.

But they are not trying to found a world foundation; they are trying to break down our nationality; it is not a world foundation, it is the English control of the world and J. P. Morgan.

Senator DAVIS. Let me see that.

Mr. GARVAN. I have two copies; that is all I could get. I sent to their office on Fiftieth Street.

Then, from the question of a world commonwealth which, thoroughly understood, means the domination of the English Government, you leap to their representative in this country, J. P. Morgan, and then we leap to their principal adherent, the chief foreign-language newspaper in America, the New York Times [laughter], and we find—I am not afraid; I am not a candidate for office; I am free, white, and 21.

After giving an enormous spread to this beautiful idea, "Leaders Organize World Foundation"—leaders—what leaders? "Group Aims to Develop Feeling of International Citizenship as an Aid to Peace." Where is there such a citizenship?

Then editorially it comes along and it quotes from this, and it says:

The world is a unit. But the people in it still think and feel in terms of individual nationalisms.

They announce that catastrophe.

This lag—

this defect in our nature of nationalism, this sin and crime in which we have drifted ever since 1776—

This lag, in fact, is accentuated by the recent intensification of nationalisms, political and economic.

Senator BARKLEY. What issue of the paper is that?

Mr. GARVAN. December 21, 1936. It spoiled my Christmas. [Laughter.]

On the basis of this analysis of the world's disorders with which few will disagree, a group of distinguished British, continental, and American students of international relations are sponsoring the World Foundation to foster the "progress of the conscientiousness of unity in the world." They believe that it is not enough to recognize the interdependence of nations, but that it is paramount that leaders of the peoples comprehend the essential unity of all mankind in order to achieve that degree of world organization and administration needed to save us from catastrophe. Few will disagree with this diagnosis or challenge the remedy prescribed.

That is the New York Times. Few will disagree that we must join the world republic. It would not be a world republic; it would be Stalin.

It is to be hoped that the World Foundation will be enabled to develop its program sufficiently to test its fundamental thesis that by deliberate efforts world-mindedness can be advanced.

So we see in all of these things the idea concocted in England, and over here by J. P. Morgan, the British agents, and then sent out to the press of the country by the New York Times. You see the set-up? Let me show to just what extent it is carried by the New York Times. I will point it out to you.

REICH WON'T HALT ARMING ON RHINE PENDING PARLEYS—EDEN TELLS COMMONS GERMANS REFUSE TO GIVE ANY PROMISE IN REGARD TO FORTIFICATION—BACKS LOCARNO PLEDGES—INSISTS BRITAIN WILL STAND BY THEM, BUT SAYS THEY INVOLVE NO ACTION IN RHINELAND—LLOYD GEORGE FEARS WAR—WARNS THAT AGREEMENT FOR THE ARMY STAFFS TO CONFER LED BRITISH INTO WORLD WAR

By Charles A. Selden

[Wireless to the New York Times]

LONDON, March 26.—Foreign Secretary Anthony Eden, in a debate on foreign affairs in the House of Commons today, took Parliament and the public into his confidence in telling what the British Government had done so far and was still trying to do to avert a European war.

His speech was too frank to be reassuring. He said he did not "view the future with a light heart." He intimated that he did not expect to find any helpful contribution in the counter-proposals that Chancellor Adolf Hitler of Germany is going to offer next Tuesday as a substitute for last week's recommendations of the Locarno treaty powers to meet the situation caused by Hitler's military reoccupation of the Rhineland.

On that point the Foreign Secretary declared he had been informed that the German Government would not even agree not to fortify the Rhineland pending the present negotiations. He meant by that that Joachim von Ribbentrop, the head of the German delegation, had given him that disturbing information in a long talk at the Foreign Office yesterday.

SITUATION IS PRECARIOUS

Mr. von Ribbentrop was also unable to promise anything this morning when he had breakfast with Prime Minister Stanley Baldwin at 10 Downing Street and discussed the matter with him for an hour and a half. Between that breakfast conversation and the opening of Parliament there was a conference between Mr. Baldwin and Mr. Eden, so the latter fully realized how precarious the situation was when he addressed the Commons.

But for the Foreign Secretary himself the speech was a considerable personal triumph. When he finished, Mr. Baldwin put his arm around his shoulders and patted him on the arm, and there was applause that was not confined to the government supporters. That, however, did not mean that vigorous criticism was not to follow from the opposition.

Among Mr. Edens hearers in the diplomatic gallery were the French, German, and Polish Ambassadors and the Ministers from most of the small European countries that are harassed by fear as to what is going to happen to them unless the great powers settle their present differences without war.

Norman H. Davis of the United States, who had finished his naval-conference task yesterday and is sailing for America tonight, took a busman's holiday to go to the distinguished strangers' gallery and hear about the troubled situation in which the United States is determined not to participate.

BRITAIN IS NOT ARBITER

The House was undemonstrative during the first part of the speech, but later warmed to the young Foreign Secretary despite partisan differences and conflicting opinions concerning the wisdom of his policy. He had said that this country was not an arbiter in the Locarno situation, but was a guarantor, and then added:

"I want, in all bluntness, to make it plain to this House that I am not prepared to be the first British Foreign Secretary to go back on the British signature."

Of course, everybody cheered that.

In reviewing events since March 7, when Hitler repudiated the Locarno treaty, Mr. Eden said France had first insisted that unless the German troops were immediately withdrawn from the Rhineland, progressive pressure must be put on Germany, beginning with economic and financial sanctions. The British did not take that view, he added, and were still struggling to find a safer way out of the difficulty.

He again emphasized the fact that the Locarno powers' proposals were not an ultimatum, in the opinion of the British Government, which was determined to continue its efforts by negotiation. He said the new agreement with France for military consultations would not involve this country beyond its League of Nations obligations if France engaged in a quarrel outside the scope of the Locarno Treaty.

He also denied that the new understanding with the French was analogous to the arrangement prior to 1914, which brought Britain into the World War. On the contrary, Mr. Eden declared, everything the British Government was now doing was for the specific purpose of avoiding war.

David Lloyd George, wartime Prime Minister, differed violently, saying the mistakes of 22 years ago were being repeated and were bound to result in another war if they were continued. On the other hand, Sir Austen Chamberlain warned that war would be inevitable unless Hitler was checked in his progressive violations of obligations.

Neville Chamberlain, Chancellor of the Exchequer, in closing the debate for the Government was more emphatic than Mr. Eden had been in assuring the House that Britain was not committing herself to joining France in any forcible expulsion of German troops from their own Rhineland. In reply to questions by Mr. Lloyd George and others, the Chancellor of the Exchequer declared that under no circumstances could Britain's agreement be twisted into meaning that she would participate in invasion of any other country.

When asked if German invasion of Poland or Czechoslovakia would call for action on the part of this country, Mr. Chamberlain replied that Britain's course would be strictly in accordance with her League of Nations obligations and not affected by any new arrangements.

PLAN DECLARED FANTASTIC

Hugh Dalton, Undersecretary for Foreign Affairs in the last Labor Government, replied to Mr. Eden in behalf of the opposition. He admitted that much could be said in favor of a demilitarized zone and even of an international force of occupation, which is in line with the Labor Party's insistence on an international air force. But he declared the proposal to combine British and Italian troops in German territory only was too fantastic to be considered as serious.

"Think of the situation", he exclaimed, "with our soldiers bivouacked with Italians and reading their newspapers with the latest tirades by Mussolini to his Senate, in which the name of Britain is hissed and jeered.

"Neither is the proposal for military staff consultations of this country with France, Belgium, and Italy accepted by the Labor Party. This proposal for consultations was made at a time when the League of Nations Council was in session. Why did the Council disperse so quickly? Why was a protest made by Poland that the Locarno powers appeared to be treating this matter as a special concern of their own?

"The impression created by these proceedings is that the British Government is trying to maneuver away from League policy into an Anglo-French alliance. That has been the impression created by these operations at a time when the League Council as a whole was sitting.

"I regret to add that this impression that we were seeking the narrow Anglo-French approach rather than the League approach has had the most unfortunate effect of fanning the fires of anti-French emotion in this country, which I deeply deplore and which is the result of the proceedings of the Foreign Secretary and his colleagues."

SUPPORT FOR THE LEAGUE

"We may take it that this country will not support an exclusive Anglo-French military alliance, but I believe this country will support, and the Labor Party certainly will, the organization of collective security through the League. Locarno is not enough today. Its geographical limits are far to narrow to be realistic. For effective organization of peace, the smallest possible area that could be contemplated is the whole European continent, including Russia.

"Public opinion and the Labor Party will not support military or economic sanctions against Germany in order to put out German troops from the German Rhineland. We draw distinctions between Italy and Germany. The moral of recent events is that we should prdoceed vigorously, through the League, with sanctions against Italy and so vindicate the collective system. We should also take immediate steps for real collective security against any future aggressor, whoever that might be.

"Great Britain should tell the German people in friendship and frankness that their political and economic equality is recognized. But that does not mean that we recognize the right of any nation to an overbearing, brutal predominance. Germany should be told that if she returns to the League she will have no need for overpowering armaments because she will be collectively guaranteed as to the inviolability of all her frontiers.

"If Germany refuses, other countries must organize peace without her and Britain must make it clear that Germany is to have no free hand to attack Poland, Czechoslovakia, Austria, or Russia. If Britain speaks plainly in Europe there can be no war."

Mr. Lloyd George for a brief interval seemed able to work his old spell on the House, but he spoiled the effect by wandering off into an irrelevant attack upon Prime Minister Baldwin for making a settlement of the American war debt and then not keeping it. The most telling passage of his speech was:

"I warn the House and the country of the danger of a military compact which thwarted negotiations and precipitated war in 1914 and will do it again if you enter into it. When Flandin [French Foreign Minister] announced it to the Chamber of Deputies they leaped to their feet. Eden said it is only Locarno. It is not. It is the same convention that helped to make for war in 1914.

"This is the shortest cut I know to the ghastly mechanical carnage of modern war, raining fire and destruction on our cities."

Sir Austen Chamberlain recalled that before the present troubles had arisen Mr. Baldwin had said the British frontier was on the Rhine and in that single phrase had crystallized five centuries of this country's history.

"The danger is not a danger to France or Belgium," continued Sir Austen. "It is a danger to this country, for the liberty and independence of those countries are more necessary to our safety today than in any other period of our past history.

POSITION AS TO THE LEAGUE

"When these present troubles are over, Parliament and the country will have to do some hard thinking about the League of Nations, about what we mean when we are making it the basis of our foreign policy, and whether collective security is any more than a pretty phrase. It is not merely a question between France and Germany or Belgium, or between ourselves. It is a question of what the future basis of international relations among the European States is going to be: Whether Germany will allow the countries which surround her to have normal international relations with her, whether she will observe the engagements into which she has freely entered, or whether an engagement in her case between her and another power holds good no longer than it suits her convenience to continue it, but is binding on the other party.

"You cannot base European civilization on a system in which treaties bind the parties only as long as suits their convenience. The real question is not demilitarization of a zone; the real issue before us and Europe today is whether, in the future, the law of force shall prevail or whether for it there shall be substituted the force of law.

"Don't let us live in a fool's paradise, but let us see that unless something can be done to restore confidence in treaties no new treaty will be possible.

"Germany does not make it a precondition of reentering the League that we shall give up our mandated territories to her, but she indicates in precise, clear language that she will enter in the full expectation that that will follow in a short time. We have got to recognize that German standards of conduct are not ours; that German ethics are not ours."

NEXT MOVE IS PROBLEM

Winston Churchill, too, attacked Germany, though with less virulence than usual. He said the German people could not be blamed for enjoying the victories Hitler was winning for them.

"But where will it be next?" he continued. "Austria or Memel? What other disputed areas has Hitler already in view?

"You must invite Germany to state her grievances, lay them on the council board and let us have them out, but don't let us have them out as if we are a rabble fleeing before forces we cannot resist."

Neville Chamberlain, in briefly winding up the discussion, said he hoped the debate would clear the atmosphere throughout the country as it evidently had in Parliament.

"Our policy and aims," he said, "are that we can look forward to a world in which peace will be attained by collective action. When that world comes into existence there will be no need for treaties of Locarno or other local regional pacts. Meantime, we have to buttress the League by such arrangements as Locarno. Locarno affects an area in which we are vitally concerned, and it is because of our interest in the low countries that we signed Locarno and are not now willing to enter any similar pact that would impose similar obligations on us in eastern Europe.

"Locarno provides that we cannot be drawn into obligations in consequence of arrangements between France and Russia, and we do not intend to add to that commitment, but that does not mean that we do not wish to see similar arrangements by countries interested in the integrity of the frontiers of eastern Europe."

OBLIGATION IN THE EAST

Replying to an opposition question as to the British position in the event of unprovoked aggression by Germany against Czechoslovakia or Poland, Mr. Chamberlain said:

"Unprovoked aggression by Germany against Czechoslovakia or any other power in eastern Europe would immediately come under the notice of the League, and we would be bound by our obligations to the League, which we would be ready to fulfill in common with other members of the League.

"Despite various appeals to Germany, we have not yet had any contribution at all toward provision for allaying the present strain. She has made proposals, but they are proposals which will have to be discussed when we get around the table. That is not a contribution. The contribution we want is one that will convince other countries that she is coming in the real spirit of a desire to reach a satisfactory settlement."

Referring to the letter in the White paper to France and Belgium as to their position if the negotiations failed altogether, Mr. Chamberlain said:

"It does not follow because particular proposals here are rejected by Germany that the negotiations have failed. On the contrary, we are going to have further proposals, and we have to consider what is in them. The fact that we have to establish or continue contact between the general staffs of Britain, France, and Belgium does not involve us in any obligation to undertake, in company with France, expulsion of German troops from the Rhineland. Most definitely not.

"All this is a guarantee of security. It is a guarantee against unprovoked aggression. It cannot be twisted by anybody to mean that we are bound in any circumstances to invade any country in company with France."

The House adjourned without taking a vote, but it was sufficiently evident that the Government had the support of Parliament in the present stage of the European emergency.

STATEMENTS OF LLOYD GEORGE AND SIR A. CHAMBERLAIN IN HOUSE OF COMMONS, MARCH 26, 1936

Mr. LLOYD GEORGE. I am not defending Herr Hitler's action. If the honorable gentleman will permit me, I will say in a moment or two what I think the case is. I am never afraid of stating frankly what I think the case is. In my judgment Herr Hitler's greatest crime was not the breach of a treaty, because there was provocation. I think his greatest offense was that in the inflammable conditions of Europe he should commit it in so reckless a manner. He organized a torchlight procession through a powder magazine, and there has nearly been a very shattering explosion. But the invasion of the Ruhr by the French came 6 months after they had agreed to a pact of nonaggression. They invaded their neighbor, and Lord Curzon, who was then foreign secretary, gave it as his opinion that it was an illegal act. Where was the meeting of powers then? Everybody knows the undertaking given by M. Clemenceau on behalf of the powers that if Germany disarmed, the rest would follow suit. Since the signing of Locarno, there has not been a year in which every one of the signatories, except Britain, has not increased its armaments. We did not, and that is to our eternal honor, and we are entitled to claim it.

But every country, including our own, has found its war bonds of one kind and another too irksome, too burdensome to carry, too tight. They stopped circulation, they stopped trade and business life in every country. France signed pledges to us to pay debts. She has not done so. The right honorable gentleman went to America and signed a treaty to pay so much a year to America. We are not doing so. Why? What does the right honorable gentleman think of this, for which he is responsible?

"It is an essential principle of the law of nations that no power can liberate itself from the engagement of a treaty nor modify the stipulations thereof except with the consent of the other contracting parties."

Has America consented to our action? There was a pact, there was a treaty. Has America consented? Here is a breach of a fundamental principle of the law of nations. But every country has found it impossible to carry these bonds. The time has come to consider and to revise. Inside the Treaty of Versailles there are the powers to do so. The best thing that has been said about this business was by the right honorable gentleman, the chancellor of the Exchequer's own rector—the Rev. Guy Rogers. He said that the text that is applicable under present conditions to all the powers and not merely to Germany is: "Let him that is without sin cast the first stone."

Sir A. CHAMBERLAIN. I hope I may be permitted in my first words to offer my tribute and admiration to the Secretary of State for the speech with which he opened this Debate. It ranks with the finest Parliamentary performances and is worthy of the high office which he fills. I wish I could feel just the same about the speech of the right hon. Gentleman, the Member for Carnarvon Boroughs (Mr. Lloyd George). I would invite the House to consider for a moment the relevance of his last observation to the case we have to consider. As far as I am aware, His Majesty's Government have never repudiated our obligations to the United States of America. [Hon. Members: "Oh!"] No person and no country can be bound to fulfil the impossible. As long as it was within our means we paid what was due in full. For two or three years afterwards we paid a sum on account as an acknowledgement of our debt, and we only ceased to make that continuing payment in the midst of all our own troubles when it was no longer acceptable in the only form in which we could make it.

[From the New York Times, Friday, Mar. 27, 1936]

EXTRACTS FROM EDEN'S SPEECH ON GERMANY

LONDON, March 26.—Following are important excerpts from Foreign Secretary Anthony Eden's speech to the House of Commons today on the German reoccupation of the Rhineland.

Even those who think in this country that Germany has a strong case deprecate the fact that she has chosen to present it by force and not by reason. Now about the position of our own country. There are some who might regard us as fortunately placed at this anxious moment in European affairs, some who regard us as arbiters, with a fortunate destiny, but we are not arbiters, we are guarantors of this treaty and as guarantors we have certain commitments and they are very definite.

I want, in all bluntness, to make this plain to the House:

I am not prepared to be the first Foreign Secretary to go back on the British signature.

Our objective throughout this difficult period has been to seek a peaceful and agreed solution. I consider that we are bound to do so by article 7 of the Treaty of Locarno. It is in the spirit of that article that we have sought a solution and attempted to bring about agreement and understanding, and to do that without impairing confidence in our good faith or in our determination to carry out the obligations to which we have set our name. We have entered upon our task with the weight of our commitments heavy upon us. The crux of our problem was always the same: How was international law to be vindicated? How were we to bridge this difficult interim period before negotiations can take place?

PROPOSALS IN WHITE PAPER

The White paper contained three proposals to that end, namely, first, submission of the Franco-Soviet pact to the Hague Court; second, suspension of fortification in the zone; and, third, for Germany to agree to an international force for the interim period.

I must make it plain that these proposals have always been proposals, and they are not an ultimatum. It will be appreciated that without some constructive contribution from the German side the task of those whose sole aim and ambition is to start these negotiations will be an almost impossible one.

I want to explain the undertaking given for the interim period, which is paragraph 3 of the White paper. The undertaking in paragraph 3 was deliberately designed to compensate for the loss of security suffered by France and Belgium at this time, owing to the violation of the demilitarized zone. The first half repeats a statement I made in this House, the first statement I made after the breach of treaty took place. The undertaking is strictly limited and clearly defined.

The military staff conversations are only for the purpose of the obligations under the Locarno Treaty. They are purely technical conversations. They can in no measure increase our political obligations—in no measure. We shall ask, indeed insist, that some such paragraph as this shall be the understanding upon which these conversations take place. It is understood that this contact does not imply any political undertaking or any obligation as regards the defense obligations between the two parties.

DISTINCTION IS STRESSED

We must clearly distinguish between staff conversations for specific and limited purposes now and those conversations in the years before 1914. Our obligations in the present instance are clearly set out by treaty already and the only question that can be at issue is whether or not you are prepared to make arrangements to carry out those obligations, should need arise. That is all.

I would remind the House in this connection that only in the last few months such conversations have actually taken place at our request in connection with obligations under the covenant which we all shared and which arose out of a dispute in another part of the world.

So much for the interim period. At this stage I should say one word about those who would argue that it was our duty to keep free from all entanglements in Europe. With all respect, I wonder if those people who say that are quite clear as to what they mean. If they mean we must turn a blind eye to all that happens in Europe, then that is taking no account of the realities. We have never been able in our history to dissociate ourselves from events in those countries—neither in the time of Queen Elizabeth nor the time of Marlborough nor the time of Napoleon—still less in the present day when modern developments in science have brought a striking force so much nearer to our shores.

It is vital to the interests of this country that the integrity of France and Belgium should be maintained and that no hostile force should cross their frontiers.

I say with apologies to Sir Austen Chamberlain that there is nothing very new in Locarno. It was a new label but it was an old fact, which fact had been the underlying purpose of British foreign policy throughout history. To affirm it again is a threat to no one, for its purpose is purely defensive and in every single article where these conversations are mentioned it is clearly shown that they only apply in the case of unprovoked aggression.

I hope those conditions will never arise. I am quite confident that they are less likely to arise if we make quite clear our own position. What Locarno did was to carry a stage further the commitments we already bear under the covenant in respect to a much wider area. It was not inconsistent with the covenant but complementary and, in fact, the idea of these original pacts has been blessed by Geneva.

It may be said that those who urge that we should disentangle ourselves from Europe have nothing in mind very different from what I have described. They may be thinking of another situation when, owing to obligations elsewhere, our neighbors may become involved in a conflict and that they may call for our help in a quarrel that is not ours. That I believe to be a general apprehension. The people in this country are determined that shall not happen. That is the view of the Government. We agree with it entirely.

To sum up our position, our engagements, except those respecting parts of Europe already covered by our Locarno obligations, are precisely the same as those of any other member of the League of Nations. Even with respect to the area covered by Locarno there is no new commitment but only arrangements for more effectual fulfillment of commitments already existing. We have visualized that not because necessarily they appeal to us but because we thought it imperative to make some contribution to try to secure some negotiations to solve our present difficulty.

I freely admit it is not impossible to find faults in the White Paper. I could find a few myself, but I have given the reason for what we agreed in the circumstances of that time.

I say deliberately I do not regret one of these proposals. This House must recall that we were met together in circumstances as grave as those which have faced any government since the war. The international position was extremely complicated. Few people in this country yet realize the immense significance to certain parts of Europe of a demilitarized zone. There were the latest dangers which are not yet wholly appreciated.

Our justification for these proposals lies simply in this: that in a moment of crisis they allayed immediately the prospect of steps being taken which might have led to war.

NEED A GERMAN CONTRIBUTION

Of all these proposals, the one to which we attach the most importance is the one which opens up an opportunity for new negotiations. That is the phase we want to reach. If we are to reach it, we must have a contribution from the German Government. So far, despite all our efforts, none has been forthcoming, save the Chancellor's undertaking not to increase the number of troops that originally entered the zone.

While admitting the importance of that in the present international situation, it is not enough. If, in addition, the German Government would give an undertaking that for the period of the negotiations it would not fortify the zone, it would give us something to work to; but I am informed that even that undertaking is not possible for the German Government to give.

Our objectives in all this are threefold: First, to avert the danger of war; secondly, to create conditions in which negotiations can take place; and thirdly, to bring about the success of these negotiations so they may strengthen collective security, further Germany's return to the League, and in a happier atmosphere allow those larger negotiations on economic matters and matters of armament which are indispensable to appeasement of Europe to take place.

What are the chances of achieving that now? Much clearly depends on the proposals which the German Chancellor has been good enough to tell us he is going to make at the beginning of next week. We know that the Chancellor, who has, I believe, appreciated the efforts the British Government has made, will understand with what anxiety Europe awaits these proposals.

He can be assured that as far as we are concerned these proposals will be received with an open mind and not only with an open mind but a keen desire to make the best use of them we can to bring about the permanent pacification of Europe. I say this all the more sincerely because we are conscious of the difficulties of our time.

I do not view the future with a light heart, but there are a few general observations I want to make that I think the Foreign Secretary of this country ought to make without restraint at this time.

I do not intend to approach the problems of the immediate future with the idea of being bound to the divergent policies either of France or of Germany. [Cheers.] I say first to the British public we cannot secure peace unless you are prepared frankly to recognize the real complexities of the present international situation. We cannot insure peace if you refuse to take upon yourselves the obligation to assist us at this time. We cannot insure peace unless in this country and elsewhere we divest ourselves of prejudices about this or that foreign nation and unless in this country we can divest ourselves of prejudices about our own politicians.

URGES OPEN MIND BY FRANCE

It is fantastic to suggest that we are tied to the chariot wheels of this or that foreign country. I should like to say to France that we cannot insure peace unless the French Government is ready to approach with an open mind the problems which still separate it from Germany. And I should like to say to Germany how can we ever hope to enter negotiations with any prospect of success unless you are prepared to allay the anxieties in Europe you have created?

I do not believe that at this time we shall contribute to a solution of our difficulties by fashioning our foreign policy exclusively on that of any foreign country, but rather by seeking to understand the difficulties that exist in each and attempting to contrive a common meeting place. That is our whole objective.

These issues far transcend the ordinary limitations of party politics. When the whole future of our civilization may be at stake, who cares about party labels?

I would ask for a continuance of that support generously extended to me in the last few weeks and I would ask it because I believe that the purpose I am working for—with how many errors and however many misjudgments—is one which is shared by the great majority of men and women in this country—to maintain peace, strengthen the League, uphold the sanctity of treaties, and, above all, seek without rest and fashion from the troubles of the present a future which may be freed from the haunting fears that shadow our own times.

They had a great debate last year in the Commons over the breaking of the Locarno Treaty by Germany. The debate was lead by Eden and taken part in by the leading men of England, and answered by Lloyd George for the opposition. In the Times—I have it here and I will find it when I put my inadequate system at work—the Times in reporting that speech gave it columns and pages, gave it as it was, one of the great debates in the history of the world. They reported Eden in full, and then they pretended to give the account of Lloyd George's speech. I will tell you what he said—first I will tell you what the Times said, this sponsor of the World Republic. The Times went on and gave Lloyd George a good column and then it said—and this paper is supposed to report news to the country—then it said:

At this point Mr. Lloyd George lost his audience by referring to the American debts.

That is all the people of America got about the disposition of England toward the debts, but I sent for the Congressional Record—they do not call it that—and it is right here, and what Lloyd George did say was this: He turned on Baldwin and said:

Why do you talk about the Germans breaking their treaty? You went to America in 1926 and came back here and boasted of the great treaty which you had put over on America, and asked our approval. You were the first one——

What is the matter with the world—is the breaking of international agreements and treaties, and that dishonesty has spread to trade and that dishonesty has spread to every international relation, and he put it right up to Baldwin that the leader of the party in England today was the same man whose signature was on that debt. The New York Times denied the American people the right to a decent, fair, and honest report on it, their editorial policies even going to the point of juggling their news.

I will put in the entire paper of the Times and the entire debates in the House of Parliament that you may see a picture of the weapons that internationalism is driven to use.

Now, we get back a moment to our balance sheet. You had December. In December our true position was debtor position of $91,000,000. That is without the service items. With the service items we go in the red $29,000,000 more. So our unfavorable balance of payments for the month of December was $120,000,000 instead of the $14,000,000 that the President and you men and the public have been led to believe.

Now, we took what is a true, honest, and clean balance sheet for the year 1936, and it shows you an incredible situation, that last year we went into the red $1,584,000,000. That was our unfavorable balance of trade last year. What do I care whether you call it goods and goods, service and service, visibles, and invisibles—color it and sneak it out to the public under the term, "Residual, $400,000,000." What has residual got to do with accounting? How could the President and the Congress legislate with a balance sheet that carried a residual of $400,000,000?

I was taught bookkeeping as a lad by my father, prior to the Child Labor Law, and I can remember the 30th of every month we were not allowed to go home if the balance sheet showed 1 cent out of balance. My father taught me that 1 cent out of balance might mean a million, of course, not in a business the size of ours.

(Department of Commerce reports, the balance sheets, etc., referred to by Mr. Garvan are as follows:)

DEPARTMENT OF COMMERCE REPORT, MONTH OF DECEMBER, 1936

MERCHANDISE TRADE BY MONTHS

Exports, including reexports, general imports, and balance of trade

Exports	$229, 739, 000
Imports	244, 321, 000
Excess of imports	14, 582, 000

Gold and silver by months

Gold:	
Exports	$99,000
Imports	57,070,000
Excess of imports	56,970,000
Silver:	
Exports	236,000
Imports	2,267,000
Excess of imports	2,031,000

Excerpt from text of news release dated January 29, 1937, from which release above figures were taken.

Page 1, paragraph 6: "Imports exceeded exports in value by $14,582,000 in December. In November 1936 there was a net export balance of $29,332,000, and in December 1935 a net export balance of $36,501,000."

Balance of trade—cost, insurance, and freight basis, not including gold and silver

MONTH OF DECEMBER 1936

Exports	$220,739,000
Imports:	
As reported by Customs Department	244,321,000
Freight and insurance—estimated	18,000,000
Total imports of merchandise—cost, insurance, and freight value	262,321,000
Excess of imports over exports on cost, insurance, and freight basis	32,582,000

BASIS OF COMPUTATION OF ESTIMATE FOR FREIGHT AND INSURANCE

Average freight paid on imports by steamship (excluding shipments from Canada and Mexico which are practically all by rail), years 1933 to 1935, inclusive, based on figures covering total freight paid as prepared by United States Shipping Board Bureau, Division of Shipping Research, 7.15 percent of declared value of imports.

Estimate of freight paid to foreign railroads on imports based on Department of Commerce estimate.

Insurance estimated at 1¼ percent of declared value of imports.

NOTE.—United Kingdom trade tables read "imports value (cost, insurance, and freight), exports value (free on board)." Practically all important nations use this basis.

Balance of trade—cost, insurance, and freight basis, including silver but not gold

MONTH OF DECEMBER 1936

Exports:	
As reported by customs	$220,739,000
Silver	236,000
Total	220,975,000
Imports:	
As reported through Customs	244,321,000
Freight and insurance—estimated	18,000,000
Silver	2,267,000
Total	264,588,000
Excess of imports over exports, cost, insurance, and freight basis, including silver but not gold	34,613,000

NOTE.—League of Nations Economic Intelligence Service in their publication, "Balances of Payments 1935", discussing balance of payments United States of

America, state (p. 156): "1. Merchandise, 1. (a) Merchandise proper, (b) Silver coin and bullion"; and page 160, "Merchandise. In view of the special nature of United States silver imports during recent years, item 1 has in the above table been divided into (*a*) merchandise proper and (*b*) silver coin and bullion."

Balance of trade—C. I. F. basis, including gold and silver

MONTH OF DECEMBER 1936

Exports:	
As reported by customs	$229, 739, 000
Silver	236, 000
Gold	99, 000
Total	230, 074, 000
Imports:	
As reported by customs	244, 321, 000
Freight and insurance, estimated	18, 000, 000
Silver	2, 267, 000
Gold	57, 070, 000
Total	321, 658, 000
Excess of imports over exports—cost, insurance, and freight basis, including gold and silver	91, 584, 000

"BALANCES OF PAYMENTS, 1935"

By Economic Intelligence Service, League of Nations

Page 9: "There are, however, important gold movements which are of the same nature as merchandise transactions, namely, gold exported from the mines of gold-producing countries and gold imports for industrial and similar purposes."

Balance of payments, month of December 1936—Goods, services, and gold

Commodities:	
Exports:	
As reported by customs	$229, 739, 000
Silver	236, 000
Gold	99, 000
Total exports	230, 074, 000
Imports:	
As reported by customs	244, 321, 000
Freight and insurance (estimated)	18, 000, 000
Silver	2, 267, 000
Gold	57, 070, 000
Total imports	321, 658, 000
Excess of commodity imports over exports	91, 584, 000
Services (estimated):	
Tourist expenditures; immigrant remittances; charitable, religious, and educational contributions; Government expenditures abroad, etc., less receipts from shipping services, motion-picture royalties, etc. (net)	24, 000, 000
Payments of interest and dividends on foreign investments in United States in excess of receipts of interest and dividends on our investments abroad (estimated)	5, 000, 000
Net debit on service items	29, 000, 000
Unfavorable balance of payments, month of December 1936	120, 584, 000

Balance of international payments, United States with the world, year 1936

Commodities:			
Exports:			
Merchandise as reported through Customs	$2,453,487,000		
Merchandise not reported through Customs, estimated:			
Bunker fuel, unrecorded parcel post, undervaluation of exports by rail and sundry other undeclared exports	92,000,000		
Silver	2,965,000		
Gold	27,534,000		
Total	2,575,986,000		
Less adjustment in declared values resulting from manipulation of exchange and loss through bad debts, estimated	25,000,000		
Corrected total of exports		$2,550,986,000	
Imports:			
As reported through Customs	$2,419,220,000		
Not reported through Customs, estimated:			
Bunker fuel, goods brought in by tourists not declared, smuggled goods, etc	78,000,000		
Freight and insurance on imports, estimated	183,000,000		
Silver	182,816,000		
Gold, less earmarkings	1,058,217,000		
Total	3,921,262,000		
Less adjustment in declared values due to bad debts, allowances, etc	15,000,000		
Corrected total of imports		3,906,262,000	
Excess of commodity imports over commodity exports			$1,355,276,000
Services (estimated):			
Debits:			
Tourist expenditures, net		$377,000,000	
Immigrants' remittances and sweepstake payments, net		92,000,000	
Charitable and religious contributions		28,000,000	
Government expenditures abroad, net		103,000,000	
Miscellaneous service items, fire and casualty insurance, advertising, etc		54,000,000	
Total debits		654,000,000	
Credits:			
Freight and shipping	$88,000,000		
Miscellaneous—Motion-picture royalties, cablegrams, etc	85,000,000		
Total credits		173,000,000	
Net debit, before interest and dividends		481,000,000	
Interest and dividends received on foreign investments, long-term and short-term	$464,000,000		
Less interest and dividends paid to foreigners on their investments in the United States	212,000,000		
		252,000,000	
Net debit on service transactions			229,000,000
"Unfavorable" balance of payments, year 1936			1,584,276,000

Senator BARKLEY. Are we to understand from your facetious reference to the child labor law that you are opposed to child labor laws?

Mr. GARVAN. No; but right there I would like to see how much child labor there is in America. Has anybody thought of publishing that? Is there any department that shows it? Have you any books or figures showing it? I cannot find it. Of course, I am not in favor of child labor; I was not even then. [Laughter.]

Senator BARKLEY. I am glad my question prompted you to clear up your attitude on that.

Mr. GARVAN. Yes. And I can further tell you that at 14 I was compelled to raise 2 acres of tobacco.

Senator BARKLEY. I raised 4.

Mr. GARVAN. I was only an amateur, I admit. [Laughter.] That is why I am in sympathy with these Connecticut Valley tobacco men who are here, because they are living on the farm where I was brought up.

I heard them because they came on here in connection with the chemical schedule and a fine fellow got up there and he told how they were raising Sumatra tobacco. They could not do that in my day, it was just the old Connecticut shed roll that we raised, that would give us 14 cents one year, 52 cents the next year, and the next year the bugs would take the whole thing.

He told how they had advanced in raising Sumatra until over the years they had almost gotten to the practical quality of Sumatra, but their costs were high.

I remember he told them that they were not only raising tobacco, but they were using 35,000,000 square yards of cotton cloth a year, of a value of over $1,000,000, and that they had got to that position by the sweat of their brows.

You may be interested in Holland, you may think that that brown brother of yours on the tobacco fields of Sumatra is having a harder time than we are having in getting it out of the rocks of Connecticut, but for God's sake consider us.

Senator BARKLEY. I happen to come from a tobacco section that has to export 85 percent of the tobacco produced in western Kentucky, and I happen to know that the reciprocal trade agreement which we made in France gives to our tobacco growers quite an advantage in the possible increase in sales of a commodity that finds practically all its sale in foreign countries; it cannot be consumed here. So you cannot make a dogmatic statement with respect to tobacco.

Mr. GARVAN. No; it is not dogmatic; I just spoke of the Connecticut Valley. But tell me this, where in the moral law did you get a right to be aided at the sacrifice of the Connecticut farmers?

Senator BARKLEY. I do not look at such matters either from the point of view of Connecticut or the Kentucky farmer, but if there is to be a discrimination it probably ought to be in favor of the larger producer and the larger quantity.

Mr. GARVAN. That is a good answer. That is my main objection to this reciprocal tariff agreement, that it is immoral. I do not mention Secretary Hull, because from what I have seen he has very little to do with these tariffs. There are four men to whom you have given this authority, Mr. Fox, Mr. Feiss, Mr. Chalmers, and Mr. Mordecai Ezekiel. [Laughter.] They are the men who are administering this tariff, and if you do not believe me, just see a poor citizen on the outside of the rail and try to go in and discuss your troubles or the imminent danger with anybody. That always happens with delegated authority.

As I say, that is my basic objection. Of course, I object to it on the grounds of constitutionality, and I have found on examination that the things that are unconstitutional will generally be found to be immoral. That will deserve study, and I am not able to defend it. I am not able to talk for it and I do not go into the discussion.

We are not permitted to test the constitutionality, and that in itself was a confession of unconstitutionality.

If it had not been realized that this was unconstitutional, of course you would have never prevented an American citizen having his day in court and testifying.

Senator BARKLEY. You realize that for 150 years Congress has been authorizing any administration, without regard to party—and I don't want to get that into it—to make agreements with other countries. They did it under the McKinley Tariff Act and the Dingley Tariff Act, and as a result, some 10 or 12 such agreements were entered into, none of which were required to be entered into by the Senate because they are regarded as regulations of commerce and not as taxation. Of course, they are not, strictly speaking, a sort of treaty between international countries which would be expected to require senatorial ratification. That thought has come down as a part of our history and the courts passed in an early case upon the power to deal with matters of that sort in the regulation of trade.

Mr. GARVAN. I would not go into that argument. I would be utterly inadequate to do it. But your own mentality and study would be so infinitely superior that I would be licked before I started.

Senator BARKLEY. I thank you for the compliment, but I do not deserve it.

Mr. GARVAN. There is one other thing that you have to study in these treaties. You say the tobacco interests are interested in the treaty, but so is the Government. How much of the profits of the tobacco industry is the Government taking? I figure 80 percent. You are 80 percent of the tobacco industry yourself.

I had to figure that in the chemical industry, and I figured that the Government is a 75-percent own r of the chemical industry today. I figured it with a pencil on the Du Pont statement the other day. They showed $90,000,000 profit and $84,000,000 paid as wages. I can figure it for you where you take 75 percent of the $90 000,000, and how much you take of the $84,000,000 wages and salaries, I do not know. I am starting studies along that line, together with other arithmetical studies so we can understand that Mr. Fox, Mr. Feiss, Mr. Chalmers, and Mr. Mordecai Ezekiel are down there dealing with tobacco growers as the 80-percent owner, or 75-percent owner, or 65-percent owner.

Senator BARKLEY. What are the official positions of this quartette of undesirable people you have referred to as having complete authority in this matter?

Mr. GARVAN. I will show you. I will show you Mr. Mordecai Ezekiel in this way: Mr. Mordecai Ezekiel is called an economic adviser to the Department of Agriculture, and a man of great erudition and distinction.

(Information referred to is as follows:)

[From Newsdom, vol. VIII, no. 6, Feb. 6, 1937]

TEXAS INDUSTRIALISTS, BANKERS TO BUILD PINE NEWSPRINT MILL—DEFINITE PLANS ARE MADE FOR CONSTRUCTION OF $5,000,000 PLANT

DALLAS.—The location of the first newsprint mill in the South will be determined following a report of engineers now making surveys in East Texas, it was learned this week.

The management of the $5,000,000 enterprise and organization of technical staff personnel will be in charge of Perkins-Goodwin Co., of New York.

The mill is to have an initial capacity of 150 tons of newsprint daily. The name of the new corporation will be Southland Paper Mills, Inc., and of the first unit Texas Mill No. 1.

Definite plans for the building of the mill to use East Texas pine were made here last week during an all-day conference of local and East Texas capitalists, bankers, lumbermen, and owners of timberland.

Wirt Davis, chairman of the board of the Republic National Bank, who presided at the conference was authorized to appoint a committee on organization plans to which he named the following:

Nathan Adams, president, First National Bank, Dallas; Fred F. Florence, president, Republic National Bank, Dallas; E. L. Kurth, Lufkin, president, Angelina County Lumber Co., and chairman of the East Texas Chamber of Commerce paper mill committee; Arthur Temple, Texarkana, president, Temple Lumber Co.; P. B. Doty, president, First National Bank, Beaumont, and Wm. W. Buffum, treasurer and general manager of the Chemical Foundation, Inc., New York. Hubert M. Harrison, general manager of the East Texas Chamber of Commerce, was secretary at the conference.

Others at the conference were Dr. Charles H. Herty, Savannah, Ga.; Ted Daley, vice president of the Dallas News; L. B. Denning, Dallas, president of the Lone Star Gas Co.; Gus Blankenship, president First National Bank, Jacksonville; Gus F. Taylor, president, Citizens National Bank, Tyler; Guy Blount, Nacogdoches, timberland owner; Mayor P. D. Renfro, Beaumont; Worth Whited, president, Frost-Whited Lumber Co., Nacogdoches; L. B. Mast, banker, Nacogdoches; W. H. Francis, Dallas, general counsel, Magnolia Petroleum Co.; Tucker Royall, chairman of the board, First National Bank, Dallas; Albert Newcombe and R. W. Wortham, Jr., representing Perkins-Goodwin Co., New York.

Ted Dealey, president of the Texas Newspaper Publishers' Association, announced during Thursday's sessions that Texas, Oklahoma, Arkansas, and Louisiana publishers had agreed to purchase the total yearly paper output of the proposed mill.

Dr. Herty, just before leaving for his home in Atlanta, said: "I have been in a log jam for several years but it has now been broken by the action of you Texans. I am a very happy man over the result of our deliberations."

Wm. W. Buffum, general manager and treasurer of the Chemical Foundation, was highly pleased over the rapidity of action on the part of Texas industrialists and capitalists.

"I am highly gratified because this means so much to Texas and to the whole country", Buffman said. "It is the beginning of a great new industry for the entire South. It is pleasing to me to see how the leading citizens of Texas grasped their opportunity.

"Early in December the Dallas News published an interview in which I suggested that the paper mill be built with Texas capital. I, at the time, called attention to the vast natural resources which Texas possesses on which to base a paper industry. The next day there appeared a cartoon by your John Knott. That rang the bell. It set the ball rolling.

"Francis P. Garvan, president of the Chemical Foundation, a classmate of Wirt Davis of Dallas, succeeded in interesting the latter in the paper-mill project. Mr. Davis has devoted much of his time and energy during the last 5 weeks to formulating a plan to carry out this project. It was at Mr. Davis' instigation that the group of Dallas and Texas capitalists and industrialists was called together. The result was a foregone conclusion."

Hubert Harrison late Thursday said the paper-mill industry will provide employment and new cash outlet for a year-round crop for East Texas owners of timberland and farm wood lots.

"I believe that this is the beginning of a great new industrial expansion including not only paper mills but related industries using Texas raw materials". Mr. Harrison concluded.

America wanted to start using the slash pine of the South to take the place of $250,000,000 imports from Canada today. So I wrote the facts to the President. The President in his busy life referred it to Secretary Wallace. Secretary Wallace referred it to his "brain truster", Mr. Mordecai Ezekiel. Mr. Mordecai Ezekiel wrote me back and said, "No; America cannot do that. We have got to import that stuff from Canada, Sweden, Finland, and other countries. America cannot use its slash pine." In effect he said to set fire to your forests. Let it go on. We have got something, either of General Motors or the machine trust or some one of the big fellows who are associated with Morgan, we have got something they want to export and so you farmers go on raising your 6-cent cotton, go on having your tenant farming, go on having your problems all over the South, but don't bother me; I am here in the business of making exports in order that the farmer can export his cotton.

Senator BARKLEY. Will you include in your testimony a copy of Mr. Ezekiel's letter?

Mr. GARVAN. I will. I will read it to you right now. And also will you allow me, then, to include my answer?

Senator BARKLEY. Sure; and both of them can speak for themselves, I suppose?

Mr. GARVAN. I will include my whole correspondence, the letter to the President, the letter from the President transferring it to Mr. Wallace, and to Mr. Mordecai Ezekiel.

Senator BLACK. Will you underscore the part where he said in effect that he wanted you to burn the forests up?

Mr. GARVAN. No, no——

Senator BLACK. You said, "in effect."

Mr. GARVAN. I will read the letter.

Senator BLACK. Would you mind underscoring the part where he said in effect that he wanted to burn the forests up?

Mr. GARVAN. Surely.

Senator BLACK. I will appreciate it if you will do that in the report and not speak.

Mr. GARVAN. Yes, sir; for this reason——

Senator BLACK. Underscore it and give it to the stenographer.

Mr. GARVAN (reading):

> For this reason, we cannot agree with you that it is to the advantage of the farmers to adopt arrangements such as you propose in your letter.

Senator BLACK. Is there any other part of the letter which he wrote you which in your judgment says in effect that he wanted to burn the forests?

Mr. GARVAN. Yes, sir.

Senator BLACK. Underscore it, too, please, sir.

Mr. GARVAN (reading):

> If we take further steps to reduce our imports in the end, we will immediately intensify our farm readjustment problem.

In other words, the whole thing was a dismissal of the proposition to build a paper industry in the South.

Senator BLACK. Is there any other part of the letter to which you refer which says in effect that——

Mr. GARVAN. No; the rejection of our proposition.

Senator BLACK. Those two constitute the part on which you base your statement here?

Mr. GARVAN. I did not base my statement—he said in effect.

Senator BLACK. On which you said you based your statement that he wanted to burn the forests up?

Senator BARKLEY. Will you point out the particular language which indicates fire?

Mr. GARVAN. I cannot point out a sentence but they have been burning for 25 years in forests.

Senator BARKLEY. Now, you refer to the writer of this letter, Mr. Ezekiel, as one of the four men who fixed the policies of these trade agreements? Don't you know, or if you don't, are you willing to be instructed——

Mr. GARVAN. I am that.

Senator BARKLEY. That neither of the four named by you was a negotiator in any of the 15 trade agreements?

Mr. GARVAN. I cannot admit that, sir. I was there and watched them.

Senator BARKLEY. You know they were the negotiators?

Mr. GARVAN. It depends on what you mean by negotiators?

Senator BARKLEY. I mean those who sit and negotiate with other countries.

Mr. GARVAN. We have seen in the papers that they have been considering a new treaty with England; when is one of these treaties negotiated? Is it negotiated before they have a public hearing or is it negotiated with the foreign ambassadors in the dark rooms of the State Department?

Senator BARKLEY. The procedure is——

Mr. GARVAN. It is fine in print, I admit that; but take a practical case and try to get consideration and see who ultimately decides that.

I want to go back to that paper thing; I have been accused of exaggeration or something else, but the pines of the South have been burning up in fires for 25 years. It has been one of the menaces of the South and the destruction of the South. The Chemical Foundation used this money for 5 years trying to develop a use for that pine, and we spent over $300,000 of our money. We found a scientist who felt he could do it, and we went to Savannah and we got the cooperation of the people of Savannah. The people gave us the building and the power company gave us the power, and the State legislature passed an appropriation of $20,000 a year.

Senator BLACK. Do I understand the power company gave you the power there?

Mr. GARVAN. Yes, sir; either through the city committee or something.

Senator BLACK. What power company was it that gave you the power there?

Mr. GARVAN. It is either the Southern or the Commonwealth, whatever is there.

Senator BLACK. But did they give it to you?

Mr. GARVAN. I think they gave it to the city of Savannah and the city of Savannah turned it over to us.

Senator BLACK. I congratulate you.

Mr. GARVAN. Now, wait. These pines were growing there and we spent 5 years in developing—I am not telling this as a story except to point out about these reciprocal trade agreements. We found that it was like so many things, just a wrong theory that had been governing the country, that you could not use the pine of the South, it was grown by the devil and it contained qualities which would not allow you to print internationalism on the paper, don't you know. We just proved that this was not so and that the pine was the greatest thing in the world for paper, that we could make any kind of paper out of it except rag paper, of course.

Now, then, we came to the Government for help and it was referred to the reciprocity treaty who turned it down and said "no." All right, that is why I said these treaties are not getting anywhere. They said "no" to whom? They said "no" to the American people.

They said "no" to Americanism. They said "no" to the American way. It was a direct clash between the friends of internationalism and the friends of America.

But what did we do? We went back and we worked and we never slept, and we said we would not take Mordecai Ezekiel's "no" for an answer. We will not take the forbidding aspect of the reciprocal trade agreement, and tonight we have $65,000,000 worth of mills building in the South, employing fifty thousand-and-odd people, employing colored people and other people, with the farmers in the woods cutting the wood. The pay roll of Savannah is today just twice what it was before the Union Bag & Paper Co. started the mill. Virginia gets a mill. North Carolina—I always get my North and South mixed up—Charleston gets a big mill from the West Virginia Paper Co. Georgetown gets a big mill by the International Paper Co. Brunswick gets a big mill of the Meade Paper Corporation. The mill first started is now to be multiplied by four by October. The Certainteed Products has a big mill. In the south corner of Georgia the late Alfred du Pont, or his estate, which he left entirely to charity, to old people and children, administered by a man named Bell, in Jacksonville, has appropriated $10,000,000 for a mill in the north of Florida. If you go across to Arkansas there has been a mill put in there. If you go down into Houston, the Champion Paper Co. is putting $5,000,000 into a mill.

These are all Kraft papers. The South knew something about Kraft before. We do not claim any particular credit for it, but it was just that we had the courage to try, that is all. The newsprint mill is now on the way, the bankers are furnishing $5,000,000 without commissions, or brokerage, or anything else, and the oldest paper house in America is to manage the mill and receive common stock, though they can only get a dollar out of it if they make it a successful venture.

That is the beginning of the building in the South of $500,000.000 of mills, and that is the beginning of the end of our importing $250,000,000 from Canada.

We will not hurt Canada because the consumption of the world is increasing so fast, as I can show you by the statement of the Royal Bank of Canada, that both can prosper together. It takes years to develop these things.

I will show you further that you have taken the first step toward the absolute freedom of the American press, and the New York Times, because it has its mills in Canada, will not have to be an international paper and will not have to color the news each and every day against the best interests of this country.

Let me show you that the day the Canadian treaty was adopted it was given out at 10 o'clock at night when no other newspaper in the country could have the news in time for editorial copy, but the news of that tariff was put in the New York Tribune, the leading bell-weather of your Republican Party, and they came out the next morning ahead of any paper in the country, praising the reciprocal trade agreement, which their party and their leadership naturally and normally would have compelled them to condemn. The reason for it was that newsprint was frozen on the free list.

We do not care if you freeze it on the free list forever. We can produce it $10 cheaper than they can produce it anywhere in

Canada. We never asked a tariff and we never will ask a tariff; we only ask the opportunity to develop some at least partial solving of our cotton problem, some at least partial solving of our unemployment problem. We do not want our printed word entirely controlled by the price of newsprint.

Today one man in England, Rothermere, controls the price, not absolutely, but in its trends, in its going along with things. He is the controller of the Canadian mills, as you will see. Paper was $120 a ton in the war, and Canada and our foreign interests held that club over every American publisher today, $120, which would put them all out of business.

The man who controls the newspaper is the man who controls its balance sheet. It is usually its owner. What controls the balance sheet is the price of the newsprint, and whoever controls the newsprint price can come pretty near dictating the policy. Do I state that foolishly? We were down in Texas stamping along trying to find the site of one of the mills, and I made a statement which I said was my deduction from the experience of 20 years, and he said that it need not any longer rest on a deduction.

He said, "I was sent for in 1916 by Lord Rothermere, to London, and he sent for the leader—I built mills in England so that was how he knew me—he sent for the man who was the biggest man in the Canadian control—"

There is no use mentioning these names because they are men earning a living. I can tell you who they are are if anybody doubts me.

He sent for him from Canada, and the Canadian and the American representatives met Lord Rothermere in London at the Ritz Hotel in 1916, and Rothermere said to them, "This war is getting pretty bad. It looks as if we are going to need your help." This is what Lord Rothermere told this man. "I want you two men to go back to America and get into our control every kind of newsprint going into the American newspapers", and then he said, "I will name the Presidents of the United States."

Senator BLACK. Who was that representative that you said came from America? Did you tell that?

Mr. GARVAN. I said I would rather tell the committee their names.

Senator BLACK. That is a very serious charge.

Mr. GARVAN. Alexander Smith from Canada, and Albert Newcomb from New York.

Senator BARKLEY. What is his position?

Mr. GARVAN. Engineer and paper-mill builder. He has sold his mills and is a developer.

Senator BARKLEY. What is the capacity of the mills in the United States to supply the newsprint that the newspapers need?

Mr. GARVAN. That is hard to tell. At the present time, we are supplying, I think, about 40 percent. Each month it gets lower, but that is not alone on account of the tariff. It has been these low prices. A lot of these mills have turned to making other grades of paper and six have closed down altogether.

Senator BARKLEY. Do you think it is a sinister fact that the American newspapers opposed the tariff on print paper as proposed in the present Tariff Act, I mean in 1929 and 1930?

Mr. GARVAN. I do not think it is sinister at all.

Senator BARKLEY. Do you think there is any indication that they are subservient to the British interests?

Mr. GARVAN. No; they have to look after their balance sheet at all times. It is the newspapers of the South that have helped us on that. Mr. Stohlman, of Tennessee, has been the chairman of the newspapers of the South, and he has been the leader out in front, and he has been the one who pledged the consumption of southern newspapers to this mill for 5 years at market prices.

Oh, no, no. Of course, it was their—they were foolish, because we never asked a tariff and I do not think there ever has been a tariff. I do not know how far back that goes but there has not been any of late years and there isn't any likelihood that we will ever have a tariff on our newsprint. That is an academic question.

Senator BLACK. I understood you to say, I don't know whether I was correct, that you did not need a tariff because you could produce at 10 percent cheaper than they could in Canada?

Mr. GARVAN. That is right.

Senator BLACK. I did not quite understand your statement about the papers being free to do what they want to, like the New York Times and others.

Mr. GARVAN. Yes.

Senator BLACK. By reason of something that had occurred. Do you mean that before that time these papers were compelled to adopt an international attitude against their desire?

Mr. GARVAN. No; I say it was one element. It does not apply to the small papers of the country, because the importance of paper in their balance sheet goes down.

Senator BLACK. Would you say it applies to the big paper?

Mr. GARVAN. I would say it applies to the big papers like the Herald-Tribune and the Times. They are so dependent upon Canada for their newsprint at a price that it governs their entire economic structure and also they are governed by the fear of the past prices of newsprint running up to $120 a ton. I could take their files and show you.

Senator BLACK. Show me what?

Mr. GARVAN. Show you how they have been influenced by that pressure for cheap paper from Canada.

Senator BLACK. You mean you could show how they have taken positions but do you mean——

Mr. GARVAN. Of course, I cannot go into the other man's mind or into the sanctums, of course. I only judge from what they put out.

Senator BLACK. You only judge from the fact that they take a certain position——

Mr. GARVAN. I judge from the abnormality of the position. Here is Europe owing us $11,000,000,000; how is it normal for anyone not to want to collect?

Senator BLACK. As I understand it, then, you base your statement merely upon the fact that these two particular papers have taken a position contrary to what you believe they should have taken?

Mr. GARVAN. No, no. I am too old a fellow in court. You cannot twist me that way.

Senator BLACK. I am not trying to twist you. You are making a statement which, as I understand it—and I want to be fair about it—charging two great newspapers that circulate largely over the Nation with taking a false position on account of some pressure that has been placed upon them.

Mr. GARVAN. I did not say false position.

Senator BLACK. Did you mean that their position was sincere?

Mr. GARVAN. Of course, it was sincere. It was dictated by their own balance sheet, of course.

Senator BLACK. Then, your position is, that on account of the fact that they were buying paper from abroad they were taking this position in order to protect their own financial interests?

Mr. GARVAN. Certainly.

Senator BLACK. That is as far as you went?

Mr. GARVAN. Certainly.

Senator BLACK. What did you mean that they were made free from that?

Mr. GARVAN. I would like to have a paper free from any influence, however remote.

Senator BLACK. I understand that.

Mr. GARVAN. He is never free until he is.

Senator BLACK. I understood you to say—I may have misunderstood you, but I think you can understand the question—if you did not say it I do not think it should appear in the record in the form it did—I understood you to say that at some time on account of something that was done these papers were freed from this influence and then they were free to take the course——

Mr. GARVAN. No, no, no. I say they will be free as we develop a local supply, a national supply, so that Canada, Sweden, or Finland cannot form one of their cartels and dictate $100 or $70 or $80. It is going up very rapidly now. It was $40 last year, which was too low, of course.

Senator BLACK. Then you do not wish to leave the impression that these newspapers have been taking this position because they were bound to do so and they are now going to be free to exercise their own judgment, and you are not taking the position that they did not exercise their honest judgment?

Mr. GARVAN. Oh, no; they had to be influenced in regard to their stockholders and their balance sheet.

The CHAIRMAN. Mr. Garvan, it is only recently since they have discovered how to make this print paper out of this loblolly or spruce pine in the South?

Mr. GARVAN. Yes.

Senator KING. May I say, Mr. Garvan, that I visited the plant in Savannah, the newsprint plant as well as the big plant, and it is a very important adjunct to the industrial life, it seems to me, of that community?

Mr. GARVAN. Yes.

Senator KING. The thought occurred to me as I was examining that plant and your experimental plant whether you were taking steps to preserve the pine.

Mr. GAVAN. Oh, yes.

Senator KING. Or whether there would be a promiscuous killing, if I may use that expression, and thus further denude the South of the residue of timber.

Mr. GARVAN. It is too valuable to destroy. We are working with the forestry department of the State of Georgia and the Forestry Department of the United States, and we are working very hard on raising corn or vegetables between the rows the first 2 years and rows of grass in the fire lanes, showing how they can make the fire lanes grow grass for cattle, and so forth, and so on. It is a part of our development in doing what we can do to help solve the farm problem and help solve the problem of unemployment.

The reciprocal trade agreements are handled by four or five people here in Washington who never took any part in the strain of building American business, and what can be done if we just do away with the American way of building up the industry? I would like to ask what new industry has been encouraged to start since these trade agreements took place.

Senator BARKLEY. How many were started during the 6 years immediately prior to the policy of negotiating these trade agreements?

Mr. GARVAN. I would be glad to put that in the record, but they were numerous. Plastics is one.

Senator BARKLEY. Has that been injured by the trade agreements?

Mr. GARVAN. I do not know; I have not studied that exact case. I will tell you another one which will answer you, too.

You know that I have got a great respect for your chairman, and no one appreciates his modesty and his wish to stay in the background as I do, but I want to say to you that that man has done more for his southland than all your relief projects and all your reciprocity treaties and everything else put together. I will give you just one example of how this policy crushes and stops development.

There was a chemist in the Department of Agriculture, a man named Payne, a fine fellow, somewhere about 35 or 36 years old, and as part of his work, for which the Department of Agriculture deserves the fullest and 100-percent credit, he studied the subject of making starch out of the sweetpotato; that is, taking the yellow out of it so they could make white starch because people would not use it if it were yellow. He perfected that.

Your chairman, and I do not think I am telling any secret, and Payne—we will leave it with Payne—wanted the Department of Agriculture to develop that. He met with a refusal.

Senator BARKLEY. You are speaking of Senator Harrison now, the chairman of this committee?

Mr. GARVAN. Yes.

Senator BARKLEY. I just wanted to know whom you referred to.

Mr. GARVAN. Senator Harrison is one of the old American style, and the more you go against him the more he comes back, and no Mordecai Ezekiel, with all his theories, could stop him.

So, he went over to the relief—Mr. Hopkins—and he got $75,000 given to the Mississippi State relief, and they in turn loaned it to an organization of a community of farmers. That community of farmers built a plant, and the Department of Agriculture cooperated to the extent of sending the man who had worked on this development down there to run it. They needed more money, and they did not have it, even with all the billions of the Department of Agriculture, so the Chemical Foundation paid for three more chemists on the pay roll to help develop the community idea, which is what I work on.

They went down there and they have run that plant for 3 years, and they have absolutely proven that we can raise the best starch in the world. They are getting a cent a pound more for their starch than the market price, because it is so superior for use in treating cotton cloth. The mills right there are buying it.

Senator DAVIS. Is that sizing made from the sweetpotato?

Mr. GARVAN. The sweetpotato. Let me tell you this story, because it saves me from 2 weeks of bad oratory: They have run that for 3 years, gradually increasing, until this year they made 270,000 pounds of starch and sold it all, and I think about broke even, and that is only the beginning.

That attracted us to the study of the sweetpotato, and we found that the sweetpotato may be one of the great salvations of the South in helping the cotton problem, and if it does, the credit belongs to your chairman 100 percent.

Now, let me tell you, you apply a gas, the name of which I have forgotten because I cannot keep these chemical names in my head; you apply a gas to the sweetpotato and off runs the sugar content. Now, that sugar content we will dispose of in a minute. We can use it. That leaves the sweetpotato and you can make starch out of it and we are now perfecting a method by which you can make adhesives. When I say "we", I mean I am only the little fellow sticking his nose in to get the credit. I have nothing to do with it except finance it with a few dollars where I could.

We can make adhesives and starch out of the second process, and what is left of the potato makes a magnificent cattle feed.

Now, you run the sugar off and you can make alcohol of it. I am prepared to state that we have developed the study of power alcohol to the point where we can sell alcohol at 25 cents to any oil company.

Senator KING. Twenty-five cents a gallon, you mean?

Mr. GARVAN. Twenty-five cents a gallon, and they can blend it at 10 percent and not increase the price of gasoline one iota. It compensates with the lifting of the quality of the oil sufficiently to pay the oil companies for putting 10 percent into their low-grade gasoline and lifting it up.

Now, that price of 25 cents for alcohol will be 50 cents for corn, and while we have not worked it out yet, it will be a compensatory because of the alcoholic content in any vegetable in the country.

So, in addition to the paper in the South, it is certain to be in time that you can raise the sweetpotato—it contains more starch the further South you go; that seems to be so; we have not given the final word on that yet.

So, there you have the production of starch; and what did the reciprocal tariff do to this situation? What did it do? It just reached out and took a club and smashed it on the head as far as it could. In the treaty with the beloved Netherlands, it froze on the free list tapioca starch, which comes in to the extent of 2,000,000,000 pounds or 200,000,000, some such figure, which is fanciful. Anyway, it could build 1,000 plants in the South, and yet they freeze it on the free list for fear that the Congress of the United States, the Representatives of the United States, who are called on to take care of the country, might go ahead and solve it in the old American way of taking care of yourself and developing your natural resources.

Those are two instances, and I could go on and show you that this bill is in absolute conflict with the American and with American development.

But then I say, what is the use of sitting here and discussing it? This extent is nothing but putting off the admission of failure. These agreements have flopped. They are dead. They are no good. You cannot point to a dollar that they have brought in or helped the country. And whom do I call on for that? Why, the combination is right there in the reocrd. They have not even noticed a hearing of a new treaty in 22½ months, and they want 3 years more.

It is April 1935 before they got material or facts enough so they could see the possibility of making one more new treaty. Why? They have given away all their bargaining points. England is taking it all. It is all going to other countries, and we get nothing from it. It is a flop and a failure, only it is not expedient for these four boys to come out to the public and admit they are wrong and say, "We have helped to plunge you into a billion and a half unfavorable balance in 1 year; we have helped to turn you from any possibility of considering yourself a creditor nation."

But I will come to that. I do not say they did it. They did not have any effect one way or the other. I do not say that except as to the domestic effects. The corollaries of this bill are worse than the bill. The corollary is that you must not have any new industry. You must kill the industries which are inefficient because of their youth or because of the lack of development of science or some other reason like that. It is the philosophy of the thing that is wrong.

I read the record; and Mr. Sayre was quite magnificently frank. One Senator here—I don't know which one—asked him about this most-favored-nation clause; would not England have something to say on that, and would she not insist on it, or something of that kind. He said, "Why, we may come to a head-on collision about that; and when we do, look out for us." It was something to that effect.

Now, the thing is, he has already confessed to that proposition. He has already abandoned that right. England must have the most-favored nation. He will not get it from England or her colonies, and that principle has been signed, sealed, and delivered by the State Department. I will explain it in a word and then submit it.

In the Canadian treaty it says that Canada concedes us most-favored-nation treatment as going into Canada—does it say that? No. It says that it concedes the United States the most-favored foreign nation. Do you see? For Canada to concede us anything does not bind her in any trade that she makes with the colonies, with the British Empire. She is free to go ahead and give them as much advantage as she wants to, and that does not accrue to us.

So, as far as England and her colonies are concerned, one-quarter of the people of the globe, we have already, in signing the Canadian treaty, given up any right to be treated in that one-quarter of the globe on an equal basis with the way they treat each other. The whole policy was that the colonies and Great Britain were to be treated as separate kingdoms. I mean Canada, Australia, and so forth and so on; but the State Department, in its Canadian position, has abandoned that purpose of the Congress and has made a treaty with Canada so that when she comes to her Australian trade or the British trade the precedent is established, and she must allow Britain to say, "Yes; we will give you the most-favored nation, but that does not apply to our one-quarter of the globe."

Let me just show you. Unconditional most-favored-nation treatment is applied unequally to our imports and exports. We apply unconditional most-favored-nation treatment to 90 percent of our imports. We receive unconditional most-favored-nation treatment for only 54 percent of our exports.

General imports into the United States totaled $2,000,000 000; from Cuba, preferential—that is out of discussion—$101,000,000, leaving subject to unconditional most-favored-nation treatment $1,900 000,000; from Germany, $77,000,000, and that is out because of another discussion; and from Australia, $14,000,000, and that is out because of their discrimination; that accounts for $92,000,000, leaving unconditional most-favored-nation treatment applied to $1,850,000,000, 90 percent of our imports.

When we come to the exports, they totaled $2,200,000,000. To Cuba they amounted to $60,000,000; and to the British Empire, subject to Empire preferences, the Ottawa agreement, designated in Canadian agreement as unconditional most-favored foreign nation, $971,000,000 of our exports which still did not receive the most-favored-nation treatment because of that weasel word. I don't know which of the four invented that word, but it was a peach. Nobody apparently in the whole country seems to have noticed it. It seems to have slipped.

(Information referred to is as follows:)

"Unconditional most-favored-nation" treatment is applied unequally to our imports and our exports.

We apply "unconditional most-favored-nation treatment" to 90.4 percent of our imports.

We receive "unconditional most-favored-nation treatment" for only 54.7 percent of our exports.

		Based on year 1935	
		Amount	Percent
GENERAL IMPORTS			
1. General imports into the United States, total		$2,047,287,000	100.0
2. From Cuba, "preferential", not subject to "unconditional most-favored nation"		104,639,000	5.1
3. Leaving subject to "unconditional most-favored nation"		1,942,648,000	94.9
4. From Germany	$77,741,000		
From Australia	14,653,000		
Total, "unconditional most-favored nation" not applied		92,394,000	4.5
5. Leaving "unconditional most-favored nation" applied to a maximum of		1,850,254,000	90.4
EXPORTS (INCLUDING REEXPORTS)			
1. Exports from the United States, total		2,281,800,000	100.0
2. To Cuba, "preferential", not subject to "unconditional most-favored nation"		60,153,000	2.7
3. Leaving a balance of		2,221,647,000	97.3
4. To British Empire, subject to "Empire preferences (Ottawa agreement)", designated in Canadian agreement as "unconditional most-favored foreign nation"		971,901,000	42.6
5. Leaving "unconditional most-favored nation" applied to a maximum of		1,249,746,000	54.7

UNCONDITIONAL MOST-FAVORED-NATION CLAUSE

Numerous exclusive tariff concessions between countries having special racial, political, or regional relations have been acquiesced in by third countries as exceptions to the pledge of most-favored-nation treatment.

The most important arrangements of this kind are colonial preferences between a mother country and its colonies (British overseas dominions being for brevity included in this term), or among the colonies of the same power, which are not extended to foreign countries. These preferences may take the form of a schedule of preferential rates enacted unilaterally by the competent authority, or may result from preferential schedules in commercial agreements between the mother country and the dependencies or between its different dependencies. The most conspicuous illustration of arrangements of this type is the complex system of preferential tariffs among the United Kingdom, the Dominions, and other dependencies of the British Empire (pp. 25 and 26. U. S. Tariff Commission, Extent of Equal Treatment in Foreign Countries, December 1936).

BRITISH EMPIRE TRADE COMPARED WITH INTERNATIONAL TRADE IN GENERAL IN RECENT YEARS

During the depression there appears to have been a tendency for the trade among countries with various empires to be better maintained than the trade of the same countries with the rest of the world.

In the case of the British Empire trade within the Empire in 1933 and 1934 represented 29.5 and 29.7 percent, respectively, of the total international trade of the Empire countries, as compared with from 25.7 to 26.6 percent in 1929 and the years immediately preceding. Something of the same change is indicated by trade statistics of the United Kingdom alone. In 1929, 29.4 percent of the total imports of the United Kingdom came from territories within the Empire. In 1933 and 1934 the corresponding percentages were 36.9 and 37.1 percent, respectively. The percentage of the total exports of the United Kingdom going to Empire countries does not show as conspicuous an increase, but here also the rise was appreciable, from 44.5 in 1929 to 46.9 percent in 1934.

In the British Empire, the Ottawa agreements no doubt helped to maintain trade within the Empire and to shift certain trade from non-Empire to Empire countries (paper delivered by A. M. Fox, Director of Research, U. S. Tariff Commission, Dec. 28, 1936).

Senator KING. William Jennings Bryan used it very efficiently.

Mr. GARVAN. He was the first man I voted for.

Now, we get back to where I started. Everyone says there is no reason for this treaty if we were not a creditor nation. Isn't that a true statement? If we were not a creditor nation we would not be in this business, but it is because we are a creditor nation.

Well, I make the flat assertion that we are not a creditor nation. It is again due to our bad bookkeeping, unless you count our foreign debts, our $13,000,000,000 as payable; but, as I tell you, they are now in the hands of the lawyer for the debtor.

I have made a study for over 2 years of our investments abroad. I am going to give you a copy of this and ask that it be introduced in the record. This is a most careful examination by a splendid firm of accountants. I have given them every bit of help I could. We have walked the streets into every department of Washington and searched out every Government figure possible. We have understated wherever there was any doubt, and we have analyzed down to the last degree the holdings of this country abroad. We have all our working sheets of the accounting, and they are all open to this committee or to any American citizen who shows any interest in the subject.

Senator BARKLEY. What is the title?

Mr. GARVAN. Hot Money Versus Frozen Funds.
(The document referred to follows:)

[From The Deserted Village No. 12, American Political Economy]

"HOT MONEY" v. FROZEN FUNDS

(By Francis P. Garvan, president, the Chemical Foundation, Inc.)

FOREWORD

To the People of the United States of America:

The Chemical Foundation was founded by President Wilson for the "Promotion of Chemistry and Allied Sciences."

Eighteen years of our experience have demonstrated to us that arithmetic is the first of the sciences and the ally—in fact, the foundation—of all the sciences.

Our experience has also demonstrated that arithmetic is the most neglected science in America and that the effect of that neglect has been, is, and will be disastrous.

At long last, therefore, we are carrying on a campaign—in the grammar schools, secondary schools and colleges, and among our people in general—to repair this neglect.

The first and greatest neglect is the absolute failure to apply arithmetic to our international relations—and it is necessary to repair the leaks of a house before the family within can properly conduct its domestic affairs.

We are therefore sending to you an arithmetical study of our investments abroad, authorized by us and made up for us by Pasley & Conroy, a firm of American accountants of the highest standing. It is the best that the inadequacy of government collection of data affords. Wherever possible the governments inadequate figures have been supplemented, checked and corrected.

We invite comments and criticism, friendly or unfriendly, particularly on the subject—What is the real value of these foreign investments, in view of conditions in the world today?

This report states that our foreign investments are estimated at some Eight Billion Eight Hundred Million Dollars, using market values where they can be obtained and book values in all other cases.

This is the estimate of what is remaining of a Fifteen Billion Dollar investment (excluding war debts)... What is its realizable value? What is its "hot money" value?

Some Two Billions represent the remains of our unhappy venture into foreign government loans. What will we eventually realize?

We have a billion dollars invested in public utilities. Can we object to confiscatory legislation by foreign governments in the face of our own governments attitude toward private utilities? What is the real value of these investments?

We have a billion dollars in oil. The record of recent foreign legislation affecting this investment is discussed in this report. Spread out all over the world, subject to the legislation of many governments, what is it worth? What would be the cost to the nation of protection against confiscation?

We have a billion dollars in mining. This, too, is scattered throughout the world, subject to the same perils as our oil investments. What is it worth?

What is the value of investments in war-torn Spain, in Germany, and other continental European countries, now figured at book value where there are no market values available?

We have a half billion dollars invested abroad in agricultural and paper and pulp ventures. Is it more expensive for us, as a nation, to legislate benefits to Cuban sugar and Canadian paper—to protect our investments in these industries—or would it be cheaper for us, as a nation, to build up home industries?

Take these foreign investments to your banker and ask him how much any sound bank would loan on them.

These are but a *few* of the questions to be considered in placing the real value on our investments abroad.

Let us now look at the other side of the Balance Sheet. Foreign investments in this country, according to an official statement issued by Secretary Wallace on February 8, 1937, amounted to Seven Billion Dollars. This undoubtedly is based on all figures available to the government at the present time.

The government bases its figures on information furnished voluntarily in answer to questionnaires sent to all those who it thinks might have information. Under this system, a substantial amount of its information must come voluntarily from the agents of the foreign investors. Its estimate, therefore, is dependent on what information foreign agents wish it to have.

This is a wretched method. My experience as investigator of concealed German property during the World War and as Alien Property Custodian from 1919 to 1921, amply justifies me in saying that the figures gathered in this manner cannot represent more than 75% of the foreign investment here.

I, therefore, am confident that it amounts to over Nine Billions of Dollars. But we have no right to go on doing business on this basis.

All studies of our international balances will be hopelessly inadequate and incomplete, and policies based on our present figures will be necessarily unsound, until a law is passed compelling the contemporaneous report, under oath, of present foreign investments and thereafter of every foreign transaction, contract or agreement, and until business machines make these true figures available to our people by the fifteenth of the ensuing month. Until that time, we will do the best we can and ask the help of every one.

However, it is not merely a question of matching dollar values. Must we not also consider the value to the foreign nations of the power—economic and political—wielded over us by their foreign investment here? Do they not control our stock markets? Do not their agents here control our banks? How far are Lord Rothermere and Lord Beaverbrook, in command of the price of newsprint, able to control the trend of popular opinion by the threat to our press of a return to $120 a ton for newsprint? What is the value of the power of control over our necessities—rubber, tin, coffee, tea, nickel, and manganese? What is the value of the power of England over the gold supply of the world? What was the power of the German control over us, exercised by her investments here, on the chemical, drug, and dye industries from which, happily, after twenty years' effort, we are now free?

What American would not gladly exchange the Eight Billion Eight Hundred Million Dollars that we have scattered all over the world, subject to the legislative whims—not of one government—but of all the governments of the world, subject eternally to revolution, dictatorships, wars, national animosities, special taxation, manipulated currencies, etc., for the Nine Billions of foreign investments in America?

Are we not, in truth and in fact, a debtor nation?

Respectfully submitted.

THE CHEMICAL FOUNDATION, INC.,
By FRANCIS P. GARVAN,
President.

EXHIBIT A.—AN ESTIMATE OF AMERICAN LONG-TERM INVESTMENTS ABROAD AS AT DECEMBER 31, 1936

Foreign government and government-guaranteed bonds, after estimated repatriations—at market values		$2,224,850,000
Foreign corporations—stocks and bonds—publicly owned:		
Stocks—at market values	$1,477,343,000	
Bonds—at market values	676,482,000	
		2,153,825,000
American corporations, all or substantially all of whose assets and activities are abroad. Securities issued and outstanding priced at market		1,380,249,000
Investments of American corporations abroad, through wholly-owned or majority-owned-and-controlled foreign subsidiaries. Book values as at December 31, 1935 (see note 1)		3,053,722,000
Total Value of American Long-Term Investments Abroad at December 31, 1936		8,812,646,000

NOTE 1.—As stated above, no market values were obtainable for investments in the amount of $3,053,722,000. Book values as of December 31, 1935, are used.

Due to lack of information no estimate is made of any appreciation or depreciation in their value for the year 1936. It is believed that new investments and reinvested net earnings substantially offset sales.

PASLEY & CONROY,
New York, February 5, 1937.

Mr. FRANCIS P. GARVAN,
President, The Chemical Foundation, Inc.,
654 Madison Avenue., New York, N. Y.

SIR: Pursuant to your request we have made an investigation and study of American Long Term Investments Abroad and in connection therewith submit the following:

Exhibit A: An Estimate of American Long Term Investments Abroad as at December 31, 1936.

Exhibit B: An Estimate of American Long Term Investments Abroad as at December 31, 1935, with nine schedules.

Exhibit C: An Estimate of American Long Term Investments Abroad as at December 31, 1935, distributed geographically.

The estimates submitted herewith have been prepared by us from data accumulated from sources set forth below, and the method and valuations used are stated hereinunder.

SOURCES OF DATA

In the preparation of the statistics furnished herewith there was compiled a record of all known corporations and individuals that may have had foreign interests at one time or another. This list was obtained by combing all known sources of data and the data so accumulated were brought up to date by reference to the latest published records. There is submitted below a partial list of publications examined. In addition, considerable information was obtained through conversations with and inquiries made of corporation officials, trade associations, bankers, brokers, and organizations having special knowledge regarding some particular industry or company engaged in foreign operations.

Holdings of individuals or close corporations, not otherwise obtainable, have been provided for by omission estimates. The portfolios of American investment trusts and other financial institutions were scrutinized and any foreign holdings not already provided for were extracted and inserted in their proper industrial location.

SOURCES OF DATA

Moody's Manuals.[1]
Poor's Manuals.[1]
Corporation reports to stockholders.[1]
Registration statements filed with the various stock exchanges under the Securities and Exchange Commission regulations.[1]
American Underwriting of Foreign Securities—U. S. Dept. of Commerce.[1]
American Direct Investments in Foreign Countries—U. S. Dept. of Commerce.[1]
Balance of International Payments—U. S. Dept. of Commerce.[1]
Canadian-American Industry—Marshall, Southard & Taylor.
Dominion Bureau of Statistics.[1]
Survey of Corporate Securities—Financial Post.[1]
Commercial and Financial Chronicle.[1]
The Economist—London.[1]
Yearbook—American Bureau of Metal Statistics.[1]
Foreign Policy Assn.[1]
World Petroleum Directory.[1]
The Petroleum Register.[1]
Manual of Sugar Companies—Farr & Co.
Foreign Dollar Bonds—White, Weld & Co.[1]
Foreign Dollar Bonds—Iselin & Co.[1]
N. R. A. reports.[1]
Report of the Superintendent of Insurance—Dominion of Canada.[1]
Copper—National Industrial Conference Board.
Ontario Bureau of Mines.[1]
Philippine Government Bonds—C. J. Devine & Co.
Fortune.[1]
Federal Reserve Bulletins.[1]
Federal Trade Commission Reports.[1]
Various U. S. Senate documents.
Miscellaneous financial magazines.
Various newspaper reports.
Miscellaneous publications of the U. S. Dept. of Commerce.

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[1] Various reports of various years.

METHOD OF VALUATION

It appears to us that an accurate appraisal of our foreign investments should be based wherever possible on market values; that an estimate based on par values or acquisition costs conveys a misleading impression and is not representative of true value. It is obvious that any estimate which valued Imperial Russian Government bonds or Mexican National Railway bonds at their original cost to us would be misleading. True, estimates made in the past have provided for certain inaccuracies, such as these, resulting from the use of book values but many other overstatements have gone on without adjustment. The fact that we are considering here investments of the entire nation does not change the basic truth, that a true statement must be based, wherever possible, on market values.

Estimates of our foreign investments, in the past, have been divided between those classified "Portfolio" and "Direct." The line of demarcation is very fine and serves no practical purpose. As the Department of Commerce observed in its 1929 survey:

"'Direct investments' and 'portfolio investments' overlap. American corporations often finance their direct investments by the public sale of securities."

The division made here disregards the classifications "Portfolio" and "Direct" used by the Department of Commerce, and more closely follows the divisions used by Sir Robert Kindersley in his survey of British "overseas" investments.

ACCUMULATION AND PRESENTATION OF DATA

The entire field was divided into the eight most significant and related types of industrial activity. This grouping is very similar to that used in estimates prepared by the Department of Commerce. A departure, however, has been made in the case of holdings of foreign corporation bonds which are included, in the statements submitted herewith, in the proper industrial classification, and not with foreign government bond issues, usually termed "portfolio."

After completing the industrial allocations, the investments were then divided into four distinct classifications:

1. American holdings of the bonds of foreign governments, their political subdivisions, and government-guaranteed issues.
2. Foreign corporations, publicly owned, in which Americans (individuals or corporations) have an interest. Such interest includes stock and bond ownership either of a minority or majority character.
3. American corporations, all or substantially all of whose assets and activities are abroad.
4. Investments abroad of American corporations through wholly owned or (51%) controlled foreign subsidiaries.

No deduction has been made for foreign holdings of securities of American corporations, all or substantially all of whose assets are abroad, as foreign holdings of these securities are customarily considered as foreign investments in American securities.

We comment on the items comprised by Exhibits "A" and "B" and supporting schedules as follows:

AN ESTIMATE OF AMERICAN LONG-TERM INVESTMENTS ABROAD

The basic data accumulated in this study were as of December 31, 1935. Detailed information as of the end of 1936 particularly with respect to investments by American corporations in foreign subsidiaries will not be available for some months.

As set forth on Exhibit "A" submitted herewith, the value of our long-term investments abroad at December 31, 1936, was estimated at $8,813,000,000. Of this total, $5,759,000,000 represents market values. It is pointed out here that the principal market for the great majority of our foreign investments is in this country, and, therefore, as to most of these securities, market values represent values placed on these securities by Americans—not foreigners. The remainder—$3,054,000,000—represents book values of investments in companies whose securities are closely owned and for which no market quotations were available. These book values are as of December 31, 1935, as sufficient data are not available to compile an estimate of book values at December 31, 1936. From such information as is at hand, however, we believe that no substantial change has occurred therein during the year 1936.

During the year 1936 market values of those investments abroad for which market prices were obtainable increased in the substantial amount of $780,000,000. Net receipts from further liquidation of our holdings of foreign government and government-guaranteed bonds and foreign corporation stocks and bonds resulted in an inflow of funds estimated at $196,000,000, resulting in all in a net increase during the year 1936 in the value of those investments abroad for which market values were obtainable in the amount of $584,000,000.

There is set forth on Exhibit "B" a statement of the value of our long-term investments abroad at December 31, 1935, which at that date were placed at $8,228,000,000. The Department of Commerce in its Bulletin "The Balance of International Payments of the United States in 1935" estimated our investments abroad at December 31, 1935, at $12,630,000,000. The discrepancy between the two estimates is principally due to the following:

Market Values used by us as substitution for Book Values	$2, 288, 000, 000
Difference in estimate of Par Values of "Portfolio" Investments outstanding, and the amount thereof in American hands after deducting estimate of repurchases by foreigners	847, 000, 000
Difference in Book Value of "Direct" investments principally due to operating losses, write-downs through reorganizations, bankruptcies, etc., during depression; also difference due to decline in Market Values of foreign stocks, discussed hereinafter	1, 267, 000, 000
Total	4, 402, 000, 000

The Department of Commerce estimated "Portfolio Investments" outstanding at par value of $5,895,000,000 before repurchases, and at $4,795,000,000 after repurchases. The comparable figures entering into our study, as far as we can ascertain from data published, are $5,770,000,000 before repurchases and $3,948,000,000 after repurchases. In a study "America's Experience as a Creditor Nation" by Messrs. Madden, Nadler and Sauvain, they estimated American holdings of foreign dollar bonds at the end of 1935 (Table 39, page 198) at $4,129,957,000 and stated:

"This compares with the Commerce Department's estimate of $4,795,000,000 for total American portfolio investments abroad."

In our study, we have excluded, in so far as possible, those foreign bond investments of United States life insurance companies held by the Receiver General of Canada to cover the actuarial liability of those companies to Canadian policyholders. The total of such investments approximates $400,000,000.

The Department of Commerce has qualified its December 31, 1935, estimate of "Direct" investments abroad by stating that such estimate "can be considered as only approximate until a new detailed study has been made." Its last complete reported study of direct investments was of of the end of 1929. The huge losses in book values resulting from the many bankruptcies, reorganizations and write-downs during the depression years do not appear to have been fully reflected in the adjusted estimates of the Department of Commerce in recent years. These estimates, as will be noted from the following table, indicate that the losses in excess of reinvested earnings, based on the 1929 survey, were $171,000,000, and, as based on its 1930 "New Estimate", $351,000,000.

Dept. of Commerce 1929 estimate, adjusted to include omission of bank capital	$7, 603, 000, 000
Net additional investments 1930–1935 inclusive (Bulletin No. 833, Table XVII)	403, 000, 000, 000
Total investment	8, 006, 000, 000
New estimate	7, 835, 000, 000
Difference	171, 000, 000
Dept. of Commerce 1930 estimate	7, 966, 000, 000
Net additional investments 1931–1935 inclusive (Bulletin No. 833, Table XVII)	220, 000, 000
Total investment	8, 186, 000, 000
New estimate	7, 835, 000, 000
Difference	351, 000, 000

Our study develops that in agricultural investments alone book values have shrunk $400,000,000 since 1929. The reduced volume of export trade has also brought about a substantial decline in the number of sales agencies abroad. Manufacturing plants and other industrial investments have suffered greatly in countries with blocked exchanges. Our study has indicated that these losses, since 1929, have totaled over a billion dollars. There is also to be considered the decline in market prices since 1929 where such basis was used by the Department of Commerce in its 1929 survey. To quote from Bulletin No. 731, page 4:

"Where the investment was one of partial ownership of the stock of the foreign company, the market value of the holding was requested—on the assumption that the market value would, to some extent, reflect the surplus or deficit position of the company more clearly than the par value of the stock. Although some companies reported the market value as of September 1929, this value was not accepted, because for many stocks it represented the highest value reached by a very speculative market. All such returns were changed to the market values as of the end of December 1929. Where the stock of the foreign subsidiary or corporation was closely held, or for some other reason not listed on any stock exchange, it was necessary to use its par value."

The decline in market value of our investment in Canadian Pacific stock (valued at market by Dept. of Commerce) since 1929 amounted to approximately $150,000,000.

There are many other factors which have tended to reduce our foreign investments. Briefly, they are:

(1) The constantly diminishing percentage of American ownership in Canadian enterprises. International Nickel, Bell Telephone of Canada, Canadian Pacific Railway are some of the larger companies involved. (See "Canadian American Industry", p. 326, by Marshall, Southard & Taylor for list of smaller companies repatriated.)

(2) The almost complete repurchase by Europeans of the "American shares" of European corporations of which large amounts were floated here in the years 1926 to 1929. The most prominent instances are Belgian National Railways Pfd., Carreras, Ltd., Swedish Ball Bearing Co., Austrian Credit Anstalt, Banca Commerciale Italiana, Hungarian General Savings Bank, Hungarian Discount & Exchange Bank, Mercurbank of Vienna, Mortgage Bank of Colombia, Snia Viscosa, Isotta Fraschini, Rolls Royce, Ltd., Pirelli Co. of Italy, Fiat Co., North German Lloyd, and Holland American Line.

(3) The diminishing number of outstanding bonds held by Americans in those foreign enterprises which have been considered by the Dept. of Commerce as "Direct" investments.

History of Direct Investments Abroad During Recent Years and Status by Industrial Divisions at December 31, 1935

There are submitted, in the following chapters, statistical data and observations gathered during the course of this study. These comments are made by industrial groupings.

RAILROADS

American investments in foreign railroads at December 31, 1935, are estimated at $466,188,000 at book values, and $312,568,000, substituting market values where obtainable (see Exhibit "B", Schedule 2). Only steam railroads are included in this classification. Electric and street railways are included under "Public Utilities." A small amount of steamship company holdings wherever tehey can be construed as being of the transportation type are also included.

AMERICAN CORPORATIONS, ALL OR SUBSTANTIALLY ALL OF WHOSE ASSETS ARE ABROAD

There are only a few companies included in this classification, the largest being International Railways of Central American, Cuba Company, Guantanamo & Western, Philippine Railway, and Mexican Northern Railway.

Our investment in Cuban railroads is confined principally to the Cuba Company. The sugar plantations held by the Cuba Company, through its subsidiary Compania Cubana, have been excluded and have been valued in the agricultural section of this report. The Cuba Company is in reorganization, and its securities were selling at December 31, 1935, at about 26% of the book value of the company. Its revenue is principally derived from the sugar industry, directly or indirectly. There is a large foreign interest in this company.

It is interesting to note that with respect to certain of our railroad investments abroad, the payment of interest and dividends on outstanding securities held by Americans need involve no transfer problem. For example, the International Railway of Central American receives a large part of its income from the business of freighting bananas for the United Fruit Co., another American-owned and controlled enterprise. It may be possible that, if desired, payments for such services could be effected in the United States as both companies have their head offices here. The identical problem is presented by the Cuba Company which does a large business with American sugar companies operating in Cuba. This company also has its head office in New York.

The total book value of our investment in American-owned railroad companies operating entirely abroad is estimated at December 31, 1935, at \$187,772,000; market values at \$52,416,000.

AMERICAN CORPORATIONS HAVING WHOLLY-OWNED OR (51%) CONTROLLED FOREIGN SUBSIDIARIES

The total value of these investments is estimated at \$82,294,000, representing book values. There are no market valuations obtainable. However, it appears that the book values of these properties are far in excess of their actual values.

The largest investment in this category is the Mexican branch of the Southern Pacific Railroad, operating about 1,500 miles of trackage in Mexico. This investment has experienced the same general decline as other American investments in Mexico, such as oil and copper. What its actual value is, from an income or liquidating basis, is merely conjecture. It is extremely doubtful that this property is worth the value of approximately \$35,000,000 stated on the company's balance sheet (using the 3.55 rate of conversion, which is the rate used by the parent company in consolidating the peso accounts).

Another large investment in this section is that of the New York Central Railroad in Canada. Approximately 1,026 miles of road are operated in the provinces of Quebec (90) and Ontario (936). The largest single item included here is that of the Canada Southern Railway Co. which has been leased to the Michigan Central Railroad for 999 years, dating from 1904, and now subleased to the New York Central. The rental consists of a bond interest guarantee and a 3% dividend rate for the common stock, which in turn is partly owned (55%) by the New York Central Railroad. The outstanding bonds of the Canada Southern, estimated in American hands, totaling \$17,500,000, are included with American holdings of foreign corporation bonds.

Other holdings include those of the Great Northern Railway, Delaware & Hudson, Northern Pacific and the Pere Marquette Railroad. They are all located in Canada.

FOREIGN CORPORATIONS PUBLICLY OWNED IN WHICH AMERICANS (INDIVIDUALS OR CORPORATIONS) HAVE AN INTEREST

The amount of these investments is estimated at December 31, 1935, as follows: stocks, at market, \$38,045,000; bonds, face value, \$158,077,000, market value, \$139,813,000.

The principal holding here is our investment in Canadian Pacific. The annual report of the Canadian Pacific Railroad (1935) states that 24% of the common stock and about one-half of 1% of the preferred is held in the United States. Our holdings of bonds in this company are far greater in value and have been estimated by us at \$86,800,000 face value; at market value, \$88,000,000. The next largest investment is in bonds of the Canadian Southern amounting to \$17,500,000 at face value, and \$19,600,000 at market. The remainder consists mainly of holdings in Belgian National Railways, various French railways, North German Lloyd, Canada S. S. Lines, and investments, some of a private nature, in certain South American railroads.

Our investment in bonds of Canadian National Railways is included under "Foreign Government and Government-guaranteed Issues." These bonds are guaranteed by the Canadian government.

PUBLIC UTILITIES

Our total investments abroad in public utilities, at December 31, 1935, are estimated, at book values (as shown by Exhibit "B," Schedule 3), at \$1,518,-

286,000. Investments having a book value of $1,375,860,000 had a market value of $787,072,000 indicating a loss, at market, of $588,788,000. Investments for which market values were not obtainable, representing investments of American corporations in wholly owned or 51% owned and controlled foreign subsidiaries, totaled $142,426,000.

Our greatest losses as measured by the difference between book values and market values have been incurred in public utilities. It is important to note that with respect to these companies, their activities do not interrelate with our domestic economy. They neither produce here and sell abroad nor produce abroad and sell here. The result has been that they are particularly affected by transfer problems.

This is borne out by the experiences of two American corporations representing a substantial amount of our public utility investment abroad—the American & Foreign Power Corp. and International Telephone & Telegraph Co. Based on a comparison of book values with market values (adjusted for value of assets in the United States) our loss as to these two investments amounted, at December 31, 1935, to more than $400,000,000. The decline in value of these investments has been due not only to loss of revenue, because of the general world-wide depression, but also to various restrictions imposed on the companies by certain foreign governments. In Chile, for example, where the American & Foreign Power Corp. has huge investments, the control of the properties has passed into Chilean hands. This was done in settlement of certain large fines imposed on the company for violation of the Chilean exchange control laws. In addition, two-thirds of the earnings of the property go to the Chilean government, one-half of which is applied to the reduction of the cost of electricity to consumers. One of the major problems of the American & Foreign Power Corp. is that of restricted dollar income due to exchange embargoes and the fluctuating and unstable currencies of the countries in which its subsidiaries operate.

An adverse factor arising during 1936, affecting the International Telephone & Telegraph Co., is the civil war in Spain, where the company has approximately $67,000,000 invested. Regardless of protestations of both warring factions regarding the inviolability of foreign properties, there is no doubt that the International Telephone & Telegraph Co. investment in Spain is not worth $67,000,000 today. Current news items tell the story graphically. It may be years before the International Telephone & Telegraph Co. can show earnings received in the United States from its Spanish subsidiary. This company also has some $14,000,000 invested in Germany. As matters stand today, all of our German investments are really nationalized. Germany enjoys the benefit of our capital investments there, but at present we receive no return on them.

Another unfortunate foreign investment is that of the Intercontinents Power Corp. in Argentine, Brazil, and Chile. This company has been ruined by currency restrictions and currency depreciation. At December 31, 1935, the company's securities were valueless.

AMERICAN CORPORATIONS HAVING WHOLLY-OWNED OR (51%) CONTROLLED FOREIGN SUBSIDIARIES

The total book valuation of these investments is estimated, at December 31, 1935, at $142,426,000. The majority of these investments are located in Canada—approximately $75,000,000. The largest Canadian investments are those of the International Hydro Electric System, International Utilities, Cities Service, Middle West Utilities, and Niagara Hudson Power. In Europe, our only sizeable investment at December 31, 1935, was the Utilities Power & Light in England, which was disposed of by sale during 1936. In the Far East, our investments are found mostly in the Philippines, in companies such as Manila Electric, Islands Gas & Electric, and Manila Gas.

FOREIGN CORPORATIONS PUBLICLY OWNED IN WHICH AMERICANS (INDIVIDUALS OR CORPORATIONS) HAVE AN INTEREST

The total of our investments in this section is estimated, at market prices December 31, 1935, at $427,292,000; $86,028,000 in stocks, $341,264,000 in bonds (face value of the bonds, $426,972,000). It is interesting to note that our investments in foreign controlled public utilities have fared much better than those foreign investments which are controlled by Americans or American corporations. This is partially due to the preponderance of Canadian corporations in foreign-controlled investments, whereas, with respect to American corporations operating abroad, the investments are located principally in Latin America and Europe.

Our largest investment in Canada is in the Bell Telephone Co. of Canada. Approximately 29% of the common stock of that company is owned by Americans or American corporations. The American Telephone & Telegraph Co. has a one-fourth interest in the company. However, our holdings of Bell Telephone of Canada bonds are even larger in value, being estimated at $31,750,000 face value, and $36,470,000 market. Holdings in other large Canadian public utilities are found principally in the form of bonds. Approximately $132,000,000 at face value are invested in Gatineau Power, Saguenay Power, and Shawinigan Water & Power Co., Ltd. Other Canadian enterprises that have attracted American investors are Montreal Tramways, Montreal L. H. & P. Cons., Power Corporation of Canada, and Manitoba Power. Our investments in these companies, and as a general rule in all Canadian public-utility companies, have fared about the same as investments in similar domestic securities. There have been very few defaults.

Our investments in European public-utility bonds have been unprofitable. This is due to the preponderance of German public-utility bonds. All German bonds are in complete default and are selling at about 20 cents on the dollar. The outlook is dark for any future resumption of interest, and as these bonds have been and are being repatriated in considerable amounts, the opportunity to recover part of our loss is very limited. Other large European bond investments are in Italy and the Scandinavian countries. They are being serviced in full. Certain Italian stock investments, however, show a large depreciation in value and return very little in the way of dividends. The Italian currency transfer restrictions have had a serious effect on the earnings and cash position of the United States parent companies, notably Italian Superpower and International Power Securities.

In the Far East, American funds are invested principally in corporate bonds of the Nippon Electric Co., Great Consolidated Electric Power, Tokyo Electric, Toho Electric Power, Shineytsu Electric Power, and Ujigawa Electric Power. Our investment in bonds of Taiwan Electric Power is included under "Foreign Government and Government-guaranteed Issues."

With respect to public-utility investments, it would appear that the expansion of public utilities in many countries has been too far ahead of the economic development of such countries.

AGRICULTURE (EXCLUDING RUBBER PLANTATIONS)

American investments in agriculture are confined principally to our holdings in the fruit and sugar industry spread throughout Latin and South America. The decline in the value of our investments in this field has been proportionately greater than in any other field of investment. This is especially true of the sugar investments in Cuba and the West Indies. Practically all of the companies involved have gone through reorganizations and some have been permanently dissolved.

At December 31, 1929, the Department of Commerce estimated all agricultural investments (excluding rubber) at $831,860,000 which, at the end of 1935, had shrunk to $431,059,000 book value. Even this does not present the true picture of the decline in such investments for, of $265,856,000 of such book values, the market value was only $63,469,000. As to the remainder, the market value was unobtainable. At December 31, 1935, our investments in sugar companies showed a decline in book value, from December 31, 1929, of approximately fifty percent (50%).

It is important to note that the successful operation of these companies is predicated to a great extent on the market afforded by ourselves for foreign products which compete with our own home-grown agricultural products. It is only since the recent tariff concessions, granted by the United States in the reciprocal trade treaty with Cuba, have been in effect that the Cuban sugar industry has staged a come-back. In 1934 Cuban sugar supplied 25% of all the sugar consumed in the United States, and Philippine sugar 18%, close to one-half of our total sugar requirements. In 1936 approximately 2,000,000 tons of Cuban sugar were marketed in the United States out of a total production of 2,600,000 tons. The balance is sold in other foreign ports at a distinct loss. Recently the New York market for Cuban sugar was quoted at 2.85

cents a pound before duty, against less than a cent a pound in London at the same date. Americans have invested probably close to three-quarters of a billion dollars in Cuban sugar enterprises and at December 31, 1935, this three-quarters of a billion had shrunk to less than $100,000,000, a loss of over 85%.

From the standpoint of the Balance of International Payments of the United States, certain observations can be made. Sugar exports to the United States by companies that are American owned and controlled do not necessarily involve transfer of the full import value to Cuba by the importer in the United States. Dollar balances built up from the sale of the sugar in the United States need be drawn on only for payments in Cuba of operating expenses incurred in the conduct of the company's business there. Any interest or dividends paid out to Americans holding securities in these companies would likewise be paid out of these funds. Therefore, these companies are not faced with an exchange problem when paying interest and dividends on their securities. This is also true of the activities of the fruit companies. The United Fruit imports bananas from its own plantations in Central America and sells them in the United States. The amount of funds actually remitted to Central America need not bear any relation to the value stated in the import statistics. The same situation arises with respect to those American companies which have sugar properties in Cuba, which properties merely act as feeders of raw materials needed in the manufacture of their products in the United States.

Included among our agricultural investments abroad are certain Canadian sugar corporations, operating in Cuba, in which Americans appear as either directors or officers. Such investments have been valued at the market prices of the shares estimated to be American owned. These investments are estimated at a little over three million dollars. The investment of Borden and other dairy companies in Canada, while their activities are partly manufacturing, have been included as agricultural. Certain small bond holdings of American investors in Canadian grain grower companies have been included. Holdings in Philippine sugar companies (notably the Calamba Sugar Estates) have been provided for. It is understood that a good portion of the Philippine sugar industry is owned by English capital. Certain small Hawaiian sugar companies with Philippine holdings have been included. An omission estimate for unknown private holdings mostly in Canadian farms has been provided for.

Our agricultural investments in Mexico, formerly quite extensive, and consisting mostly of cattle ranches, are rapidly disappearing. Under the new Mexican agrarian program, all foreign agricultural properties are being confiscated as rapidly as possible, and payment is being made in Mexican bonds of doubtful value.

Summed up, between December 31, 1919, and December 31, 1935, there has been a loss in our agricultural investments abroad of over $400,000,000 in book values and, substituting actual market valuations wherever possible, a total loss of over $600,000,000.

RUBBER PLANTATIONS

American investments in foreign rubber plantations are confined to a few companies.

At December 31, 1929, the United States Department of Commerce estimated these investments at $50,000,000. There has been very little change since that date. At December 31, 1935, our investment in rubber plantations is estimated at $40,945,000. The valuations included therein are all book figures except with respect to one small investment—a company operating in Mexico. The stock of said company is selling at about 25% of its book value.

Practically all of our investments in rubber plantations are in British Malaya and the Netherlands East Indies. As stated above, there is a small Mexican enterprise, now practically out of operation. Another plantation is in Liberia, Africa, the development of the Firestone Tire & Rubber Co. The Ford Motor Co. has an experimental station for rubber on the Amazon river. No estimate has been made for such development at December 31, 1935, as no data with respect thereto were available. The Goodyear Tire & Rubber Co. started rubber experiments in Panama in August, 1935, having acquired 3,000 acres for that purpose.

Investments in rubber plantations by the large American tire manufacturers were instituted with a view to providing them with a source of raw material and to free them from dependence on foreign-controlled rubber cartels. However, less than 10% of our entire crude rubber imports are produced by American-owned or controlled companies. In 1935, 1,045,000,000 pounds of rubber were imported at a value of $119,081,000. We are still mainly dependent on foreigners for our rubber. The recent development of synthetic rubber in the United States may some day free us from such dependence, as has happened in the case of nitrates.

With respect to imports of rubber produced by subsidiaries of American corporations, the same situation exists with respect to declared import value and transfer of funds as that discussed in the previous chapter with regard to sugar. The import value does not necessarily represent the amount paid. To quote from Poor's 1936 volume, page 1344, detailing the bookkeeping operations of the U. S. Rubber Plantations, Inc.:

"Rubber received from the plantations is taken into account by the U. S. Rubber Co. at current market prices and the plantation companies are credited in open account. *The plantation companies draw against this open account for current cash requirements.*" [Italics ours.]

PAPER AND PULP

Our foreign investments in the paper and pulp industry have been centered almost entirely in Canada and have largely been actuated by the necessity of supplying as cheaply as possible the tremendous demand for this product in the United States. The growth of the paper and pulp industry in Canada has been in line with the decline of our own forests and our increasing demand for pulp and paper. The prohibition on exports of pulpwood from crown lands hastened the erection of paper mills in Canada. The predominating impulse throughout has been the need of a new source of supply to offset the increasing cost of paper from our own dwindling forest reserves in the north.

It can be said that the bulk of these investments were made because of the market afforded in the United States for the sale of pulp and pulpwood. The recent development of our southern slash pine may act as a deterrent on any future expansion northward. In addition certain restrictions placed on American paper concerns by the Canadian Government may also have an adverse effect on any new investments in Canada.

As at December 31, 1935, our total investments in paper and pulp are estimated, using market values where obtainable, at $207,422,000, and $314,172,000 at book values.

AMERICAN CORPORATIONS, ALL, OR SUBSTANTIALLY ALL, OF WHOSE ASSETS ARE ABROAD

The total value of these companies is estimated at $130,653,000 at book value, and $57,101,000 at market. The loss in value at this date cannot be attributed to any adverse political actions. The price of pulp is the determining factor in the successful operation of any pulp concern. Practically all pulp mills in Canada and the United States have been forced into reorganizations or receiverships during the past six years due to the abnormally low price for pulp prevailing during that time. Recent rising prices for pulp and the rising demand due to the general economic improvement during 1936 are reflected in the greatly increased market prices of the outstanding securities of these companies, which securities, during the year 1936, practically doubled in market values.

AMERICAN CORPORATIONS HAVING WHOLLY-OWNED OR (51%) CONTROLLED FOREIGN SUBSIDIARIES

The total book value of these subsidiaries is estimated at $110,391,000. No doubt, if the actual market values of these foreign properties had been obtainable they would have reflected somewhat the same experience as those companies for whose securities market values were available. However, some of these investments appear to have been made solely to provide a source of raw material to the parent companies and, therefore, were not as greatly affected by the fluctuating price of raw pulp or paper as companies selling their production in the open market. Examples of this type of investment are the holdings of the

New York Times in the Spruce Falls Paper & Power Co., and the *Chicago Tribune* ownership of the Ontario Paper Co., Ltd.

FOREIGN CORPORATIONS PUBLICLY OWNED IN WHICH AMERICANS (INDIVIDUALS OR CORPORATIONS) HAVE AN INTEREST

The market value of American ownership of shares at December 31, 1935, is estimated at approximately $3,156,000, and bonds at $69,972,000 face value, worth $36,774,000 at market values. The large depreciation again evidenced here has, as stated before, been due to the general economic depression influencing both the price and demand for paper and pulp.

OILS

The United States occupies a dominant position in world petroleum affairs, due not only to our own great petroleum development but also to our tremendous investments in foreign oil resources and distribution agencies. In this field we find that comparatively few companies do most of the business. The smaller companies engage principally in development work and leave the production, refining, and distribution to the large companies. Some of the smaller companies do produce oil, but sell their production to the larger companies.

AMERICAN CORPORATIONS, ALL OR SUBSTANTIALLY ALL OF WHOSE ASSETS ARE ABROAD

The book value of these investments at December 31, 1935, is estimated at $120,544,000 and their market value $51,992,000 or less than half. The large decline in valuation thus reflected is due principally to a few development companies, notably the Andes Petroleum, Leonard Oil Development, Carib Syndicate, American Maracaibo Oil, Pantepec Oil, and Venezuelan Petroleum Co. Development companies usually place an arbitrary value on their acreage far in excess of its actual value. There are a number of possible reasons for such over-valuation: stock promotion, potential value, taxes, etc. The market prices of the securities of these companies provide a far more accurate valuation than the over-capitalized values as shown on the companies' books. There is included herein only one producing company of importance, the market value of which company's shares are in excess of book value. This is the Creole Petroleum Corp. which is controlled by the Standard Oil Co. (N. J.). Standard's holdings in this company (75%) are not included under this heading as they are included as part of that company's foreign investment.

AMERICAN CORPORATIONS HAVING WHOLLY-OWNED OR (51%) CONTROLLED FOREIGN SUBSIDIARIES

Included herein are the holdings of the Standard Oil Co. (N. J.), our largest foreign investor. While its holdings of Imperial Oil, Ltd., Creole Petroleum, International Petroleum, and a few others, do permit of market valuations the majority of Standard's foreign investments are in companies for which no market values are obtainable. We have, therefore, used book value in estimating foreign investments of Standard Oil (N. J.).

The recent sale of the Standard's Argentine holdings to the government of Argentine because "the government's action made it impossible to operate on a commercial basis," shows clearly the uncertainties surrounding these foreign investment. Other recent items indicating a similar trend are: (1) The wide-spread agitation in Venezuela against foreign oil companies, in which sabotage and violence were employed by the agitators. The oil concerns have reduced their storaged oil supplies 80% in fear of confiscation. Further, the oil companies have informed their employees not to bring their wives and children to Venezuela. American companies have probably close to $200,000,000 invested in Venezuela. Only the most stringent measures by the Venezuelan government, assisted by military measures, have prevented the loss of this tremendous investment. What the action of any newly elected government will be is problematical in view of the temper of the electorate. (2) The oil strikes in Mexico have had a serious effect on foreign companies operating there. (3) The marked increase in taxes levied on oil companies in Colombia. (4) The action of the Japanese government requiring all oil companies to keep six month's supply of oil on hand, forcing construction of unneeded storage facilities.

There are other oil companies with large foreign investments. While not comparable to the Standard Oil Co. (N. J.) they are, nevertheless, of great size and are spread throughout every nation of the world. Among the largest are Socony Vacuum, Texas Corporation, Gulf Oil, Standard of California, Consolidated Oil, Union Oil of California, Atlantic Refining, Seaboard Oil, Pure Oil, Tidewater Associated Oil, and Continental Oil.

The total valuation of this section is estimated—at book values—at $986,557,000.

FOREIGN CORPORATIONS PUBLICLY OWNED IN WHICH AMERICANS (INDIVIDUALS OR CORPORATIONS) HAVE AN INTEREST

The total market value of these securities is estimated at $112,435,000 of which $83,644,000 is in stocks and $28,791,000 in bonds. The bond holdings are principally in two companies, Royal Dutch and Colon Oil Corp. The Colon Oil company, while a domestic corporation, is a subsidiary of the Royal Dutch-Shell group (foreign companies) and has been included as a foreign corporation. Colon Oil is a company incorporated in the United States, owned and operated by a foreign company, all of whose properties are in South America, but whose bonds were sold in the United States ($10,000,000) at par. These bonds defaulted July 1, 1935, and subsequently the La-Corona Petroleum Maatschappij, a member of the Royal Dutch-Shell group, offered to purchase these debentures at 66⅔% flat. It is not clear why this American owned issue, bonds of a Royal Dutch subsidiary, should be in default and that another Royal Dutch subsidiary should offer to buy them at a 33% discount. The Colon Oil Corp. is merely a component of the vast Royal Dutch oil empire. The bonds of the Royal Dutch company are selling far above par, and have always been serviced. It would appear that failure to insist on guarantee by the parent company was expensive to the American investor. The date of incorporation of the company in Delaware was June 26, 1928, the issue date of the bonds July 1, 1928.

Among the larger of our stock holdings in foreign corporations are the publicly owned shares of two of the Standard Oil Co. (N. J.) foreign subsidiaries, namely Imperial Oil, Ltd., and International Petroleum Co., Ltd. Smaller stock holdings are those in Royal Dutch, Shell Transport & Trading, Canadian Oil Companies, Ltd., and others.

In no other field of activity do American companies exercise such a worldwide influence and control as in the oil industry. Exclusive of United States production, the world petroleum production in 1935 amounted to 652 894,000 barrels. Russian production amounted to 178,000,000 barrels. Of the remainder probably 35% is produced by American-controlled companies. Combined with our domestic production and after eliminating the production of foreign companies operating in the United States, we find that United States capital controls close to 70% of the world's petroleum production. In 1935 we had an excess of exports, including sales of bunker oil to foreign vessels, of some 80 million barrels of oil (crude and refined), indicating that our large foreign oil investments are not needed to meet any domestic demand, at least not up to the present time. Depletion of our own wells in the future may force us to rely more and more on our foreign oil resources, especially those in South America.

It is difficult to obtain a division of our foreign oil properties between production and marketing facilities. It seems definite, however, that the major portion lies in the latter category. Probably over 80% of our foreign oil production comes from South America and these properties are valued at approximately $300,000,000. This would include the value of refineries, pipe lines, and other equipment necessary to an oil producing unit. In the Far East and Europe nearly all of our investments are in the distribution and marketing divisions.

MINING

Included in this division are investments in those companies whose principal operations consist of the mining and smelting of minerals in foreign countries. Corporations which own mining properties but whose activities are primarily in manufacturing, public utility, or some other type of industry, are not included. Sufficient data were not available to permit a segregation of their mining properties from other foreign properties.

Investments in foreign copper mines by American copper producers have been held by some economists to have been for the purpose of conserving our own copper resources and to meet existing domestic deficiency due to domestic demand. This does not appear to be borne out by actual condition. For example, in 1935 we imported 481 million pounds of copper, including approximately 27 million pounds of the refined product, and exported 607 million pounds, of which 522 million was refined. Meanwhile, the seven largest United States copper companies operating abroad produced over one billion pounds in 1935, practically all, so far as is known, being refined abroad, at the source of supply. The copper imports into the United States seem to be confined to certain smaller companies operating in contiguous territories, who do their refining in the United States. This would indicate that the greater part of the copper produced by American-owned foreign corporations is sold directly abroad, and that, on balance, we also export whatever foreign copper we import. These figures appear to disprove the belief that the conservation of our domestic resources, to meet our own consumption needs, has been the motive for our large foreign copper holdings.

AMERICAN CORPORATIONS, ALL OR SUBSTANTIALLY ALL OF WHOSE ASSETS ARE ABROAD

The book values of these companies at December 31, 1935, amounted to $465,592,000 and the market value of their outstanding securities amounted to $393,035,000.

The largest investment included herein is the Anaconda Mining group whose foreign subsidiaries are the Andes Copper, Chile Copper, Greene Cananea, Silesian American and some other smaller or inactive companies. Their total book value at the end of 1935 was approximately $300,000,000 and their market value $240,000,000. No deduction has been made for any assets of these foreign companies located in the United States as the total involved is relatively insignificant. Two-thirds of Anaconda's copper sales are to foreign buyers. The copper supplying these foreign needs comes from Anaconda's foreign mines.

The fact that the market valuation of the above Anaconda subsidiaries is less than the book value, is due mainly to the low price of copper at December 31, 1935. The rising price of copper during 1936 has increased the earning power and hence the value of these investments. As at December 31, 1936, their market values were far in excess of their comparable book values.

As recited in discussing our foreign oil investments, an important factor affecting the value of our investments abroad is the attitude of foreign governments. In recent years there has been a tendency by foreign governments to increase taxation on foreign-owned properties. The Chilean and Mexican Governments are examples of this. Anaconda's foreign subsidiaries are located principally in Chile and Mexico. In Mexico, a law forcing all mining companies to reinvest 25% of their profits within the Republic is being given serious consideration. All such factors affect the value of our foreign holdings and are reflected in the current market price of the shares and bonds.

Among other companies included in this classification are the Cerro de Pasco company, the largest silver producer in the world, Howe Sound, Patino Mines, South American Gold & Platinum, San Toy Mining, Cusi Mexicana, and N. Y. Honduras Rosario. The largest, Cerro de Pasco, has a market valuation considerably in excess of its book value. This is true of practically all of the companies, the only notable exception being the Patino Mines. This latter company, a tin mining enterprise located in Bolivia, has been at a disadvantage because of the lower operating costs of the Malayan tin producers. There is a large foreign interest in the Patino Mines company, but, for purposes of this study, the entire company has been included as American owned, any foreign interest being considered as part of "foreign investments in the United States." The principal products of these companies are gold, silver, copper, precious stones, and tin. A majority are located in Latin America, a few in Canada, the balance being scattered throughout the Far East and Europe. A portion of the products of certain of these companies is imported into the United States for smelting and refining before resale abroad.

AMERICAN CORPORATIONS HAVING WHOLLY-OWNED OR (51%) CONTROLLED FOREIGN SUBSIDIARIES

Among the largest United States mining corporations with foreign subsidiaries (exclusive of the Anaconda group discussed heretofore) are the American

Smelting & Refining, United States Smelting, Kennecott Copper, Phelps Dodge, American Metals, St. Joseph Lead, and Vanadium Corp. With the exception of American Metals Co., the major part of their assets and operations are in the United States. The products of their foreign properties are to a large extent imported into the United States and sold here. This is especially true of the gold and silver producers. The entire world production of silver in 1935 was 208 million ounces, of which 38 million was produced in the United States. Our imports in that year reached the huge total of 521 million ounces. A survey of all the companies included in this category indicates that practically all of their silver production was shipped to this country.

The copper production of Matahambre (American Metals) in Cuba is smelted and refined in their Carteret, New Jersey, plant. The Moctezuma Mine in Mexico (Phelps Dodge), inactive due to general operating conditions in Mexico, formerly refined and smelted their product in their Arizona plants.

The total investment of American companies in wholly-owned or (51%) controlled foreign subsidiaries is estimated, at December 31, 1935, at $190,632,000 book values.

FOREIGN CORPORATIONS PUBLICLY OWNED IN WHICH AMERICANS (INDIVIDUALS OR CORPORATIONS) HAVE AN INTEREST

This is the largest type of American mining investment abroad. The market value of this type of holding at December 31, 1935, was $508,000,000 of which over 50% was in the International Nickel Co. of Canada. Based on data obtained from various sources of reliable information, it is estimated that at December 31, 1935, 40% of the stock of the International Nickel Co. was American-owned.

The great majority of our mining investments in foreign companies are in Canada. In many cases Americans exercise control of the foreign companies. However, it does not always follow that control of the directorate means actual majority ownership of the outstanding shares. American bankers have often insisted on control of a company in order to safeguard their interests. American citizens hold the majority of outstanding securities of companies such as Dome Mines, Ltd., Hudson Bay Mining & Smelting, Buffalo Ankerite Gold Mines, Wright-Hargreaves Mines, Ltd., Nipissing Mines, Kerr Lake Mines, Ltd. (main office in New York), and many smaller companies.

Some of the larger American minority holdings in Canadian mining enterprises are found in Hollinger Consol. Mines, Ltd., McIntyre Porcupine Mines, Lake Shore Mines, Ltd., and Teck Hughes, Ltd. Also included in this subdivision are estimates of individual holdings of mining companies, which are subsidiaries of American corporations. An example of this is the Premier Gold Mining Co., Ltd., controlled by American Smelting & Refining Co., and also publicly distributed.

Outside of Canada, the chief holdings in this class of investment are in South America, the largest being our bond holdings of Anglo Chilean Nitrate and Lautaro Nitrate.

As stated before, the portfolios of American investment trusts were studied, wherever available, and this examination revealed a surprising list of South African mining company investments not elsewhere published.

Higher prices prevailing in 1936 for most commodities resulted in higher market prices for outstanding securities of mining companies. Where such prices were available the appreciation in 1936 amounted to $368,000,000.

MANUFACTURING AND MERCHANDISING

Included in this group are the entire foreign investments of companies whose foreign activities are principally manufacturing. Merchandising investments have also been included, as, in many instances, such investments are merely selling agencies of domestic manufacturers. Foreign investments of canneries, motion picture producers, radio corporations, etc., are included herein. It has been found impractical, from the data available, to attempt the separation of mining investment, woodland holdings, and agricultural property assets from the strictly manufacturing properties of corporations whose main activities are manufacturing.

AMERICAN CORPORATIONS HAVING WHOLLY-OWNED OR (51%) CONTROLLED FOREIGN SUBSIDIARIES

The bulk of our foreign investments in manufacturing is in American-owned and controlled subsidiaries. The book value of these investments is estimated, at December 31, 1935, at $1,230,392,000. No market values were available.

In arriving at this estimate, the records of over a thousand manufacturing corporations were studied. This number refers only to parent companies. If subsidiaries were counted the resulting total would be several times as large; for example, some twenty of our large manufacturing systems alone have over a thousand foreign subsidiaries.

Book valuations were used exclusively as a basis of valuation. In many cases individual subsidiary balance sheets were not available and perhaps the value as expressed in the parent company balance sheet may have been too high or too low. Where companies were listed on a stock exchange the registration statements filed therewith revealed many such incorrect valuations and adjustments were made accordingly. The most frequent cause of difference was due to the practice of certain parent corporations not including any surplus accumulated abroad since purchase or formation of the subsidiary.

There are certain adverse factors affecting many of these investments which are not reflected in book valuations. For example, properties domiciled in Germany have a rather doubtful value today. Some of the large investments in Germany are those of the International Harvester, General Electric, General Motors, National Cash Register, Eastman Kodak, Libby Owens Ford, E. G. Budd, Remington Rand, Woolworth, Addressograph Multigraph, and American Radiator. They probably comprise over 50% of all our German manufacturing establishments.

Doubtful values can also be ascribed to our investments in certain other European and South American countries where the governments of these countries have practically nationalized foreign investments.

FOREIGN CORPORATIONS PUBLICLY OWNED IN WHICH AMERICANS (INDIVIDUALS OR CORPORATIONS) HAVE AN INTEREST

Our holdings of stocks of foreign manufacturing and merchandising corporations are estimated, at December 31, 1935, at $436,571,000 market values, and the bonds of foreign corporations at $99,455,000 market values. The bonds have a face value of $266,312,000.

The large investment in stocks is due principally to the holdings of Woolworth, Ltd., by the F. W. Woolworth Co. At market these shares were worth, at December 31, 1935, $228,106,977. While these holdings are in the nature of a controlling interest (over 51%) the shares of the English subsidiary are publicly owned and widely held both by Americans and Englishmen. This investment (at market values) constitutes our greatest single foreign corporate stock ownership.

Other large stock holdings are those in Electrical & Musical Industries, Ltd., Distillers Seagrams, Ltd., Hiram Walker G. W., Aluminum, Ltd., Imperial Tobacco (Canada), Imperial Tobacco (Ltd.), Singer, Ltd., Ford Motor, Ltd. (England), Ford Motor of Canada, Ltd., Swift International (considered as all American-owned), and British American Tobacco Co., Ltd. Securities of these companies are traded on American stock exchanges and have been publicly offered in this country.

In the bond section, we find the much discussed International Match and Kreuger & Toll holdings of American investors as the largest included. Approximately $150,000,000 was invested in these two bond issues and, at December 31, 1935, their market value was approximately $22,000,000. Also included are many German issues floated in this country that are now selling at approximately 20 cents on the dollar and have been in default for a number of years. Canadian and a few Italian corporate issues constitute the larger part of the remainder.

The market value of our holdings of stocks and bonds in foreign manufacturing and merchandising corporations increased from approximately $536,000,000 at December 31, 1935, to $706,000,000 at December 31, 1936.

MISCELLANEOUS

Included herein are all those foreign investments which did not fit into any of the other fields of industry. Banks, fire and casualty insurance companies, construction companies, hotels, air transportation, real estate companies, some miscellaneous investment trusts whose foreign securities were not identifiable as to industrial allocation, and newspapers are some of the types of commercial enterprises comprising the total of miscellaneous investments abroad. In all, they are estimated, at December 31, 1935, at book value of $190,627,000, and market value of $145,125,000.

AMERICAN CORPORATIONS, ALL OR SUBSTANTIALLY ALL OF WHOSE ASSETS ARE ABROAD

These amount to approximately $26,488,000 book value, and $11,142,000 market value. A number of Cuban enterprises, principally National Hotels of Cuba and Havana Docks, and two investment trusts whose holdings consist principally of German internal mortgages, the German Credit & Investment Corp., and the International Mortgage & Investment Corp., are included herein.

AMERICAN CORPORATIONS HAVING WHOLLY-OWNED OR (51%) CONTROLLED FOREIGN SUBSIDIARIES

The total book value of foreign investments of these companies, at December 31, 1935, was estimated at $98,682,000, no market value available. They consist principally of the net invested capital of the foreign branches of American banks, notably Chase, National City, and Guaranty Trust, the controlling interest of the Transamerica Corp. in the Banca D'America and Italia, the net interest of American insurance companies (excluding life insurance), and other miscellaneous investments such as the holdings of American Express, Ford Hotels, Commercial Investment Trust, Commercial Credit Co., Pan American Airways, and New York *Herald Tribune*.

FOREIGN CORPORATIONS PUBLICLY OWNED IN WHICH AMERICANS (INDIVIDUALS OR CORPORATIONS) HAVE AN INTEREST

The market value of American-owned stocks at December 31, 1935, was estimated at $9,607,000 and bonds at approximately $25,694,000. The face value of the bonds was $64,850,000. The stock holdings consist for the most part of foreign shares held by American investment trusts.

In the bond section are a large number of German banks and miscellaneous organizations which account for the comparatively low market value. They include German Central Bank of Agriculture, Ruhr Housing, Commerz & Privat Bank, Deutsch Bank, Protestant Church of Germany, Roman Catholic Welfare Institutions, Leipzig Trade Fair, etc. They all sell at about 20 cents on the dollar. A number of Canadian buildings that have had their bonds sold in the United States are next in size and are also selling at considerable discounts from their issue price. Admiral Beatty Hotel, Vancouver Georgia Hotel, Pacific Coast Terminals, Montreal Insurance Exchange are a few. About ten Hungarian banks and credit institutions, including the Hungarian Discount & Exchange Bank, Hungarian Land & Mortgage Institution, Hungarian Italian Land Bank, etc., are also showing a large depreciation in market price. Practically all of the institutions mentioned are in complete default as to interest.

FOREIGN GOVERNMENT AND GOVERNMENT-GUARANTEED BONDS

Approximately $9,000,000,000 (face amount) of foreign government and government-guaranteed issues were publicly offered in the United States in the years 1914–1931. Practically all bond issues floated before 1914 have been either redeemed or refunded, or are valueless due to complete default. Of this sum total of $9,000,000,000 only $4,596,000,000 are still outstanding in their original form—as dollar bonds—and of this amount, we estimate that, at December 31, 1935, approximately $1,415,000,000 were in the hands of foreigners and $3,180,637,000 held by Americans. The market value of these bonds, still held by Americans, at December 31, 1935, was $2,342,228,000.

The decline in total dollar bonds outstanding has been due to both normal and abnormal activities. Reductions would normally occur through redemptions and sinking fund activities, as contracted. These operations account for a considerable part of the reduction. In addition, however, many sinking funds have taken advantage of favorable market conditions prevailing during recent years and have purchased in the open market, at substantial discounts, large blocks of bonds which were then retired. A great many bonds were thus purchased during the years 1932 to 1935, inclusive, a period of wholesale defaults and low market prices. We find here the curious anomaly of debtors pleading lack of dollar exchange as the reason for their interest default, but at the same time using their dollar balances to repurchase these same defaulted bonds at bargain prices. During the four years 1932 to 1935 approximately $112,000,000 (face value) of foreign dollar bonds were presented for cancellation. These bonds were probably bought at prices averaging less than half of their face value and represented losses of hundreds of millions of dollars to American investors.

Another item tending to lessen the outstanding amount of dollar bonds has been the practice of converting dollar bonds into internal currency issues. This is done where sizeable amounts of dollar bonds have been repatriated by foreigners (individuals or governments). These bonds are not presented for cancellation to the United States trustees of the dollar bond issues, but held by the foreign governments as collateral against the internal currency bonds issued. This practice results in a distorted figure of outstanding dollar bonds and we have deducted such items from the outstanding amount wherever the information was obtainable. Examples of this type of operation are:

	Outstanding 12/31/36 per trustees' books	Converted into internal loans	Actually outstanding at 12/31/36
Vienna 6s/1952	$24, 035, 500	$21, 774, 500	$2, 261, 000
Lower Austria 7½/1960	1, 578, 500	1, 131, 500	447, 000
Styria 7s/1946	2, 731, 500	2, 602, 500	129, 000
Graz 8s/1954	2, 144, 700	1, 620, 000	524, 700
Tyrol Hydro Electric 7½/1955	2, 503, 000	255, 000	2, 248, 000
Tyrol Hydro Electric 7s/1952	2, 241, 000	256, 000	1, 985, 000
Total	35, 234, 200	27, 639, 500	7, 594, 700

In other words, on these six issues alone the outstanding amounts of bonds as shown by trustees books are overstated to the amount of $27,639,500. We have deducted all such holdings from the amount of Dollar Bonds outstanding in arriving at our figure of $4,596,000,000.

As stated heretofore, we estimate that, at December 31, 1935, the face amount of foreign bonds outstanding held by Americans amounted to $3,180,637,000 and the amount held by foreigners, $1,415,000,000. The Department of Commerce estimated foreign holdings of "Portfolio" investments (includes foreign corporation issues publicly offered in the United States) at $1,100,000,000. As explained earlier in this report, we believe that part of the difference in the two estimates lies in the fact that we have excluded from American holdings Canadian investments of American life insurance companies held by the Canadian government as collateral against actuarial liability of those companies to Canadian policyholders.

In the course of our research we have found various interesting examples of repatriations. Many of these operations were of necessity conducted under a cloak of secrecy and to lift this veil and let in the light is, in most cases, extremely difficult. Many times it is only after the redemption or refunding of an issue takes place that the small American holdings are disclosed. This is illustrated in the case of Province of Upper Austria bonds—7s/1945 and 6½/1957 called for redemption in December 1935. At time of redemption there were $10,149,000 bonds outstanding, but as was disclosed to us, all but approximately $400,000 bonds were held by the issuer. In their Balance of International Payments, 1935, the U. S. Dept. of Commerce included as "Bond redemption payments received" the sum of $9,129,000 as paid by Austria. This naturally has resulted in an overstatement of "receipts from bond redemptions" for 1935, and, following through, will effect a distortion of other items in the Balance of International Payments compilation. These two bond issues were originally issued here in 1925 and 1927.

While repatriations and repurchases have taken place in all foreign government bonds, it should be pointed out that some of these operations were entirely legitimate and within the bounds of international financial honesty. The deciding factor, of course, is the status of the interest payments when such purchases are made. If the interest is being serviced in full and all covenants of the bond indenture are being met, a foreign debtor is clearly entitled to pick up any bargains existing in his own obligations. Financial panics in creditor countries (especially in the United States) can be and have been used by foreign nations and their citizens to pick up their own external bonds at bargain prices. Japan, Australia, France, Holland, Canada, Belgium, and Sweden have considerably and profitably lightened their external debt payments to the United States through the medium of repurchases during times of financial stress in the United States. In contrast to England, where foreign lending is practiced more scientifically, our foreign loans are bought by the investing public in small amounts, the average purchase being around $3,000. When financial stringencies occur, such as happened in 1929 to 1935, many holders are forced to sell and others, not having the knowledge and experience necessary to evaluate correctly the worth of their foreign bond holdings, are easily frightened and throw them overboard at sacrifice prices. The situation in England differs considerably from ours. Foreign loans are usually held in large blocks by the various banks, investment houses and trusts, who are better equipped to hold on to the bonds and to deal collectively with defaulting foreign governments. An institution known as the "Council of Foreign Bondholders" deals with all situations of this kind. Foreign debtors cannot default and then buy up their defaulted bonds at bargain prices. The bonds are simply not for sale.

Another factor tending to reduce the amount of foreign bonds in American hands is the purchase by nationals of a third nation of foreign bonds held by United States citizens. During the years 1930, 1931, 1932 large quantities of Argentine dollar bonds were purchased by English investors, at very low prices. It is generally estimated that 50% of our Argentine dollar bond holdings were so acquired by the English.

In summary, out of a total of $9,000,000,000 of foreign government and government-guaranteed bonds issued and sold to American investors, we now hold bonds, at face value, of $3,180,637,000 market value of $2,342,228,000. The amount of dollars received by American investors for the $6,000,000,000 (approximate) of bonds surrendered and the amount of loss sustained upon their surrender are unknown. No estimate with respect thereto has ever been made by the government.

GEOGRAPHICAL DIVISION OF FOREIGN INVESTMENTS

The division of investments by territory as set forth on Exhibit "C" can only be considered as approximate. American citizens have investments in Canadian, English, and other foreign corporations whose activities are worldwide. The location of these investments has been determined by the country in which incorporated. American companies, while furnishing data as to the total amount invested abroad and the foreign countries in which they operate, seldom divide their investment by countries.

The following is a condensed summary of investments divided geographically:

Investments by territories at Dec. 31, 1935

	Amount	Percentage of total
Canada and Newfoundland	$3,043,252,000	37
Europe	2,017,229,000	25
Latin America	2,146,201,000	26
Africa, Asia, and Oceania	1,021,600,000	12
Total	8,228,282,000	....

Following is a comparison of our long-term debtor-creditor position at December 31, 1935, by geographical division, subject to the above qualification and the qualification stated by the Department of Commerce with respect to its division, to wit:

"It is important to note that the geographical distribution of foreign holdings of United States investments . . . does not necessarily reflect the true ultimate ownership."

	Our long-term investments abroad as at Dec. 31, 1935	Foreign long-term investments in United States [1] as at Dec. 31, 1935
Canada and Newfoundland	$3,043,252,000	$1,006,000,000
Europe	2,017,229,000	3,491,000,000
Latin America	2,146,201,000	43,000,000
Africa, Asia, and Oceania	1,021,600,000	495,000,000
Total	8,228,282,000	5,035,000,000

[1] Department of Commerce estimate.

As set forth above, at December 31, 1935, we were a debtor with Europe on long-term exclusive of war debts, in the amount of $1,474,000,000. This debtor position has been increased during the past year. Report of the Treasury Department reveals purchases by Europeans of foreign and American securities between December 31, 1935, and September 30, 1936, in the amount of $356,000,000. Further, appreciation in market value of European investments in American securities exceeded the appreciation in market values of our investments in Europe. This net gain to Europe, at September 30, 1936, we estimated at approximately $200,000,000, leaving our net long-term debtor position with Europe, at September 30, 1936, at approximately two billion dollars—exclusive of war debts.

PROBLEM OF TRANSFER OF EARNINGS AND EFFECT OF AMERICAN INVESTMENTS ABROAD ON IMPORT AND EXPORT STATISTICS

It is interesting to observe the amount of our investments abroad as to which we need have no transfer difficulties in the payments to security holders of interest and dividends, due to the fact that these companies accumulate dollar balances in the United States through the sale of their products imported into this country. The total of such investments are estimated at approximately three billion dollars, representing principally investments in certain mining, oil, agricultural, paper and pulp, and rubber companies.

Of all our foreign investments, it would appear that there are only two groups, as a whole, which do not tie in with our domestic economy—our investment in bonds of foreign governments and our public utility investments. Our greatest losses have been in securities of these groups—in enterprises which do not serve either as feeders of imports or outlets for exports.

Where American corporations producing abroad sell part or all of their products in this country, their outstanding securities can be serviced out of dollar balances created here through sale of goods. With respect to our railroad investments abroad, those roads running through Canada, Mexico, Central America, and Cuba handle freight shipped by American corporations, payment for which, except where foreign legislation forbids, could be made in the United States, and outstanding securities serviced out of those dollar balances.

There has been set forth heretofore the extent of the dependence of our sugar investments in Cuba on the market for Cuban sugar in this country. The same is true of paper and pulp and rubber investments. Other investments—in oil and mining—enter into our domestic affairs through import, refining and reexport. Some of our foreign manufacturers—though proportionately few—sell their foreign manufactured product in the American market. Many of our foreign railroad investments are branch lines of American systems, such investments being made for economy of operation. Other foreign railroad investments are supported by American owned companies engaged in producing goods for the American market. Our investments in resort hotels in Cuba and Canada depend principally on the American tourist trade.

With respect to our import statistics, it will be noted that where goods are exported from a foreign country to this country by an American-owned foreign corporation, the value stated in our import statistics may not be equivalent to the amount remitted abroad by the parent company in America. The latter company will be guided in its remittances abroad primarily by the requirements of the foreign subsidiaries, which remittances may be more or less than the stated import valuation. An investigation made in England in recent years showed, for example, that only 40% of the actual export value of rubber from British-owned Malayan rubber plantations was actually remitted to Malaya, the balance being retained in London for head office expenses, taxes, and dividends.

Likewise, considerable of our exports are shipped to selling agencies abroad, which, in remitting to the home office, will deduct from the amounts actually realized commissions, foreign taxes, and sundry expenses. Consideration must also be given to the fact that, as in domestic business, many sales will never be paid for and eventually will be charged off to bad debts. Furthermore, slow moving merchandise may be disposed of at prices considerably less than the value at the time of export.

The reported earnings of our foreign subsidiaries, it can readily be seen, are subject to the accounting procedure of the parent company in America. Foreign subsidiaries producing for the American market may show no profits, the parent company in effect taking up the profit through low cost of its imports. Similarly, selling agencies abroad, though profitable to the parent company in providing a sales outlet, may maintain accounts in such a manner as to show only selling and other expenses, the profits on sales being taken up by the parent company in its selling price to the foreign subsidiary.

Respectfully submitted. (Signed) Porley and Conroy, *Certified Public Accountants.*

Exhibit "B".—*American long-term investments abroad as at Dec. 31, 1935*

[In thousands of dollars]

	American corporations, all or substantially all of whose assets are abroad		American corporations having wholly-owned or (51%) controlled foreign subsidiaries—Book value	Foreign corporations publicly owned in which Americans (individuals or corporations) have an interest		
	Book value	Market value		Stocks—Market value	Bonds—Face value	Bonds—Market value
Foreign Government, Provincial, municipal and Government-guaranteed issues						
Railroads	187, 772	52, 416	82, 294	38, 045	158, 077	139, 813
Public utilities	862, 860	359, 780	142, 426	86, 028	426, 972	341, 264
Agriculture, including rubber	270, 531	66, 269	203, 348	3, 244	524	510
Paper and pulp	130, 653	57, 101	110, 391	3, 158	69, 972	36, 774
Oils	120, 544	51, 992	986, 557	83, 644	29, 495	28, 791
Mining	465, 592	393, 035	190, 632	489, 549	50, 930	18, 542
Manufacturing and merchandising			1, 239, 392	436, 571	266, 312	99, 455
Miscellaneous	26, 488	11, 142	98, 682	9, 607	64, 850	25, 694
Total	2, 064, 440	991, 735	3, 053, 722	1, 149, 754	1, 067, 132	690, 843

	Foreign government, provincial, municipal and government-guaranteed issues—Bonds		Total	
	Face value	Market value	Book value [1]	Market value [2]
Foreign Government, Provincial, municipal and Government-guaranteed issues	3, 180, 637	2, 342, 228	3, 180, 637	2, 324, 228
Railroads			466, 188	312, 568
Public utilities			1, 518, 286	929, 498
Agriculture, including rubber			477, 647	273, 371
Paper and pulp			314, 172	207, 422
Oils			1, 220, 240	1, 150, 984
Mining			1, 196, 613	1, 091, 668
Manufacturing and merchandising			1, 942, 275	1, 775, 418
Miscellaneous			199, 627	145, 125
Total	3, 180, 637	2, 342, 228	10, 515, 685	8, 228, 282

[1] Includes foreign stocks at market values, as cost to Americans is unobtainable.

[2] Includes investments of American corporations in wholly-owned or (51%) controlled foreign subsidiaries at book values as no market values for these investments are obtainable.

SCHEDULE 1. GOVERNMENTS

FOREIGN GOVERNMENTS, PROVINCIAL, MUNICIPAL, AND GOVERNMENT-GUARANTEED ISSUES

[In thousands of dollars]

	Face value	Market value
Canada	951, 062	1, 008, 784
Europe	866, 385	594, 218
Latin America	953, 976	341, 229
Asia, Africa, and Oceania	409, 214	397, 907
Total	3, 180, 637	2, 342, 228

SCHEDULE 2. RAILROADS

[In thousands of dollars]

	American corporations, all or substantially all of whose assets are abroad		American corporations having wholly-owned or (51%) controlled foreign subsidiaries, book value only	Foreign corporations publicly owned in which Americans (individuals or corporations) have an interest		
				Stocks, market value only	Bonds	
	Book value	Market value			Face value	Market value
Canada			43, 226	36, 150	120, 256	115, 998
Europe				1, 895	18, 958	15, 385
Latin America	183, 706	51, 219	39, 068		18, 863	8, 430
Asia, Africa, and Oceania	4, 066	1, 197				
Total	187, 772	52, 416	82, 294	38, 045	158, 077	139, 813

SCHEDULE 3. PUBLIC UTILITIES

Canada	5, 772	3, 206	75, 261	41, 809	225, 315	218, 006
Europe	124, 129	63, 164	25, 200	41, 344	140, 342	72, 080
Latin America	626, 161	250, 327	4, 730	2, 875	3, 300	2, 900
Asia, Africa, and Oceania	106, 798	43, 083	37, 235		58, 015	48, 278
Total	862, 860	359, 780	142, 426	86, 028	426, 972	341, 264

SCHEDULE 4. AGRICULTURE (INCLUDING RUBBER PLANTATIONS)

Canada			23, 731	3, 244	524	510
Europe						
Latin America	260, 451	56, 118	141, 472			
Asia, Africa, and Oceania	10, 080	10, 151	38, 145			
Total	270, 531	66, 269	203, 348	3, 244	524	510

SCHEDULE 5. PAPER AND PULP

Canada	128, 431	54, 879	110, 391	3, 156	69, 972	36, 774
Europe						
Latin America						
Asia, Africa, and Oceania	2, 222	2, 222				
Total	130, 653	57, 101	10, 301	3, 156	69, 972	36, 774

SCHEDULE 6. OILS

[In thousands of dollars]

	American corporations, all or substantially all of whose assets are abroad		American corporations having wholly-owned or (51%) controlled foreign subsidiaries, book value only	Foreign corporations publicly owned in which Americans (individuals or corporations) have an interest		
					Bonds	
	Book value	Market value		Stocks, market value only	Face value	Market value
Canada	....	....	122,966	76,496	420	437
Europe	2,010	524	225,845	6,598	19,075	21,554
Latin America	118,534	51,468	392,569	550	10,000	6,800
Asia, Africa, and Oceania	....	....	245,177	....	....	....
Total	120,544	51,992	986,557	83,644	29,495	28,791

SCHEDULE 7. MINING

Canada	28,938	30,421	12,296	151,696	....	....
Europe	9,470	5,587	....	....	1,793	605
Latin America	421,513	349,470	164,622	1,710	49,137	17,937
Asia, Africa, and Oceania	5,671	7,548	13,714	36,053	....	....
Total	465,592	393,035	190,632	489,459	50,930	18,542

SCHEDULE 8. MANUFACTURING

Canada	(1)	(1)	425,150	95,852	30,733	27,710
Europe	(1)	(1)	498,142	289,204	235,579	71,745
Latin America	(1)	(1)	187,200	51,515	....	....
Asia, Africa, and Oceania	(1)	(1)	128,900	....	....	....
Total	....	....	1,239,392	436,571	266,312	99,455

[1] Too small to treat separately, included under caption "American corps. having wholly-owned or (51%) controlled foreign subsidiaries."

SCHEDULE 9. MISCELLANEOUS

Canada	....	....	18,430	2,683	7,796	3,900
Europe	3,187	3,188	52,820	6,427	57,054	21,704
Latin America	23,301	7,954	15,832	197	....	....
Asia, Africa, and Oceania	....	....	11,600	300	....	....
Total	26,488	11,142	98,682	9,607	64,850	25,694

EXHIBIT "C".—*American long-term investments abroad—distributed geographically—as at Dec. 31, 1935*

[In thousands of dollars]

	Canada		Europe		Latin America	
	Book value [1]	Market value [2]	Book value [1]	Market value [2]	Book value [1]	Market value [2]
Foreign Government, Provincial, Municipal and Government-guaranteed issues	951,062	1,008,784	866,385	594,218	953,976	341,229
Railroads	199,632	195,374	20,853	17,280	241,637	98,717
Public utilities	348,157	338,282	331,015	201,788	637,066	260,832
Agriculture, including rubber	27,499	27,485			401,923	197,590
Paper and pulp	311,950	205,200				
Oils	199,882	199,899	253,528	254,521	521,653	451,387
Mining	492,930	494,413	11,263	6,192	636,982	533,748
Manufacturing and merchandising	551,735	548,712	1,022,925	859,091	238,715	238,715
Miscellaneous	28,909	25,103	119,488	84,139	39,330	23,983
Total	3,111,756	3,043,252	2,625,457	2,017,229	3,671,282	2,146,201

	Asia, Africa, and Oceania		Total	
	Book value [1]	Market value [2]	Book value [1]	Market value [2]
Foreign Government, Provincial, Municipal and Government-guaranteed issues	409,214	397,997	3,180,637	2,342,228
Railroads	4,066	1,197	466,188	312,568
Public utilities	202,048	128,590	1,518,286	920,498
Agriculture, including rubber	48,225	48,296	477,647	273,371
Paper and pulp	2,222	2,222	314,172	207,422
Oils	245,177	245,177	1,220,240	1,150,984
Mining	55,438	57,315	1,196,613	1,091,668
Manufacturing and merchandising	128,900	128,900	1,942,275	1,775,418
Miscellaneous	11,900	11,900	199,627	145,125
Total	1,107,190	1,021,600	10,515,685	8,228,282

[1] Except as to foreign stocks which in all cases are valued at market, as original cost to Americans is unobtainable.
[2] Includes investments of American corporations in wholly owned or 51% controlled foreign subsidiaries at book values as no market values for these investments are obtainable.

"Aid slighted truth, with thy persuasive strain
Teach erring man to spurn the rage of gain;
Teach him that states of native strength possest,
Tho' very poor, may still be very blest;
That trade's proud empire hastes to swift decay,
As ocean sweeps the labour'd mole away;
While self dependent power can time defy,
As rocks resist the billows and the sky."
—*Goldsmith, "The Deserted Village."*

Senator KING. In your investigation did you ascertain the amount of foreign holdings in our stocks and bonds?

Mr. GARVAN. Just let me keep my mind on one side of the ledger and then I will come to that.

Most of these are from sworn records, because there are lots of places where the American citizen's holdings are open to the Government. One can go to the S. E. C. on corporations, and he can go to many sources. I would say that fully 90 percent of this detail was gotten from official records which came from sworn testimony.

I want to call your atention to the fact that every foreigner has that information open to him. That is just what I said about your good President as he sat with Runciman. Runciman had this, they have got accountants and they can go around and get every bit of information that there is here and much more, because Runciman has his American agents, J. P. Morgan & Co., and we all know the string of companies that they control; we all know the banking control; we all know the control of American business, at least to the point of getting information. So Runciman is equipped with every—this will not be any surprise to him and he will not learn anything from it.

Senator BARKLEY. You got all that out of the departments?

Mr. GARVAN. Practically all. I have named my sources.

Senator BARKLEY. So the Government does have it?

Mr. GARVAN. If you go from one to the other and collect it.

Senator BARKLEY. Well, it is here.

Mr. GARVAN. There is a good deal that is here, and then we went to the S. E. C. in New York. That was the main source, because there we got the sworn records of corporations holding money abroad.

Now, when you come to the other side of the record there is nothing of what the foreigner has got over here. I cannot go to their governments and find out.

So I am asking the committee to add to the bill one statement, and I am not reflecting on anybody in the Department of Commerce or in any of the departments. Those men are doing the best they can. They are trying to do their work well, but you cannot do it without a compulsory report. They try to make up a statement of the foreign holdings here. I think the last statement I saw was in Mr. Lindley's article in the Saturday Evening Post, where he said it was $8,000,000,000. I think Mr. Wallace stated it yesterday at $7,000,000,000. Mr. Hull stated it at $5,000,000,000. That, again, shows the confusion on that. We have a man who I assume is fair to the President, Ernest Lindley. I do not know the man, but he has written an article, and he wrote the Life of Roosevelt, so I assume it is fair to quote him. I do not know whether he is prejudiced or not. I never read anything of his until this article came out in the Saturday Evening Post last week.

Senator BARKLEY. Which article is that?

Mr. GARVAN. Eight Billion and Its Effect.

Senator DAVIS. Can Eight Billion Be Neutral?

Senator KING. May I say, Mr. Garvan, that I presented to the Senate a couple of weeks ago a resolution challenging attention to our holdings abroad and the influx of gold and calling for an investigation as to our holdings abroad and the influence upon our economic and industrial life by this great infusion of gold into the United States and whether it might contribute to an inflationary period, and whether or not the taxes which were paid by foreign investors in the United States were more favorable than those which were paid by American holders of foreign securities?

Mr. GARVAN. I will take pleasure in reading that.

Senator VANDENBERG. Did that resolution include the influx of silver?

Senator KING. No; I can tell you that. Everybody knows it.

The CHAIRMAN. How much more time will you want?

Mr. GARVAN. I think about 2 weeks. [Laughter.] I should like an hour or more.

Senator BARKLEY. Are you going to filibuster against this bill?

The CHAIRMAN. The committee will recess until 2 o'clock.

(Whereupon, at 12:20 p. m. a recess was taken until 2 p. m.)

AFTERNOON SESSION

The committee reconvened at 2 p. m. pursuant to the recess.

Senator KING. The committee will be in order. Mr. Holman, are you ready? Come forward, please. I may say at the outset if you care to submit a memorandum it may be incorporated in the record.

Mr. HOLMAN. Thank you.

STATEMENT OF CHARLES W. HOLMAN, SECRETARY OF THE NATIONAL COOPERATIVE MILK PRODUCERS' FEDERATION

Mr. HOLMAN. My name is Charles W. Holman. My office address is 1371 I Street, this city. I am secretary of the National Cooperative Milk Producers' Federation, which is a farmer-owned federation of something like 55 marketing organizations. It represents both fluid-milk marketers and manufacturing types of organizations of cooperatives, which market the milk and milk products of approximately 350,000 farm families who reside in about 41 States, Mr. Chairman.

Senator KING. How much time do you want? We have a large list of witnesses this afternoon. That is the reason I suggested you file a brief.

Mr. HOLMAN. I appreciate the courtesy of the chairman, but I have no brief. However, it will take not a great deal of time. I am unable to say just how much, but I will proceed as rapidly as possible.

I am filing with the stenographer a list of member organizations and our directors and executive committee.

(The list referred to is as follows:)

Executive committee.—N. P. Hull, Harry Hartke, John Brandt, George W. Slocum, W. S. Moscrip, W. P. Davis, Fred H. Sexauer, R. C. Mitchell.

DIRECTORS

Butter.—G. H. Benkendorf, Modesto, Calif.; John Brandt, Litchfield, Minn.; Carl S. Horn, Omaha, Nebr.

Cheese.—Carl Haberlach, Tillamook, Oreg.; F. W. Huntzicker, Greenwood, Wis.

Other manufactured dairy products.—U. M. Dickey, Seattle, Wash.; Clyde Foster, Carlisle, Iowa; W. S. Moscrip, Lake Elmo, Minn.

Fluid milk and cream.—W. P. Davis, Boston, Mass.; Harry Hartke, Covington, Ky.; G. W. Slocum, Milton, Pa.

Directors at large.—B. F. Anderson, Council Bluffs, Iowa; W. W. Bullard, Andover, Ohio; John P. Case, Chicago, Ill.; C. F. Dineen, Milwaukee, Wis.; A. E. Engbretson, Astoria, Oreg.; C. R. George, Marion, Ind.; I. W. Heaps, Baltimore, Md.; N. P. Hull, Lansing, Mich.; R. C. Mitchell, Southbury, Conn.; M. R. Moomaw, Canton, Ohio; E. P. Mulligan, Kansas City, Mo.; Fred H. Sexauer, Auburn, N. Y.; B. E. Stallones, Houston, Tex.; B. A. Thomas, Louisville, Ky.; E. W. Tiedeman, Belleville, Ill.; Frank Walker, Orange, Va.; B. H. Welty, Waynesboro, Pa.

Honorary directors for life.—John D. Miller, Susquehanna, Pa.; Frank P. Millis, Ward, Pa.

MEMBER ORGANIZATIONS

Berrien County (Mich.) Milk Producers' Association, Benton Harbor, Mich.
California Milk Producers' Association, 6922 South Gramercy Place, Los Angeles, Calif.
Cedar Rapids Cooperative Dairy Co., 560 Tenth Street SW., Cedar Rapids, Iowa.
Challenge Cream & Butter Association, 925 East Second Street, Los Angeles, Calif.
Champaign County Milk Producers, 201 North Walnut Street, Champaign, Ill.
Connecticut Milk Producers' Association, 130 Washington Street, Hartford, Conn.
Consolidated Badger Cooperative, Shawano, Wis.
Consolidated Milk Producers for San Francisco, 593 Market Street, San Francisco, Calif.
Cooperative Pure Milk Association of Cincinnati, Plum and Central Parkway, Cincinnati, Ohio.
Coos Bay Mutual Creamery Co., Marshfield, Oreg.
Dairy and Poultry Cooperatives, Inc., 313 North Carpenter Street, Chicago, Ill.
Dairymen's Cooperative Sales Association, 451 Century Building, Pittsburgh, Pa.
Dairymen's League Cooperative Association, Inc., 11 West Forty-second Street, New York, N. Y.
Des Moines Cooperative Dairy Marketing Association, 1935 Des Moines Street, Des Moines, Iowa.
Dubuque Cooperative Dairy Marketing Association, Inc., 1020 Central Ave., Dubuque, Iowa.
Evansville Milk Producers' Association, Inc., 214 Boehne Building, Evansville, Ind.
Falls Cities Cooperative Milk Producers' Association, 229 Bourbon Stock Yards Building, Louisville, Ky.
Georgia Milk Producers' Confederation, 661 Whitehall Street SW., Atlanta, Ga.
Indiana Dairy Marketing Association, Muncie, Ind.
Inland Empire Dairy Association, 1803 West Third Avenue, Spokane, Wash.
Interstate Associated Creameries, 1319 East Twelfth Avenue, Portland, Oreg.
Inter-State Milk Producers' Cooperative, Inc., 401 North Broad Street, Philadelphia, Pa.
Land O'Lakes Creameries, Inc., 2201 Kennedy Street NE., Minneapolis, Minn.
McLean County Milk Producers' Association, 411–413 North Center Street, Bloomington, Ill.
Madison Milk Producers' Cooperative Association, 29 Coyne Court, Madison, Wis.
Maryland & Virginia Milk Producers' Association, 1731 Eye Street NW., Washington, D. C.
Maryland Cooperative Milk Producers, Inc., 810 Fidelity Building, Baltimore, Md.
Miami Valley Cooperative Milk Producers' Association, 136–138 West Maple Street, Dayton, Ohio.
Michigan Milk Producers' Association, 406 Stephenson Building, Detroit, Mich.
Mid-West Producers' Creameries, Inc., 309 West Washington, Indianapolis, Ind.
Milk Producers' Association of San Diego County, 354 Eleventh Avenue, San Diego, Calif.
Milk Producers' Association of Summit County and vicinity, 145 Beaver Street, Akron, Ohio.
Milwaukee Cooperative Milk Producers, 1633 North Thirteenth Street, Milwaukee, Wis.
Nebraska-Iowa Non-Stock Cooperative Milk Association, 2506 Dodge Street, Omaha, Nebr.
New England Milk Producers' Association, 51 Cornhill, Boston, Mass.
Northwestern (Ohio) Cooperative Sales Co., 2221½ Detroit Avenue, Toledo, Ohio.
O. K. Cooperative Milk Association, Inc., Oklahoma City, Okla.
Peoria Milk Producers, Inc., 208–210 East State Street, Peoria, Ill.

Pure Milk Association, 608 South Dearborn Street, Chicago, Ill.

Pure Milk Producers' Association, 853 Live Stock Exchange Building, Kansas City, Mo.

Pure Milk Products Cooperative, 110 East Main Street, Madison, Wis.

Richmond Cooperative Milk Producers' Association, 516 Lyric Building, Richmond, Va.

St. Joseph, Mo., Milk Producers' Association, Inc., 403 Ballinger Building, St. Joseph, Mo.

Sanitary Milk Producers, room 609, Chamber of Commerce Building, 511 Locust Street, St. Louis, Mo.

Scioto Valley Cooperative Milk Producers' Association, 79 East State Street, Columbus, Ohio.

Sioux City Milk Producers' Association, Inc., 413-414 Warnock Building, Sioux City, Iowa.

South Texas Producers' Association, Inc., 912 Bankers Mortgage Building, Houston, Tex.

Stark County Milk Producers' Association, Inc., Canton, Ohio.

Tillamook County Creamery Association, Tillamook, Oreg.

Tulsa Milk Producers' Cooperative Association, 1120 North Boston Street, Tulsa, Okla.

Twin City Milk Producers' Association, 2402 University Avenue, St. Paul, Minn.

Twin Ports Cooperative Dairy Association, 6128 Tower Avenue, Superior, Wis.

United Dairymen's Association, 635 Elliott Avenue, West Seattle, Wash.

Valley of Virginia Cooperative Milk Producers' Association, Harrisonburg, Va.

Wisconsin Cheese Producers' Federation Cooperative, Plymouth, Wis.

Mr. HOLMAN. I am speaking by direction of the organization. The purpose of my appearance is, first, to describe briefly the effect as it is now known to date of the 15 trade agreements in general; the direct effect upon the dairy industry, with some slight reference to livestock; the suggestions which our organization would like to lay before your committee for changes in the act under which we are now operating as a policy; and finally to touch upon, let us say, some of our fears in regard to the future of the present program. May I ask permission at the end of my testimony, since I have no intention of reading all of these details, to file a series of substantiating tables and data with regard to the facts discussed today?

Senator KING. You may hand them to the secretary.

Mr. HOLMAN. Thank you, sir.

The value of the dairy property owned by the farmers of this country is estimated by Government officials to be between eight and nine billion dollars. The taxes paid on the dairy part of that property is estimated at eighty to ninety million dollars, and the expenditures of consumers for dairy products about $2,600,000,000, of which approximately half goes as cash value of milk and its products.

Now, Mr. Chairman, this trade-agreement program has been in effect on some trade agreements as much as approximately 28 months and on others as little time as 2 months.

First, I want to present to you a comparison of the situation with regard to the only six countries on which we have comparative 12 months' statistics. Those are the countries of Belgium, Brazil, Canada, Cuba, Haiti, and Sweden. Comparing the year 1935 with 1936, our total exports to these countries increased $79,443,000, or 15.1 percent; our imports from those same countries increased $141,573,000, or 24.7 percent. A large percentage of that importation, I think, is traceable to the importations of sugar from Cuba, which, of course, we would be opposed to, as we believe the sugar growers of this country have a right to live.

Senator KING. The beet sugar produced plus the canesugar produced in this country only give us 25 percent of our consumption, so we have to import.

Mr. HOLMAN. I grant you that, just as we have to import a great deal of oils and fats; but when they come over equalized rates of duties and taxes the price scales for domestic producers are aided.

Taking those six countries on the balance of trade in 1935, we were in a minus position of $45,924,000. In 1936, with the treaties in operation, our minus position was $108,054,000, whereas our position on the whole world in 1935 was a plus balance—this is purely on commodity trade—of $235,389,000. In 1936 that had been reduced to $34,183,000.

If to that were added the balance of trade as between tourists who come into this country and tourists who go into the foreign countries, you would find that we send about half a billion dollars a year in tourist trade and get back $100,000,000 or $120,000,000 in tourist trade in this country.

Now, agriculture has suffered considerably, we believe, from the rather remarkable increase in all types of imports, irrespective as to whether they are affected by trade agreements. For example, the National Industrial Conference Board has recently issued a study under date of December 24, 1936, comparing the situation with the average of the years 1925 to 1929—the 5-year average. In that first period we were even then on a minus basis of about 60.4 percent, and that has gradually increased through the years to where, in the first 10 months of last year, our imports of agricultural products exceeded our exports by 454.3 percent. With reference to finished manufactures in the 5-year period, 1925–29, our exports were on a plus basis of 137 percent, and they had increased during the first 10 months of 1936 to a plus basis of 147 percent. To me it seems self-evident that there are certain groups of industry which undoubtedly are profiting by the trade agreements and by the general situation with regard to export and import, whereas certain branches of agriculture are suffering at the present time.

We have also made a study of our trade with the 14 countries on which there is available data and compared the import and export position of the United States with those countries, and for the comparative period prior to that; in other words, for 28 months before for Cuba, 12 months before for Brazil, and so on. We find that with regard to exports in dollar value our exports to those 14 countries increased in that period $173,769,000, or 24.1 percent. The imports from those same countries to us increased $296,307,000, or 39.5 percent. An excess of imports over exports of $122,538,000.

Now, with respect to Canada, with which country we do, perhaps, the most business of any country in the world, we have analyzed studies made by the Department of Agriculture on the first 10 months of 1936. I regret that it is difficult to get late individual commodity figures; in fact, nobody has them. The Department of Commerce is nearly 2 years behind in its publication of import and export statistics of commodities by countries. It has not even published as yet the imports for consumption figures on 1935.

Senator KING. It seems to me there should be no reason for that delay, because of the multitudinous employees at the ports and custom officials who furnish information immediately to the Commerce Department; it seems to me those ought to be current.

Mr. HOLMAN. I should think so, but we have to go into their files and get their unpublished records and use their key numbers in order to gather this material and put it together.

Now, with regard to Canada, our exports in this comparative period of 1935 and 1936, the first 10 months in each year, for all commodities increased $42,244,000. Our imports of all commodities for that same period increased $67,936,000. On agricultural commodities, on which the tariff was reduced, our exports increased $3,931,000, and our imports from Canada increased $7,570,000. In this particular instance the agricultural trade just about washed itself out, that is, the total trade $14,831,000 exports and $14,880,000 imports on agricultural commodities on which the tariff was reduced. On other agricultural commodities, those not touched by the trade agreements, our exports to Canada increased $3,878,000, and Canada's exports to us increased $21,557,000.

Of the nonagricultural commodities, our exports to Canada increased $34,435,000, and their exports to us increased $38,809,000. These records would indicate that they have made gains against us both with regard to nonagricultural products and agricultural products.

Now, coming specifically to the dairy industry, the duties which have been cut from the Tariff Act of 1930 are as follows:

Fresh cream was cut from 56.6 cents a gallon down to 35 cents a gallon on cream of 45 percent butterfat content, and a quota of 1,500,000 gallons was placed on that importation.

The duty on cheddar cheese, our principal domestic cheese, was cut from 7 cents per pound, but not less than 35 percent ad valorem, to 5 cents per pound, with an ad valorem of not less than 25 percent. The same reductions were made on Roquefort, Edam, Blue Mold, and Gouda cheeses. With reference to Swiss and Gruyere, in the agreement with Switzerland, the ad valorem duty was cut from 35 percent to 25 percent, and a little later, in the agreement with Finland, the specific duty was cut from 7 cents per pound down to 5 cents per pound. In the case of Swiss and Gruyere, because of the high valuation on those products coming into this country, it was equivalent to a cut in the duty ranging from 4 to 9 cents per pound. These reductions are to be found in the agreements made with Canada, the Netherlands, France, Finland, and Switzerland.

Unfortunately for us, these agreements were made at a time when dairying had not recovered from the depression, when production of dairy products was giving us a serious marketing problem with regard to the disposition of surpluses and when, due to an unfortunate combination of circumstances, a policy had been adopted of production control for other groups.

Senator KING. Senator Vandenberg will preside in my absence. Of course, I will read the record.

Mr. HOLMAN. The production control for other groups exercised by the triple A, which reduced the acreages of cotton, corn, wheat, and so forth, tended toward the production of feed products which in normal years would inevitably increase the supply of milk. Abnormal increases in our total production have only been prevented to date by the drought of 1934, the drought of 1936, and the very wise policy of the Congress in providing a considerable quantity of funds to be paid to dairy farmers as indemnities for losses in connection with the slaughter of their cattle in the programs to control bovine tuberculosis and Bang's disease.

But in spite of all the production of milk, the milk supply on January 1 of this year was estimated by the Department of Agriculture to be about 2 percent larger than a year ago, even though there had been an approximate reduction of 3 percent in the total number of milk animals; but, of course, as these diseased cows go out and the young heifers come in, the young heifers being of better quality, the production per cow is inevitably increased.

In consequence, sir, we are at the present time, and have been since this program has been in effect, facing a very definite and difficult market problem, which, in addition to these other activities, such as disease control, has made it necessary to obtain the assistance of the Federal Government in the purchase of surplus dairy products, such as butter, cheese, dry milk, and so on, to go into relief channels. The real object of those purchases was to sustain to the extent that it was possible a fairly decent price for dairy farmers. Notwithstanding that combination of circumstances and programs of domestic policy, here comes the trade-agreement program, which tears down the only wall of protection that we have to stabilize prices.

Senator VANDENBERG. How much did the Government invest in those various forms of benefit payments? Do you know?

Mr. HOLMAN. The Government made available about $90,000,000 over a 2- or 3-year period, but not all of that was used; there is still $30,000,000 of the original authorization that this present Congress has the right to deal with. I am under the impression it would run around $50,000,000 so far. I can furnish that for you, anyway.

Now, before I take up cheese I want to call attention to the cream situation, not as a present menace but as a possible future menace. There has been a good deal of ridicule in publications—some are of Government origin—about the cream situation. The actual facts of the case are that the reasons why the Canadian importations have not been any greater than they have been is because this same Congress about 6 or 7 years ago passed the Lenroot-Taber Sanitary Import Milk and Cream Act, which set up certain average standards of quality which have for years been accustomed to be adhered to by the farmers of New York State and New England and applying them to the importations of Canadian cream. This legislation cut them off automatically because the character of the dairy farms in Quebec and Ontario had not by any means approached the position where they could furnish the quality of fresh cream that this country is accustomed to consume. Since that time the Canadians have been gradually cleaning up, and last year they shipped into this country 44,063 gallons of 45-percent cream, of which 35,309 gallons came in in a period from September to December, indicating they are now finding it profitable to clean up and get ready to meet that possible market.

The situation as to cheese from Canada is somewhat more serious. In 1935 we imported 770,000 pounds of all types of Canadian cheese. That was under the 7-cent tariff. In 1936, under the 5-cent tariff, we imported 11,186,000 pounds of cheese, but the tariff reduction was applicable only to 10,782,000 pounds, which was the Cheddar cheese.

However, this 10,782,000 pounds of Cheddar cheese was equivalent to 12,115,000 pounds of Wisconsin, Michigan, or New York type cheese, because of the fact that the Canadian standards of cheese call for a cheese heavier in body and with less moisture in it; and the net effect is that the duty on Canadian cheese in terms of our cheese, instead of being 5 cents per pound is approximately 4½ cents a pound.

Also it has been stated by some who are favoring the continuation of the trade-agreement program that these importations of cheese were largely seasonal. As a matter of fact, these importations came in quite regularly throughout every month of the year, ranging sometimes as low as less than 200,000 pounds, but often up to a million and a quarter pounds or more than that per month. It is also true that immediately after the duty became effective, the price of cheese in this country dropped 2 cents a pound, and then dropped more than 2 cents a pound, for reasons for which I cannot account. But I do not hold the agreement responsible for more than the 2-cent drop. However in comparing the relationship of the price of cheese to the price of butter for the 2 years, 1935 and 1936, if you bear in mind the fact that the price of cheese at Plymouth should always be exactly one-half the price of 92-score butter at Chicago, you will find that in the year 1935, taking a simple average of weekly prices, we were only one-tenth of 1 cent per pound away from the price relationship between cheese and butter. But in 1936, after the duty became effective, we were 1¼ cents under the proper relationship of cheese to butter in price.

Now, it has also been said that this dip in the price of cheese during the spring months of the year was a seasonal dip; but the facts of the case are that the seasonal dip in cheese does not occur until about the middle of May, as a rule, and runs until about the first of August, and then prices have a tendency to go up, because cheese has to follow the butter price.

Senator VANDENBERG. According to your contemplation you charge the Canadian agreement, with how much direct loss on cheese?

Mr. HOLMAN. That would average between 10 cents and 12 cents for every 100 pounds of milk produced by every farmer in the United States whose products directly go into the production of American cheese. There is also the indirect related effect that cheese has to butter and other manufactured prices.

Now, the fact that I am right further may be demonstrated by this: On the 1st day of January 1936, the stocks of American cheese were 16,000,000 pounds above the 5-year average on that date, and that is the way the trade estimates whether there is a normal supply or above normal or below normal supplies. On the 1st day of January 1937 the stocks of American cheese had increased to 20 million pounds above the 5-year average as of that date. During this time the equivalent of over 12 million pounds of American cheese came in, and if you will subtract 12,000,000 from 20,000,000 of stocks, you will find that if this cheese had not come in we would only be 8,000,000 pounds above the 5-year average. Our market position would have been strengthened throughout the year, and I am confident that had that cheese not come in and been manipulated the way it was manipulated, our domestic prices of cheese because of market demand, would have been slightly above the relationship which cheese has to butter throughout the entire year.

Senator KING. Is that manipulated by the dairy organizations, or wholesalers, or distributors, or retailers, or whom?

Mr. HOLMAN. The largest handlers of cheese in this country are also either the direct owners or subsidiaries of the largest dairy products handlers in Canada. In other words, the same companies in America—we might as well name them—The National Dairy Products Corporation, Swift, Borden—are also among the largest handlers in Canada; and there are other American concerns whose names I do not now recall. These companies, with their plants on both sides of the line, follow a speculative practice which has existed at Plymouth, Wis., for years, whereby a group of buyers go into Plymouth, as you know, Mr. Chairman, and sell a few boxes of cheese at the price they want to buy all of the cheese that will be offered for the next week. They rush this cheese in from Canada and lead the farmers to believe that more cheese is coming in, just like they did with butter; and they use this cheese to break down for a week the price of American cheese. I am not saying the repercussion of any single importation lasts for more than a week now, because we have established a system whereby the price of cheese is made every Friday and continues through the following week.

Senator KING. Would you say there is a monopoly?

Mr. HOLMAN. There is not a monopoly, but there is a tremendous domination. There are four or five big companies and somewhere among those four or five companies, you find the domination of the dairy business of America. But no single one of those companies has enough to be classified, probably as a monopoly. I have no notion of what percentage is a monopoly.

Senator KING. Do those companies have any effect on dairy prices in the Southern States and in Utah, Idaho, and the Pacific Coast States?

Mr. HOLMAN. Undoubtedly these same companies have plants in Tennessee, in Mississippi, and probably in the Carolinas, where dairying is developing also, and, of course, on the Pacific coast Western Dairies is the largest dairy handler and Golden State is also in that section. I think our cooperatives are perhaps the largest handlers of the product in the intermountain region.

Senator KING. Do they cooperate with these large companies in fixing the prices for their companies, or at least in determining prices?

Mr. HOLMAN. I would not like to make a statement of that kind without being able to directly prove it by real direct evidence.

Senator KING. Has there been any material——

Mr. HOLMAN. We do know that in the case of cheese, that the buyers come up to Plymouth and spend the night in the Curtis Hotel. The next day they go to the Board and sell a little cheese and buy a little. What goes on in the bedrooms I have no knowledge; of course that is in the dark.

Senator KING. You mean in the hotel?

Mr. HOLMAN. Yes.

Now, I think at this time I might offer for the record without reading, two resolutions; one was passed by the Canadian Dairy Farmers Federation, November 18–20, 1936, and the other, which consists of a two-part resolution, was passed by the Canadian Chamber of Agriculture, adopted November 23–25, 1936. Both meetings were held in Toronto, and both resolutions are to the effect that they consider the Canadian treaty to be a very good thing for Canadian farmers, and urge their government to secure additional concessions to increase the exportation of dairy products.

Senator KING. They may be placed in the record.

(The resolutions referred to are as follows:)

RESOLUTIONS OF THE CANADIAN CHAMBER OF AGRICULTURE ADOPTED AT ITS FIRST ANNUAL MEETING IN TORONTO, NOVEMBER 23–25, 1936, OR AT SUBSEQUENT MEETINGS OF THE BOARD OF DIRECTORS OR EXECUTIVE

UNITED STATES TRADE TREATY

The Canadian Chamber of Agriculture has noticed with pleasure the increase in trade between Canada and the United States, which has taken place since the enactment of the Canada-United States trade treaty and particularly the marked increase in the exports of farm products, including livestock and dairy products, and would urge upon the Dominion Government the importance of extending the provisions of the treaty at the first opportunity with the object of promoting a still further export of such products, and further, the Chamber of Agriculture favors the enactment of similar treaties with other countries, in order that the removal of surplus farm products from the home markets may be facilitated and would commend the Government upon the efforts it is making in this direction.

EMPIRE RECIPROCAL TRADE

The Canadian Chamber of Agriculture favors the continuation of the Empire Reciprocal Trade Agreements and urges the Canadian Government to give such terms with respect to the importation of such British and Empire goods, as will not displace primary agricultural products, as are calculated to develop trade and also facilitate the export of Canadian farm products.

RESOLUTION PASSED BY CANADIAN DAIRY FARMERS' FEDERATION AT A MEETING HELD IN TORONTO NOVEMBER 18–20, 1936

Whereas the trade treaty entered into between the Governments of the Dominion and the United States has proved beneficial to the dairy industry, as shown by the greatly increased exports of cheese to the United States and the increasing shipments of cream: Therefore be it

Resolved, That we commend the Government upon the advantages that have accrued to the dairy farmers of Canada through its action and urge that as soon as practicable efforts be made by the Government to secure an amendment to the treaty that will provide for still greater exports of dairy products to that country and that we approve of the Government's announced policy to endeavor to secure increased exports of farm products through the securing of more favorable trade treaties with other countries.

I would like to also offer for the record, without any material comment, the comparative 11 months' importations of the various types of specialty cheeses which were affected by the duty. These importations show in nearly every instance some increase, with the exception of Switzerland. The failure of Switzerland to ship additional cheese into this country as a result of the lower duty we attribute to the fact that Switzerland has gone on a policy of self-sufficiency and has directed a larger part of her milk supply to go into butter channels than into cheese; so they did not have the cheese to ship. Likewise I have a similar series of tables on our exports to countries where there have been some trade concessions with regard to dairy products.

Senator KING. They may be received and inserted in the record.

Mr. HOLMAN. I also would like to file some material to supplement evidence before this committee yesterday by Mr. Mollin to the effect that the tariffs as respect the Canadian cattle on the St. Paul markets did have the effect of weakening the market and reducing the price structure for the period those cattle came in.

Senator KING. Is that all?

Mr. HOLMAN. No, Mr. Chairman; I am sorry.

Senator KING. That may be inserted.

(The document referred to is as follows:)

EXCERPTS FROM DAILY LIVESTOCK REPORT, UNITED STATES DEPARTMENT OF AGRICULTURE

St. Paul, Monday, January 4, 1937

Cattle receipts at most markets today showed an increase as compared with last Monday. Deliveries of native cattle at the local market were about the same in number but the arrival of some 70 loads of Canadians helped swell the volume. With supplies larger the trade was slow to open but better grade offerings of practically all classes found the demand good while the movement for medium grade killers was inclined to drag.

Good and upper grade steers and heifers sold with fair readiness and mostly steady, compared with last Thursday. In between kinds which predominated were weak, with instances 15 to 25 cents lower, particularly on steers.

St. Paul, Monday, Jan. 11, 1937

Cattle receipts, South St. Paul	6,000
Total cattle receipts for 7 markets (South St. Paul, Chicago, Kansas City, Omaha, East St. Louis, St. Joseph, Sioux City)	60,500
Actual cattle receipts (7 markets) week ago	57,870
Actual cattle receipts (7 markets) year ago	53,005

St. Paul.—Cattle receipts today showed some increase in general, while supplies here included about 100 cars of Canadians and weather conditions were more favorable for trucked-in movement. Trade was less active on most slaughter classes. Buyers resisted firmer asking prices and indicated that orders called for some reduction in values.

St. Paul, Thursday, Jan. 14, 1937

Cattle receipts, South St. Paul	4,200
Total cattle receipts for 7 markets (South St. Paul, Chicago, Kansas City, Omaha, East St. Louis, St. Joseph, Sioux City)	21,400
Actual cattle receipts (7 markets) week ago	26,182
Actual cattle receipts (7 markets) year ago	23,322

St. Paul.—Nearly 17,600 cattle were delivered at this market for 4 days this week, compared with 12,400 in the same time a week ago. Offerings today carried about 60 cars of Canadian cattle with most classes represented but from the standpoint of quality and finish, medium and lower grades comprised practically everything available while weights below 1,100 pounds made up most of the steer run. Trade was about the dullest that has been experienced here since the holidays. Liberal numbers were still unsold around the noon hour, and a fairly large carry-over was indicated at several important points.

St. Paul, Monday, January 25, 1937

About 50 loads of Canadians came in today, but several cars were held from last Saturday. Trade in the main was slow.

St. Paul, Thursday, January 28, 1937

Trade in the cattle division continued sluggish today. Supplies were slightly in excess of last Thursday, with about 20 loads of Canadian cattle on hand, but the bulk consisted of medium and lower-grade offerings, the majority being of native origin. Demand lacked life, and large interests indicated slightly lower orders again for most all slaughter classes. Slaughter steers and yearlings sold irregularly around steady with instances slightly lower, putting medium grade kinds about 25 to 50 cents down for the current movement, with lighter weights and yearlings showing most loss. The stock was steady to weak, with occasional sales unevenly lower on butcher cows and medium heifers and some bids as much as 25 cents off. Salesmen felt that recent price reductions were somewhat extreme and made considerable resistance to further decline so that moderate numbers were still in first hands when the afternoon began.

St. Paul, Monday, February 1, 1937

Trade on slaughter steers and yearlings at this market today was somewhat erratic. Opening sales showed strength and asking prices were generally strong to unevenly higher, as receipts around the midwestern market circle indicated about 14,000 less cattle than last Monday. Arrivals here approximated 3,300, compared with 4,700 a week ago. Included were about 50 cars of Canadians, with an additional hold-over from last week of nearly 15 cars. Demand turned dull after limited purchases, and only about steady with Friday of last week with some bids even weak on that basis as reports from the dressed-beef trade carried little encouragement and the supply of steers here was relatively large, although strictly good or choice grades were practically lacking. A large share of the available supply was still unsold around noontime.

St. Paul, Tuesday, February 2, 1937

Slaughter steer trade at this market today was another dull affair. Receipts both here and around the midwestern market circle were considerably r duced as compared with a week ago, but demand from large local interests was narrow with most buyers inclined to bear down whenever possible. Asking prices, however, were frequently firm which left a number of loads still unsold around the noon hour, and sales were mostly about steady compared with Monday's dull close.

EXCERPTS FROM DOMINION DEPARTMENT OF AGRICULTURE'S WEEKLY LIVESTOCK MARKET REPORT

(Published by authority of the Minister of Agriculture)

Number 1, January 7, 1937

Under the tonic effect of the reopening of the quota on cattle 700 pounds and up and calves up to 175 pounds at the reduction in tariff on exports to the United States, the market was very active and moved up anywhere from 25 to 75 cents per hundredweight. In the prairie Provinces, an additional stimulation was secured through comparatively short runs, due to adverse weather conditions in some areas.

Because of the comparatively high cost of grain, there is a tendency to unload part of the winter cattle supply in various stages of underfinish. There is also a very market desire to take advantage of the reduced tariff at the earliest opportunity, possibly in the belief that January will be the high market across the border. There is nothing in the present situation to indicate any special advantage to be gained through immediate sale, unless the stock is finished. Obviously, it would be poor policy to unload a lot of just warmed-up cattle. The United States market demand is worth studying, with a view to making the most of the quota allowance and keeping back stock which cannot secure the full value of the market.

At the present time, export trade in beef and dairy cattle is confined to the United States market. Stimulated by the resumption of the quota and the reduced tariff, shipments were on a liberal scale and amounted to 4,684 beef cattle, 250 dairy cattle, and 1,619 calves. These compare with 2,442 beef cattle, 217 dairy cattle, and 323 calves exported during the corresponding week last year.

Number 2, January 14, 1937

The feature of the market situation in Canada during the week was the sharp upturn to exports to the United States. Since the first of the year, approximately 12,000 beef cattle, 350 dairy cattle, and 2,900 calves have been exported across the border. The movement during the past week amounted to approximately 7,300 beef cattle, 97 dairy cattle, and 1,250 calves. The exports to date compare with 3,972 beef cattle, 554 dairy cattle, and 573 calves during the corresponding period of 1936. Unfortunately, cattle prices in the United States markets to which the bulk of the shipments were made, were somewhat lower levels at about mid-week.

Number 3, January 21, 1937

Export shipments off yards were sharply curtailed, owing to the previous week's price slump in the United States market and a continuation of weakness and price recessions during the forepart of the present week.

It is pointed out that the United States markets are being overloaded, and apparently the two heavy supplies are the main cause of price recessions. When receipts are held at moderate volume, the market is able to make a sharp recovery. Large runs have not, as might have been expected, contained liberal numbers of strictly finished cattle of strong weights, and it is the plain light steers which have been taking the hardest knocks.

No. 4, January 28, 1937

Excessive receipts and the rather narrow demand brought about lower prices at Chicago on practically all classes and weights of steers. As a rule, prices were down about 25 cents. Included in Monday's receipts at Chicago were five loads of Canadian cattle, but, in addition, there were some held over from the previous week.

No. 5, February 4, 1937

There were no exports to the United Kingdom during the week.

Exports to the United States during the week were made up of 2,883 beef cattle, 178 dairy cattle, 1,333 calves, and 2,033 hogs.

Total exports to date this year amount to 26,924 beef and dairy cattle, 5,887 calves, and 11,027 hogs. During the corresponding period last year cattle exports were 11,970 head, and calves, 1,457. This early heavy movement would seem to bear out the statements made last fall that feeders in the western Province intended to move their cattle to the United States market early in the new year because of opinion that strong prices would obtain on the January and February markets.

Mr. HOLMAN. Now, it has been stated before the Ways and Means Committee, by the officials advocating the continuation of this program, that the trade-agreement program was very effective in improving prices and in aiding recovery. I would like to file a short memorandum which goes to the effect that the major portion of the price increases that have occurred in this country since 1932 have been due to the revaluation of the dollar, rather than to any other combination of circumstances.

Senator KING. It will be received.

(The memorandum referred to is as follows:)

MEMORANDUM: INCREASE IN PRICES OF FARM COMMODITIES FROM 1932 LOW LEVELS DUE LARGELY TO GOLD POLICY

The gold standard was suspended internally March 5 and was suspended externally in April. From February to November the price of gold rose 60 percent.

During the same period prices paid to farmers for agricultural products rose 47 percent and prices of 30 basic commodities rose 44 percent.

A table prepared by Drs. Warren and Pearson, of Cornell University, taking April 17, 1933, as an index period of 100, which was the date on which our Government started revaluing gold, we find that from that date to July 23, 1933, the price of gold had been increased in the United States by approximately 40 percent and the index of 17 basic commodities has increased from 100 to 158.

Mr. Fred H. Sexauer, president of the Dairymen's League Cooperative Association, Inc., of New York, and one of the foremost students of monetary problems in connection with agriculture, made the following statement with reference to our gold policy, on January 8, 1936:

"The farm income increased from 5½ billion dollars in 1932 to $8,000,000,000 including benefit payments, in 1935. Of this increased income, from 60 to 80 percent can be traced to the monetary policy of revaluation which increased with the price of gold from $20.67 to $35. This can be checked by charting the price of cotton, corn, wheat, and other basic farm products. The remainder can be credited to the policy of the Agricultural Adjustment Administration and to weather conditions."

Taking Mr. Sexauer's figures of the farm income of 5¼ billion dollars in 1932 and adding 40 percent to the farm income to correspond to our 40 percent increase in the price of gold, we find that the 40 percent would amount to an increase of $2,100,000,000 in the farm income, making a total income of $7,350,000,000, which is only $650,000,000 less than the total farm income, including benefit payments, for the year 1935.

At the annual sessions of the American Institute of Cooperation held at Cornell University during July 1935, Prof. G. F. Warren of Cornell University made the following statement with reference to our gold policy and its effect upon prices:

"The United States lowered its gold standard at a time when prices expressed in gold were declining slowly, therefore, prices of basic commodities rose almost in proportion to the rise in the price of gold."

In 1932 the Department of Agriculture's index figure on prices received by farmers for products sold by them was 65. In 1935 the index figure on prices received by farmers had increased to 108. This represented an increase of approximately 64 percent in the index level of prices received by farmers. Assuming that 40 percent of this increase was occasioned by the gold policy, an increase of 24 percent in the index numbers may be attributed to the Agricultural Adjustment Administration, weather conditions, and general improvement in our national income structure.

In 1932 the index number of things that farmers buy stood at 107. This had increased to 125 in 1935 or an increase of approximately 16 percent. Taking the gold policy alone, therefore, we find that as a result of this policy the farm income increased by at least 40 percent on the basis of index numbers while the index number basis of things that farmers buy increased in the same period only 16 percent.

Taking the figures for the total national income of the Department of Commerce, we find that in the year 1932, the total national income was $39,545,000,000. This was increased to $52,959,000,000 in 1935. From these figures we find that the total national income of the United States increased approximately 33⅓ percent between 1932 and 1935, a considerable portion of which increased national income must be attributed to our gold policy.

Turning to the problem of dairy farmers in which I am, of course, particularly interested, may I point out that dairy farmers did not receive benefits from the gold policy as soon as producers of other commodities. During the summer and fall of 1933 we had approximately 70,000,000 pounds of butter in cold storage in excess of the normal holdings of butter based on a 5-year average. With this tremendous surplus of butter on hand, butter prices did not immediately respond to the change in the gold content of the dollar.

The program of the Agricultural Adjustment Administration in purchasing surplus butter and distributing it in relief channels and the effect of the drought in 1934 coupled with high feed prices has resulted in a decrease in the cold-storage holdings of butter and butter is now in a position where it is enjoying the increased price brought about by the gold policy of our Government.

The average price of 92-score creamery butter at Chicago during 1933 was 20.79 cents.

The average price for the same type of butter at Chicago during 1935 was 28.81 cents per pound, an increase of approximately 40 percent, the exact amount of devaluation provided for in our present gold policy.

Going back to the index figure for commodities, we find that in 1932 the Department of Agriculture's index for prices received by farmers for dairy products was 83. The index figure had increased in 1935 to 108, an increase in the index figure of approximately 30 percent. On the other hand, the price index for feeds which are largely purchased by dairy farmers in 1932 was 69. This had increased to 111 in 1935, an increase of approximately 60 percent.

We, therefore, find in these Department of Agriculture's index figures that, although the index price for dairy products received by dairy farmers had increased 30 percent, the price paid by dairy farmers for feeds had increased double, or 60 percent.

In addition, dairy farmers did not get the benefit of the substantial increase in the national income insofar as butter was concerned. Instead of increased consumption of butter which might be expected during the period of rising national income, the consumption of creamery butter decreased. The consumption of creamery butter in 1935 was 105,000,000 pounds under the preceding year and for the year 1936 just closed, the consumption of creamery butter was 63,000,000 pounds under the consumption in 1935.

I have presented these statistics to show the gentleman of the committee during the depression period, dairy farmers did not immediately obtain the effects of the Government's gold policy and that even after our domestic holdings of butter decreased to a point where the gold policy could be translated in terms of increased prices of butter, that increased prices of feed and a very substantial drop in the consumption of creamery butter has made it impossible for dairy farmers to obtain the benefits of the Government's gold policy and the Agricultural Adjustment Administration's operations.

Nevertheless, dairy farmers, all of whose products are related in a smaller or greater degree to the butter market, are being called upon to bear the very heavy share of the costs of the trade-agreements program.

Mr. Holman. I now come, Mr. Chairman, to the suggestions which our organization offers with regard to the bill itself. While the subject matter before the committee directly is the resolution, we feel that this problem is of such great importance that the committee, before passing upon the question of continuing the program itself, should consider whether or not there should be some modification of the act under which the trade-agreement policy is administered.

Our first request is that a proviso be inserted to make mandatory for whatever authority that deals with these agreements, to hold open hearings, not only upon the general principle of whether an agreement should be negotiated but upon the specific commodities that our Government may be negotiating with foreign countries.

As matters now stand, the procedure under which these agreements are negotiated is of such a character that we have no knowledge of how to defend ourselves in case we feel that our industry may be affected. The hearing itself is perfunctory; it is conducted by a committee on the receipt of information and that committee transmits the information to another committee, which is known as the interdepartment policy committee. When we go before this committee on information we have been required in the past to present a written brief at least 7 days in advance; then having presented the brief in advance we have been shut off in response to the question, "Are you discussing any material in your brief?" If you say "yes" you cannot discuss anything in your brief; you can only present to this committee material that is in addition to the written material which you have previously submitted. This, we submit, is contrary to all proper procedure and argument in hearings.

Senator VANDENBERG: I should think you could control that by not taking any brief.

Mr. HOLMAN. That is now our present policy, but it is of very little help to us, because all they have given in the past has been a list of the import and export commodity trade. You are simply shooting in the dark; you have no knowledge whether this committee has any particular commodity under discussion or not, and you never know until after the agreement has been proclaimed. So we ask for that change.

Secondly, we believe that this power to tamper with the revenue-raising part of the Government is too great a power to entrust to a single administrative body without a better check than is now given on it by the Congress. In consequence, our organization believes that there should be ratification in the Senate.

Senator BARKLEY. That was prompted by your desire for delay in consideration and consummation of the treaty?

Mr. HOLMAN. No, Mr. Barkley; that is a policy which we have adopted which goes back years and years. The records of this committee, the records of the Tariff Commission, and the records of the court will show that we have always believed that the question of tariff making was a function which should exclusively be retained by the Congress.

Senator BARKLEY. Do you think there is any element regulating commerce in this, aside from the tariff feature?

Mr. HOLMAN. There is an indirect regulation there in that the power now given to regulate internal taxes—and I will treat that in just a minute—is of such a character that it may throw out of balance the competitive relationship of imported products with domestic products.

The argument which has been chiefly advanced for Executive action has been speed. Now, as a matter of fact, out of the 15 treaties which were negotiated, 13 of them had to go to the parliamentary parties of the foreign countries for ratification before they could become effective.

Senator KING. Was that not rather a good deal of formality, because, as indicated by Dr. Sayre, in those parliamentary governments, the party in power, the prime minister and his associates are really the treaty-making power and have the authority to indicate the policies of the government, and therefore their approval would be the approval of the party in power.

Mr. HOLMAN. It often happens that there is a vote of lack of confidence that changes the cabinet.

Senator VANDENBERG. That is true over here now.

Mr. HOLMAN. Yes. At any rate, I wish to file with the committee a document which shows the dates on which the various treaties were signed and the dates on which they became effective, and these dates range all of the way from 9 days to 11 months before they were ratified by the foreign countries. So the argument of speed is hardly tenable under the present conditions.

Now, with regard to the question of ratification I find—and the information you have, Senator Barkley, does not quite coincide with that given to us 2 or 3 weeks ago by the State Department—I find that in the history of the United States there have been 22 reciprocal trade agreements that were sent to the Senate for ratification. Of these 6 were ratified, of which 3 were never put into effect. Of the 3 that were never in effect, 1 was rejected by the other country. For one the Congress did not pass legislation to make it workable. And the other was so changed by Congress that the other country would not accept it. There were only 22 treaties which have been drawn up in the United States for which Presidential approval was the only sanction necessary, and of those, 15 have been signed under the terms of the present act.

Senator BARKLEY. Of course, under the McKinley and Dingley Tariff Acts the President was authorized to negotiate agreements without their having to be ratified by the Senate, and a number were so negotiated. So, Congress has taken both sides of the question; it can require ratification or omit it as it sees fit.

Mr. HOLMAN. Yes, sir.

Now, there is one provision that appears in the agreement which we feel should be prohibited by Congress itself. There is a provision—it really amounts to a standard sanitary convention between this Nation and the nation with whom we sign. Because of the application of the most-favored-nation principle, it applies to those nations with whom we have signed the most-favored-nation type of treaty and because of the generalization feature which is in this law, it applies probably to every other nation in the world. I read from the section, article XI, dealing with Canada:

In the event that the Government of either country adopts any measure, which even though it does not conflict with the terms of this agreement, is considered by the Government of the other country to have the effect of nullifying or impairing any object of the agreement, the Government which had adopted any such measure shall consider such representations and proposals as the other Government may make with a view to effecting a mutually satisfactory adjustment of the matter.

The Government of each country will accord sympathetic consideration to, and when requested will afford adequate opportunity for consultation regarding such representations as the other Government may make with respect to the operation of customs regulations, quantitative restrictions, or the administration thereof, the observance of customs formalities, and the application of sanitary laws and regulations for the protection of human, animal, or plant life.

In the event that the Government of either country makes representations to the Government of the other country in respect of the application of any sanitary law or regulation for the protection of human, animal, or plant life, and if there is disagreement with respect thereto, a committee of technical experts on which each Government will be represented shall, on the request of either Government, be established to consider the matter and to submit recommendations to the two Governments.

Now, that appearing in the Canadian treaty, it has become a standardized section, beginning with the treaty with Brazil and running throughout the other treaties, with slight changes of phraseology, and not quite as severe. In the case of the trade agreement with Brazil, it is article X which reads as follows:

The Government of the United States of America or the Government of the United States of Brazil, as the case may be, will accord a sympathetic consideration to such representations as the other Government may make regarding the operation of customs regulations, the observance of customs formalities, and the application of sanitary laws and regulations for the protection of human, animal, or plant life.

In the event that the Government of either country makes representations to the Government of the other country in respect of the application of any sanitary law or regulation for the protection of human, animal, or plant life, and if there is disagreement with respect thereto, a committee of technical experts on which each Government shall be represented shall, on the request of either Government, be established to consider the matter and to submit recommendations to the two Governments.

Whenever practicable, each Government, before applying any new measures of a sanitary character, will consult with the Government of the other country with a view to insuring that there will be as little injury to the commerce of the latter country as may be consistent with the purpose of the proposed measure. The provisions of this paragraph do not apply to actions affecting individual shipments under sanitary measures already in effect or to actions based on pure food and drug laws.

It would appear to me from this that—in case we should ask this Congress, as we were hoping to do, to give us a sanitary import law to require all dairy products imported to come from cattle that have been tested for tuberculosis—we might become involved with interminable delay, perhaps extending into years, before we could get the bill into a position where we could get anything like action in that direction because of the fact this standard agreement is in effect in these various treaties. We have reason to believe similar provisions may be inserted in all of the treaties that will be executed in the future. Notwithstanding that fact, this country since 1918 has spent $260,000,000 in cleaning up the cattle from tuberculosis and the farmers have sustained a loss of another $100,000,000. There are only about 200 herds at the present time in this country not under test, and yet there is no regulation refusing importation of dairy products produced by tuberculin-infected cattle from coming into this country.

Senator KING. Mr. Wallace, in his letter to Hon. O. D. Wearin under date of February 8, 1937, it seems to me pretty well covers that and removes the objection you are urging. He states:

This provision was drafted in consultation with officials of this Department. We are convinced that it does not deprive the United States Government of the right to take whatever action may be necessary along the line of sanitary quarantines or embargoes on imports of agricultural products whenever there is a sound, scientific basis for such action.

The position of this Department is that the Government of the United States should have complete freedom to act with respect to prohibiting the imports of agricultural products when the scientific evidence indicates that there is real risk of the introduction of harmful plant and animal diseases and insect pests. We believe that we have such freedom under the terms of the standard sanitary provisions in the various trade agreements. This Department does not believe that sanitary import measures should be used as a substitute for economic protection.

Mr. HOLMAN. The trouble with that letter is that the gentleman who drew it up for the Secretary omitted a word which appears in the agreements. In the promise there it relates to animal and plant diseases, but in article XI the phrase is "human, animal, or plant life." All science knows you can transmit glandular and bone tuberculosis through unpasteurized dairy products as much as 7 or 8 months old to the children who are using them. So he has not committed himself to the thing the dairy interests want in this respect.

Senator KING. Are there now sanitary measures in effect through the food and drug laws?

Mr. HOLMAN. There is no measure in effect that applies to this particular problem.

Senator KING. The sanitary measures now apply to the food and drug laws, and they reach human needs.

Mr. HOLMAN. It does not touch the question of the tubercular germ.

Senator KING. We will not debate it now; you may proceed.

Mr. HOLMAN. All right, sir. I am just about through, Mr. Chairman.

We also ask that there be an elimination of that reference in the act which gives the State Department or the President power over excise taxes and excise-tax treatment. This provision prevents equalization of competition in case Congress should find it necessary to impose any internal taxes for further revenues on products which might be bound by the terms of some trade agreement. In that connection I might point out that the Brazilian agreement——

Senator KING. You take the position that a trade agreement may not be abrogated or superseded or amended by act of Congress.

Mr. HOLMAN. I think you would have great difficulty in doing that except under considerable notice in advance; you would find a great many suits in the Court of Claims, and the whole question of the good faith with other nations would be involved.

Senator KING. That may be true, but, nevertheless, the courts have held, as I recall that treaties may be abrogated by congressional action, even a treaty solemnly ratified by the Senate, Congress may repeal it.

Mr. HOLMAN. I have no doubt that may be true.

Senator KING. It may be rather an affront to another nation by not taking the matter up by negotiation and attempting the modification, but it can be done.

Mr. HOLMAN. In all these agreements, except those in which a certain number of years are specified, they may be canceled on 6 months' notice by the President, but these same agreements also run continuously unless notice is given.

Returning to the excise tax point, I want to file a memorandum of argument on that and point out in connection with it that the Brazilian treaty not only bound babassu oil on the free list but the provision covered every commodity listed in the Brazilian agreement, as far as excise treatment is concerned. That is a fact that is not generally known.

Senator BARKLEY. Are not these excise taxes tariff under another name. Are they not imposed to make it more difficult for the commodity taxed to come into the country? They might as well be levied in a tariff bill as in a general revenue bill, but they are called excise and because they bear that name that is the only difference.

Mr. HOLMAN. I should like to file this memorandum.

Senator KING. That may be done.

(The memoranda referred to are as follows:)

MEMORANDUM—EFFECT OF BINDING CONGRESS AGAINST INTERNAL TAXATION OF IMPORTED ARTICLES

Under the Brazilian agreement, the State Department not only bound babassu oil on the free list but also agreed with the Brazilian Government that the Congress of the United States would not impose any internal tax on this product during the life of the trade agreement.

The reference in the agreement, however, does not apply specifically to babassu oil. The agreement made by the State Department with the Brazilian Government was to the effect that neither of the Governments would impose any new taxes on the products covered by the agreement during the life of said agreement.

This is contained in article 7 of the trade agreement and reads as follows:

"Articles the growth, produce, or manufacture of the United States of America or the United States of Brazil enumerated and described in schedules I and II, respectively, after importation into the other country, shall be exempt from any National or Federal internal taxes, fees, charges, or exactions other or higher than those imposed or required to be imposed by laws of the United States of Brazil and the United States of America, respectively, in effect on the day of the signature of this agreement, subject to constitutional requirements."

Under this assumption of power by the State Department, the Congress of the United States is restricted from imposing any internal taxes, fees, charges, or exactions on any product covered by the trade agreement unless such taxes were in effect the day the agreement was signed.

Under this procedure, if followed by the State Department, the hands of Congress can be bound against taxes on imported products which might be necessary if similar domestic products were taxed under the processing or excise type of tax formerly used under the Agricultural Adjustment Act.

In the light of recommendations of the farm organizations of this country looking to a new agricultural program, undoubtedly consideration will be given to financing at least a part of this program through excise taxes on various farm products. If such taxes are imposed, no similar or compensatory tax can be imposed on imported articles covered by the Brazilian trade agreement because the concessions granted to the Brazilian Government are required to be generalized to all other countries of the world by the provisions of the Trade Agreement Act itself.

If an excise tax is placed on wheat or cotton or other basic agricultural commodities to help finance a farm program, Congress would unquestionably want to place a similar tax on imported cotton, wheat, and other basic commodities. We could not do so, however, in the light of the interpretation of the law by the State Department if these products were covered by an agreement containing a similar prohibition.

In addition to the possibility of this type of taxation, members of the Finance Committee will recall the action of Congress during the past 4 years in imposing excise taxes on a large group of foreign fats and oils which come into this country in competition with our domestically produced fats and oils.

At the present time we have a well-worked-out tariff and excise tax structure of approximately 3 cents per pound on all edible fats and oils. The hands of Congress, however, are bound against imposing this same excise tax on babassu oil because of the provisions of the Brazilian Government.

The State Department argues that babassu oil was on the free list and therefore that their action on binding it on the free list did not change the existing tariff situation.

They do not, however, explain to the country and to the Congress that they have made it impossible not only for Congress to impose any tariff on babassu oil but have also made it impossible to impose the same excise tax on babassu oil which Congress has seen fit to impose on every other known type of commercially produced edible fats and oils.

Mr. HOLMAN. Yes. And then when you go and bind them on the taxable list, as in the case of vegetable oils you open another gap through which those competitive products can rush, and force the entire domestic production prices down to the competitive level.

Senator BARKLEY. Of course, there are arguments in behalf of these excise taxes and in behalf of tariff taxes, and there are arguments against it, but there is not any reason that I can see why they ought to be treated differently, because they are all the same thing in effect.

Mr. HOLMAN. I do not know that I would differ from you at all, as far as that is concerned, except that it has been much more difficult to get tariff bills open than it has been to get internal taxes.

Senator BARKLEY. In other words, it has been more difficult to slip tariffs into a revenue bill than it has to slip excise taxes in?

Mr. HOLMAN. That might be true, sir.

Finally, our last request, Mr. Chairman, is that, in addition to the present limitation of 50 percent cut in the duties, there be an additional proviso that these duties shall not be cut beyond the point that the landed price of a foreign article will be less than the domestic cost of production of the competing article—"like, similar, or competing article"—such costs to be ascertained by the United States Tariff Commission.

I think the reasons for that are obvious. The effect of some of these lowerings of duties is to bring some of the products in at times at lower than domestic cost of production prices. This request is simply a natural, normal protection that we ask. Our final request is that the generalization features of the tariff act at the present time be changed so that we can trade with these countries one by one, even if that involves repudiation of the most-favored-nation policy, which, as you know, is not in the law but is only in the treaties. I might point out that several years ago Great Britain repudiated every treaty insofar as that particular principle was concerned, in order to come out of the depression, and she is no longer working under it.

In conclusion, sir, may I call your attention to the fact that it has been officially announced that there is to be, or reported to be, a treaty with England. It has been reported by the press continually that there is to be a trade agreement with Argentine, and it is rumored around town that there is to be a trade agreement with Norway.

Argentina's chief exports are wheat, flaxseed, wool, livestock, meat, meat products, butter, dry milk, and casein. Last year she shipped us a little over 16,000,000 pounds of casein, more than five times as much as came in in 1935, and she did that under a 5.5-cent tariff.

We anticipate, as far as dairying is concerned, that if there is to be a trade agreement with Argentine we will probably be asked to take another suffering and see the duties on casein and dry milk reduced.

Senator BARKLEY. What is the domestic production of casein?

Mr. HOLMAN. I do not believe I have those figures with me, Mr. Barkley. It is a considerable production at the present time, and we have until last year furnished practically the entire supply. Only a very small amount of casein came into this country prior to 1936.

Senator BARKLEY. This 16,000,000 pounds, is it?

Mr. HOLMAN. Sixteen million pounds.

Senator BARKLEY. Is only a small proposition to what we produce in this country?

Mr. HOLMAN. I will be glad to furnish those figures to you.

(Subsequently the following data was submitted:)

Domestic production of casein

	Pounds
1929	30, 537, 000
1932	24, 428, 000
1933	24, 087, 000
1934	37, 331, 000
1935	37, 638, 000

Source: U. S. Department of Agriculture.

Senator BARKLEY. All right.

Senator KING. Do you realize the fact that in the development of many manufactured articles, lacquer production and so on, the use of casein has materially increased?

Mr. HOLMAN. Very materially.

Senator KING. And the domestic production was wholly inadequate to meet the domestic demands.

Mr. HOLMAN. Under the act of 1930, and particularly in relation to low prices of dairy products that followed from 1932 on, the 5.5 protection has enabled us to develop a fairly good casein industry in this country of a fairly good quality. Today, if that production is taken off it will jeopardize the domestic demand and may materially interfere with the prices received by farmers. We are very frequently getting as high as 40 cents a hundred gross return for skim milk that goes into casein at the present time. To materially lower that price will divert skim milk over into dry milk, where we already have heavy stocks and a different market problem, due to rather heavy imports.

With regard to England, we naturally fear for our butter and dry-milk tariff because, whatever treaty will be executed by England with us will take into consideration the ambition of New Zealand to get into this country with a butter supply. If the duty should be cut on butter at all it will have the effect of putting a ceiling upon the cash income of dairy farmers throughout the country for the entire duration of the treaty, since 69 percent of the total value of all dairy products is in manufactured products. Anyone who knows this business knows how close a relationship there is between butter prices and the prices of all other dairy products.

With regard to Norway, we anticipate more oils and fats trouble, namely, whale oil. Our people join with the other domestic producers of oils and fats in trying to maintain, as long as we can, something like a reasonably fair tariff and not to let any holes get into it, because of this tremendous interrelation of the products.

I thank the committee for its courtesy in listening to me, and I will file this material at the end of the hearing.

(The material referred to is as follows:)

Exports out of the United States to the 6 countries with which reciprocal trade agreements were in effect on or before Jan. 1, 1936; 12 months 1935 and 1936

Country	Effective date of agreement	Domestic exports and reexports		Dollar increase in exports, 1936 over 1935	Percent increase in exports, 1936 over 1935
		1935	1936		
					Percent
Belgium	May 1, 1935	$58, 304, 000	$58, 787, 000	$483, 000	0. 8
Brazil	Jan. 1, 1936	43, 618, 000	48, 977, 000	5, 359, 000	12. 3
Canada	do	323, 194, 000	383, 953, 000	60, 759, 000	18. 8
Cuba	Sept. 3, 1934	60, 139, 000	67, 432, 000	7, 293, 000	12. 1
Haiti	Aug. 5, 1935	3, 250, 000	3, 941, 000	691, 000	21. 3
Sweden	do	38, 216, 000	43, 074, 000	4, 858, 000	12. 7
Total: 6 countries		526, 721, 000	606, 164, 000	79, 443, 000	15. 1
Total: All countries		2, 282, 874, 000	2, 453, 487, 000	170, 613, 000	7. 5
Percent 6 countries are of all countries		23. 1	24. 7	46. 6	

Source: Data compiled from U. S. Department of Commerce, Division of Foreign Trade Statistics work heets.

Imports into the United States from the 6 countries with which reciprocal trade agreements were in effect on or before Jan. 1, 1936; 12 months 1935 and 1936

Country	Effective date of agreement	General imports		Dollar increase in imports, 1936 over 1935	Percent increase in imports, 1936 over 1935
		1935	1936		
Belgium	May 1, 1935	$39, 805, 000	$58, 882, 000	$19, 077, 000	47. 9
Brazil	Jan. 1, 1936	99, 685, 000	101, 999, 000	2, 314, 000	2. 3
Canada	do	286, 444, 000	375, 875, 000	89, 431, 000	31. 2
Cuba	Sept. 3, 1934	104, 303, 000	127, 487, 000	23, 184, 000	22. 2
Haiti	Aug. 5, 1935	1, 161, 000	1, 818, 000	657, 000	56. 6
Sweden	do	41, 247, 000	48, 157, 000	6, 910, 000	16. 8
Total, 6 countries		572, 645, 000	714, 218, 000	141, 573, 000	24. 7
Total, all countries		2, 047, 485, 000	2, 419, 304, 000	371, 819, 000	18. 2
Percent 6 countries are of all countries		28. 0	29. 5	38. 1	

Source: Date compiled from U. S. Department of Commerce, Division of Foreign Trade Statistics' work heets.

Imports, exports, and balance of trade of the United States with the 6 countries with which reciprocal trade agreements were in effect on or before Jan. 1, 1936, and for all countries for the 2 years of 1935 and 1936

Country group	General imports		Domestic exports and re-exports		U. S. balance of trade (+) denotes favorable (−) denotes unfavorable	
	1935	1936	1935	1936	1935	1936
6 countries	$572, 645, 000	$714, 218, 000	$526, 721, 000	$606, 164, 000	−$45, 924, 000	−$108, 054, 000
All countries	2, 047, 485, 000	2, 419, 304, 000	2, 282, 874, 000	2, 453, 487, 000	+235, 389, 000	+34, 183, 000
All countries less 6	1, 474, 840, 000	1, 705, 086, 000	1, 756, 153, 000	1, 847, 323, 000	+281, 313, 000	+142, 237, 000

Source: Data compiled from U. S. Department of Commerce, Division of Foreign Trade Statistics work sheets.

Imports into the United States from countries with which the United States has reciprocal trade agreements in effect

[Data for comparable periods of time before and after the effective date of each agreement]

Country	Effective date of agreement	Period covered in comparable date (months)	General imports (value)		Dollar increase (+), decrease (−), in imports	Percent increase (+), decrease (−), in imports
			Before trade agreement	After trade agreement		
Belgium	May 1, 1935	20	$43, 822, 000	$87, 172, 000	+$43, 350, 000	+98.9
Brazil	Jan. 1, 1936	12	99, 685, 000	101, 999, 000	+2, 314, 000	+2.3
Canada	do	12	286, 444, 000	375, 875, 000	+89, 431, 000	+31.2
Cuba	Sept. 3, 1934	28	143, 448, 000	268, 414, 000	+124, 966, 000	+87.1
Haiti	Aug. 5, 1935	17	1, 684, 000	2, 375, 000	+691, 000	+41.0
Sweden	do	17	51, 960, 000	69, 934, 000	+17, 974, 000	+34.6
Total, 6 countries			627, 043, 000	905, 769, 000	+278, 726, 000	+44.5
Colombia	May 20, 1936	7	29, 103, 000	26, 284, 000	−2, 819, 000	−9.7
Finland	Nov. 2, 1936	2	2, 582, 000	2, 792, 000	+210, 000	+8.1
France	June 15, 1936	6	30, 797, 000	36, 321, 000	+5, 524, 000	+17.9
Guatemala	do	6	2, 367, 000	2, 513, 000	+146, 000	+6.2
Honduras	Mar. 2, 1936	10	5, 234, 000	5, 683, 000	+449, 000	+8.6
Netherlands	Feb. 1, 1936	11	37, 959, 000	47, 539, 000	+9, 580, 000	+25.2
Nicaragua	Oct. 1, 1936	3	365, 000	338, 000	−27, 000	−8.0
Switzerland	Feb. 15, 1936	10	13, 766, 000	18, 284, 000	+4, 518, 000	+32.8
Total, 8 countries			122, 173, 000	139, 754, 000	+17, 581, 000	+14.4
Total, 14 countries			749, 216, 000	1, 045, 523, 000	+296, 307, 000	+39.5

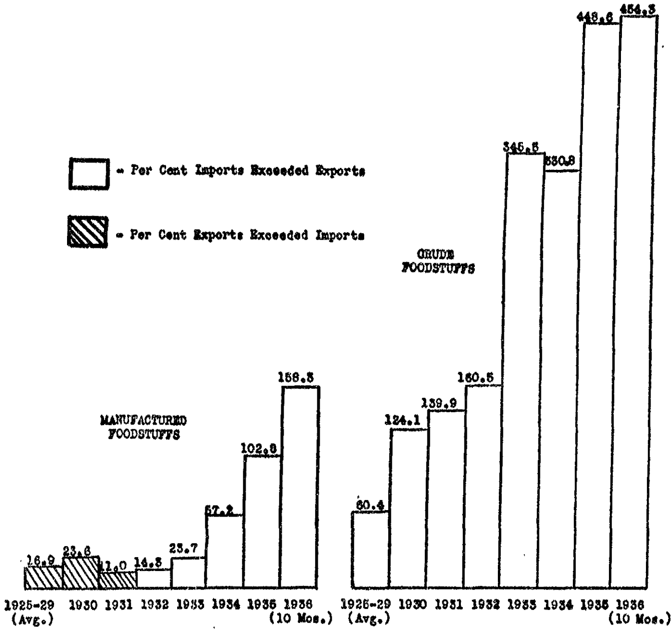
Source: Preliminary figures compiled from records of the Division of Foreign Trade Statistics, U. S. Department of Commerce.

Exports out of the United States to the countries with which the United States has reciprocal trade agreements in effect

[Data for comparable periods of time before and after the effective date of each agreement]

Country	Effective date of agreement	Period covered in comparable data (months)	Exports and reexports (value)		Dollar increase (+) decrease (−) in exports	Percent increase (+) decrease (−) in exports
			Before trade agreement	After trade agreement		
Belgium	May 1, 1935	20	$80, 758, 000	$100, 002, 000	+$19, 244, 000	+23.8
Brazil	Jan. 1, 1936	12	43, 618, 000	48, 977, 000	+5, 359, 000	+12.3
Canada	do	12	323, 194, 000	383, 953, 000	+60, 759, 000	+18.8
Cuba	Sept. 3, 1934	28	83, 269, 000	145, 150, 000	+61, 881, 000	+74.3
Haiti	Aug. 5, 1935	17	4, 882, 000	5, 360, 000	+478, 000	+9.8
Sweden	do	17	43, 812, 000	61, 215, 000	+17, 403, 000	+39.7
Total: 6 countries			579, 533, 000	744, 657, 000	+165, 124, 000	+28.5
Colombia	May 20, 1936	7	12, 486, 000	17, 763, 000	+5, 277, 000	+42.3
Finland	Nov. 2, 1936	2	1, 426, 000	1, 867, 000	+441, 000	+30.9
France	June 15, 1936	6	67, 845, 000	67, 267, 000	−578, 000	−.9
Guatemala	do	6	1, 869, 000	2, 317, 000	+448, 000	+24.0
Honduras	Mar. 2, 1936	10	4, 685, 000	4, 217, 000	−468, 000	−10.0
Netherlands	Feb. 1, 1936	11	45, 274, 000	48, 557, 000	+3, 283, 000	+7.3
Nicaragua	Oct. 1, 1936	3	578, 000	620, 000	+42, 000	+7.3
Switzerland	Feb. 15, 1936	10	6, 099, 000	6, 299, 000	+200, 000	+3.3
Total: 8 countries			140, 262, 000	148, 907, 000	+8, 645, 000	+6.2
Grand total: 14 countries			719, 795, 000	893, 564, 000	+173, 769, 000	+24.1

Source: Preliminary figures compiled from records of the Division of Foreign Trade Statistics, U. S. Department of Commerce.



Among the changes in the balance between exports and imports that have taken place since 1929 those shown by manufactured and crude foodstuffs are most striking. During the period 1925-29 average exports of manufactured foodstuffs exceeded imports. Beginning in 1932 imports rose above exports. The per centage of imports over exports increased rapidly during the following years, reaching 158 percent for the first 10 months of the present year. The excess of imports over exports of crude foodstuffs during the period 1925-29 averaged 60.4 percent. In 1930 it reached double this percentage, and for the first 10 months of 1936 it was nearly 7½ times the 1925-29 average.

The percentages shown in the chart are based on dollar values of exports and imports.

Source: U. S. Bureau of Foreign and Domestic Commerce.

Tourist trade, 1934 and 1935

	1934	1935
United States of America tourists' expenditures in foreign counties	$331,000,000	$409,000,000
Foreigners' expenditures in United States of America	86,000,000	117,000,000

It is estimated that during 1936 United States of America tourists in foreign countries spent approximately $500,000,000 while foreigners, it is estimated, spent between $115,000,000 and $120,000,000 in the United States of America during 1936. These estimates are not official.

Source: U. S. Department of Commerce.

Investments and credits (exclusive of war debts)[1]

Long-term[2] investments in the United States held by foreigners: 1935	$5,035,000,000
Bank balances and short term credit of the United States of America held by foreigners: 1935	1,200,000,000
Foreign owned: Total	6,235,000,000
Long-term[3] investments of foreign countries held by United States of America: 1935	12,630,000,000
Bank balances and short term credits of foreign countries held by United States of America: 1935	850,000,000
American owned: Total	13,480,000,000

War debts owed United States of America

[Owed as of Jan. 10, 1936]

Total indebtedness (war debts) of all foreign countries to the United States of America	$13,670,000,000

[1] No data available prior to 1935; 1936 not yet available.
[2] Long-term investments in the United States held by foreigners includes: Foreign financial control of American concerns; common stocks; preferred stocks; bonds and miscellaneous equity such as insurance equity, trust funds, and real estate.
[3] Long-term investments of foreign countries held by United States of America includes: American financial control of foreign concerns and bonds.

Trade progress with Canada, 10 months, 1935 and 1936

[Thousands of dollars]

Classification	Exports to Canada				Imports from Canada			
	1935	1936	Increase: 1936 over 1935	Percent	1935	1936	Increase, 1936 over 1935	Percent
All commodities	260,530	302,774	42,244	16	232,222	300,158	67,936	29
Nonagricultural	226,918	261,353	34,435	15	179,905	218,714	38,809	22
Agricultural	33,612	41,421	7,809	23	52,317	81,444	29,127	56
Agricultural on which tariff was reduced	10,900	14,831	3,931	36	7,310	14,880	7,570	104
Other agricultural (no tariff reduction)	22,712	26,590	3,878	17	45,007	66,564	21,557	48

Source: Data compiled from Dec. 28, 1936 issue of Foreign Crops and Markets, U. S. Department of Agriculture.

Balance of import-export trade with Canada, 10 months, 1935 and 1936

Classification	1935	1936	Percent change[2] toward unfavorable trade 1936 compared to 1935
All commodities	[1] 28,308,000	[1] 2,616,000	[2] 91
Nonagricultural	[1] 47,013	[1] 42,639	[2] 9
Agricultural	[2] 18,705	[2] 40,023	[2] 114
Agricultural on which tariff was reduced	[1] 3,590	[2] 49	[2] 101
Other agricultural (no tariff reductions)	[2] 22,295	[2] 39,974	[2] 79

[1] Favorable.
[2] Unfavorable.

Source: Data compiled from Dec. 28, 1936, issue of Foreign Crops and Markets, U. S. Department of Agriculture.

Gross income from milk production in the United States, 1931–35, inclusive

Year:	*Gross income*
1931	$1,614,394,000
1932	1,260,424,000
1933	1,262,554,000
1934	1,478,177,000
1935 [1]	1,680,625,000

[1] Preliminary.

Source: U. S. Department of Agriculture, Department of Agricultural Economics, Crop Reporting Board.

Milk cows and young stock being raised for milk cows; number and value per head of the milk cows on farms, 1925–36, and numbers of heifers and heifer calves on farms—United States, Jan. 1, 1925–36

Year	Milk cows and heifers 2 years old or older, on farms		Heifers 1 to 2 years old being kept for milk cows	Heifer calves under 1 year being kept for milk cows
	Number	Farm value per head Jan. 1		
	Thousands	*Dollars*	*Thousands*	*Thousands*
1925	22,575	48.34	4,177	4,306
1926	22,432	54.63	4,111	4,335
1927	22,286	59.14	4,110	4,439
1928	22,287	73.34	4,197	4,662
1929	22,508	83.84	4,450	5,012
1930	23,106	82.65	4,850	5,198
1931	23,885	57.01	4,961	5,187
1932	24,982	39.49	5,019	5,448
1933	26,030	29.16	5,249	5,672
1934	27,059	26.97	5,381	5,674
1935	26,236	30.13	5,002	5,249
1936 [1]	25,622	49.18	4,834	5,496

[1] Preliminary.

Source: Bureau of Agricultural Economics; U. S. Department of Agriculture.

Imports of cheese from Canada January–December, inclusive, 1935 and 1936—Trade agreement effective Jan. 1, 1936

1935

All cheese [1]	pounds	770,000
All cheese	do	11,186,000
Cheddar cheese	do	10,782,000

1936

American cheese equivalent of Canadian cheddar cheese [2]	pounds	12,115,000
Increase in imports all cheese from Canada 1936 over 1935	do	10,416,000
Increase in imports all cheese from Canada 1936 over 1936	percent	1,352.7

[1] Cheddar cheese not separtely classified until January 1936.
[2] In Canada 100 pounds milk makes 8.9 pounds Canadian Cheddar cheese; in United States 100 pounds milk makes 10.0 pounds Cheddar cheese.

Source: Preliminary figures compiled from records of Division of Foreign Trade Statistics, U. S. Department of Commerce.

Cheese no. 1 American, fresh single daisies—wholesale price per pound, New York, by months, 1926–35

[In cents per pound]

Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Average
1926	26	25	23	21	21	21	22	22	23	24	25	26	23.3
1927	26	26	25	24	24	24	24	25	27	28	27	29	25.8
1928	......	[1] 25	25	24	24	26	26	26	27	26	25	25	[2] 25.4
1929	25	24	24	24	23	23	23	23	24	24	24	23	23.6
1930	21	21	21	21	20	18	18	19	20	19	19	18	19.7
1931	17	16	16	15	14	14	15	16	17	16	15	14	15.4
1932	13	13	13	12	12	11	12	14	14	13	13	13	12.8
1933	12	11	11	12	15	15	15	14	13	13	13	12	13.1
1934	13	16	15	13	14	15	13	15	14	14	15	15	14.2
1935	17	18	17	17	16	15	15	16	16	17	18	19	16.8

[1] Less than 10 quotations during month.
[2] Based on 11 months' quotations.

Bureau of Agricultural Economics; comp ed from reports of Bureau representatives in the market. These wholesale prices are based upon open market sales made for cash or short-time credit, consideration being given to the prices at which the larger quantities are sold.

Wholesale price of 92 score butter at Chicago and Twins, cheese on the Plymouth, Wis., exchange: 1935 and 1936

[Prices as of Friday each week]

Date	92 score butter at Chicago (cents per pound)	Twins cheese Plymouth, Wis. (cents per pound)	(+) Denotes 2 times cheese price as exceeding butter price; (−) denotes the opposite (cents per pound)	Date	92 score butter at Chicago (cents per pound)	Twins cheese Plymouth, Wis. (cents per pound)	(+) Denotes 2 times cheese price as exceeding butter price; (−) denotes the opposite (cents per pound)
1935				1936			
Jan. 4	31.50	14.00	−3.50	Jan. 3	34.0	17.0	0.00
Jan. 11	30.50	14.00	−2.50	Jan. 10	33.5	17.0	+.50
Jan. 18	31.75	14.00	−3.75	Jan. 17	32.23	15.0	−2.25
Jan. 25	34.50	15.25	−4.00	Jan. 24	34.25	15.0	−4.25
Feb. 1	36.00	15.75	−4.50	Jan. 31	34.00	15.0	−4.00
Feb. 8	36.25	15.75	−4.75	Feb. 7	35.00	14.0	−7.00
Feb. 15	35.50	15.75	−4.00	Feb. 14	36.00	(1)	----------
Feb. 23	34.50	15.75	−3.00	Feb. 21	36.75	14.0	−8.75
Mar. 1	31.25	15.75	+.25	Feb. 28	35.25	14.0	−7.25
Mar. 8	30.50	15.00	−.50	Mar. 6	31.25	14.0	−3.25
Mar. 15	30.00	14.50	−1.00	Feb. 13	30.75	14.0	−2.75
Mar. 22	31.25	14.00	−3.25	Feb. 20	30.25	14.0	−2.25
Mar. 29	33.00	14.00	−5.00	Feb. 27	30.38	13.0	−4.38
Apr. 5	35.00	14.63	−5.74	Apr. 3	29.75	13.0	−3.75
Apr. 12	35.00	15.00	−5.00	Apr. 10	32.00	13.0	−6.00
Apr. 19	31.25	15.00	−1.25	Apr. 17	29.00	13.0	−3.00
Apr. 26	30.75	14.50	−1.75	Apr. 24	28.25	13.0	−2.25
May 3	27.00	13.75	+.50	May 1	26.50	----------	----------
May 10	26.00	13.75	+1.50	May 8	26.50	12.50	−1.50
May 17	26.25	13.00	+.25	May 15	26.00	12.50	−1.00
May 24	26.00	13.00	.00	May 22	26.50	13.50	+.50
May 31	23.75	12.50	+1.25	May 29	27.00	14.00	+1.00
June 7	24.00	12.00	.00	June 5	27.75	14.00	+.25
June 14	23.50	12.00	+.50	June 12	28.75	14.00	−.75
June 21	23.00	12.50	+2.00	June 19	29.25	14.50	−.25
June 28	23.50	12.50	+1.50	June 26	30.50	15.00	−.50
July 5	23.00	12.50	+2.00	July 3	31.50	16.00	+.50
July 12	24.00	12.50	+1.00	July 10	34.00	17.00	.00
July 19	24.00	12.50	+1.00	July 17	33.75	17.00	+.25
July 26	24.00	13.50	+3.00	July 24	33.75	17.00	+.25
Aug. 2	24.00	14.00	+4.00	July 31	34.75	17.00	−.75
Aug. 9	24.00	13.50	+3.00	Aug. 7	35.75	18.00	+.25
Aug. 16	24.50	13.50	+2.50	Aug. 14	35.50	18.00	+.50
Aug. 23	24.50	14.50	+4.50	Aug. 21	34.50	17.50	+.50
Aug. 30	25.25	14.50	+3.75	Aug. 28	34.25	17.50	+.25
Sept. 6	25.75	14.00	+2.25	Sept. 4	34.75	17.50	+.25
Sept. 13	25.25	14.00	+2.75	Sept. 11	34.63	17.50	+.37
Sept. 20	25.50	14.00	+2.50	Sept. 18	33.50	17.00	+.50
Sept. 27	25.50	14.00	+2.50	Sept. 25	33.50	17.00	+.50
Oct. 4	26.25	14.00	+1.75	Oct. 2	32.50	17.00	+1.50
Oct. 11	26.50	14.00	+1.50	Oct. 9	31.75	16.50	+.25
Oct. 18	26.75	14.50	+1.25	Oct. 16	30.50	16.00	+1.50
Oct. 25	28.00	14.50	+1.00	Oct. 23	30.75	16.00	+1.25
Nov. 1	29.00	14.50	.00	Oct. 30	32.00	16.00	.00
Nov. 8	29.75	15.00	+.25	Nov. 6	32.25	16.00	−.25
Nov. 15	33.00	15.00	−3.00	Nov. 13	32.00	16.00	.00
Nov. 22	32.75	16.00	−.75	Nov. 20	33.00	16.00	−1.00
Nov. 29	33.25	17.00	+.75	Nov. 27	33.25	16.00	−1.25
Dec. 6	33.50	17.00	+.50	Dec. 4	32.50	16.00	−.50
Dec. 13	32.75	17.00	+1.25	Dec. 11	33.00	16.00	−1.00
Dec. 20	32.75	17.00	+1.25	Dec. 18	33.25	16.00	−1.25
Dec. 27	33.50	17.00	+.50	Dec. 24	33.25	16.00	−1.25
				Dec. 31	33.75	16.00	−1.75
Average for 1935	28.84	14.37	−.10	Average for 1936	32.09	15.44	−1.21

[1] No meeting.

Source: Data compiled from Daily Market Report, U. S. Department of Agriculture.

American cheese stocks in the United States on Feb. 1, 1934–37

Date	Total monthly stocks	5-year average stocks	Excess (+), decrease (−) monthly stocks compared to 5-year average stocks
	Pounds	*Pounds*	*Pounds*
Feb. 1, 1934	65,476,000	57,230,000	+8,246,000
Feb. 1, 1935	71,007,000	58,171,000	+12,836,000
Feb. 1, 1936	78,197,000	60,578,000	+17,619,000
Feb. 1, 1937	87,340,000	64,514,000	+22,826,000

Source: U. S. Department of Agriculture.

Storage stocks of creamery butter and American cheese in the United States on Jan. 1, 1926 to 1937, inclusive

Date	Creamery butter	American cheese	Date	Creamery butter	American cheese
	Pounds	*Pounds*		*Pounds*	*Pounds*
Jan. 1, 1926	52,785,000	58,457,000	Jan. 1, 1932	26,643,000	60,804,000
Jan. 1, 1927	34,347,000	56,758,000	Jan. 1, 1933	22,043,000	57,749,000
Jan. 1, 1928	46,289,000	49,914,000	Jan. 1, 1934	111,249,000	77,773,000
Jan. 1, 1929	43,783,000	71,177,000	Jan. 1, 1935	47,175,000	89,878,000
Jan. 1, 1930	81,935,000	68,930,000	Jan. 1, 1936	40,117,000	86,537,000
Jan. 1, 1931	63,401,000	67,599,000	Jan. 1, 1937	[1] 61,228,000	[1] 94,860,000

[1] Preliminary.

Source: U. S. Department of Agriculture, Agricultural Statistics, 1936, and from Division of Dairy and Poultry Statistics, Bureau of Agricultural Economics, U. S. Department of Agriculture.

Production of cheese in Canada, 1936

Province	1935	1936	Province	1935	1936
	Pounds	*Pounds*		*Pounds*	*Pounds*
Prince Edward Island	229,000	272,927	Saskatchewan	600,000	501,028
New Brunswick	274,132	379,188	Alberta	1,366,978	1,440,000
Quebec	20,357,000	25,668,400	British Columbia	794,231	433,588
Ontario	75,319,941	87,799,352	Total	100,398,282	116,341,340
Manitoba	1,457,000	1,274,858			

Source: Dairy News Letter, Minister of Agriculture, Ottawa, Canada.

Storage holdings of butter and cheese in Canada

Commodity	Jan. 1, 1936	Jan. 1, 1937
	Pounds	*Pounds*
Creamery butter	32,081,722	35,947,779
Cheese	24,562,600	24,904,436

Source: Dairy News Letter, Minister of Agriculture, Ottawa, Canada.

Imports of cream into the United States from Canada, 1935 and 1936—Trade agreement effective Jan. 1, 1936

	1935	1936	Percent increase, 1936 over 1935
	Gallons	*Gallons*	
Year	480	44,063	9,080
September-December, inclusive	170	35,309	20,670

Source: Preliminary figures compiled from records of Division of Foreign Trade Statistics, U. S. Department of Commerce.

Creamery butter stocks in United States on Feb. 1

Date	Total monthly stocks	5-year average stocks	Excess (+), decrease (−), in monthly stocks compared to 5-year average stocks
	Pounds	*Pounds*	*Pounds*
Feb. 1, 1934	75,995,000	34,422,000	+41,573,000
Feb. 1, 1935	18,907,000	44,671,000	−25,764,000
Feb. 1, 1936	21,502,000	36,407,000	−14,905,000
Feb. 1, 1937	42,484,000	31,349,000	+11,135,000

Source: U. S. Department of Agriculture.

Butter, 92-score creamery, wholesale price per pound, at Chicago, 1926–35

Market and year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Average
Chicago:													
1926	43.01	43.09	41.53	38.33	39.43	39.13	38.51	40.12	43.09	43.93	48.90	52.54	42.80
1927	48.08	50.41	49.36	48.13	41.49	40.42	39.98	41.45	45.03	46.23	48.23	50.51	45.78
1928	46.83	45.62	48.14	43.92	43.41	42.99	43.82	45.80	47.08	46.45	48.86	49.10	46.00
1929	46.59	49.22	47.63	44.14	42.06	42.38	41.31	42.50	44.93	43.96	41.82	39.32	43.78
1930	35.10	35.30	37.25	37.23	33.72	32.09	34.59	37.98	38.16	37.75	33.70	30.51	35.28
1931	27.35	27.15	28.69	24.37	22.37	22.30	23.85	27.19	30.26	32.18	29.75	29.15	27.05
1932	23.02	21.63	22.05	18.98	17.11	16.29	17.71	19.43	20.03	19.79	22.10	22.67	20.07
1933	18.76	17.83	[1] 17.63	[2] 19.78	21.76	22.36	23.87	20.58	22.67	23.01	22.61	18.65	20.79
1934	[3] 19.36	24.35	24.52	22.40	23.22	24.22	23.63	26.34	24.86	25.91	29.00	29.50	24.78
1935	32.61	34.98	30.78	32.81	25.96	23.50	23.59	24.38	25.39	27.15	31.52	33.10	28.81
1936 [4]	33.60	35.63	31.15	29.71	26.31	28.88	33.41	34.91	33.93	31.39	32.56	33.11	32.05

[1] Banking holiday declared by the President Mar. 6, 1933.
[2] Hoarding of gold forbidden Apr. 5, 1933; exporting of gold forbidden Apr. 20, 1933.
[3] Proclamation of President fixing gold weight of dollar Jan. 31, 1934.
[4] Monthly averages averaged for the year.

Bureau of Agricultural Economics. Compiled from reports of Bureau representatives in the markets. These wholesale prices are based on open-market sales for cash or short-time credit, consideration being given to the prices at which the larger quantities are sold. Data for earlier years in 1925 Yearbook, table 501.

Footnotes 1, 2, 3, furnished by U. S. Dept. of Treasury.

Daily wholesale price of 92 score butter at New York, and reported arrivals of foreign butter at New York, Dec. 1934 to June 1935

Date	Daily wholesale price of butter [1]	Reported arrivals foreign butter at New York [2]
	Cents per pound	*Pounds*
Dec. 1, 1934	29.50	(3)
Dec. 3, 1934	29.75	(3)
Dec. 4, 1934	29.75	(3)
Dec. 5, 1934	29.75	(3)
Dec. 6, 1934	30.25	(3)
Dec. 7, 1934	30.50	(3)
Dec. 8, 1934	30.50	(3)
Dec. 10, 1934	31.00	(3)
Dec. 11, 1934	31.00	(3)
Dec. 12, 1934	30.375	(3)
Dec. 13, 1934	30.00	(3)
Dec. 14, 1934	30.00	(3)
Dec. 15, 1934	30.25	(3)
Dec. 17, 1934	30.50	(3)
Dec. 18, 1934	30.50	(3)
Dec. 19, 1934	31.00	(3)
Dec. 20, 1934	31.75	(3)
Dec. 21, 1934	32.00	(3)
Dec. 22, 1934	32.00	(3)
Dec. 24, 1934	32.00	(3)
Dec. 26, 1934	32.00	(3)
Dec. 27, 1934	32.25	(3)
Dec. 28, 1934	32.25	(3)
Dec. 29, 1934	32.25	(3)
Dec. 31, 1934	32.50	(3)
Jan. 2, 1935	32.75	(3)
Jan. 3, 1935	32.75	----------
Jan. 4, 1935	33.50	----------
Jan. 5, 1935	33.75	----------
Jan. 7, 1935	33.75	----------
Jan. 8, 1935	34.25	----------
Jan. 9, 1935	34.25	----------
Jan. 10, 1935	33.75	----------
Jan. 11, 1935	33.00	----------
Jan. 12, 1935	32.50	----------
Jan. 14, 1935	32.75	----------
Jan. 15, 1935	33.00	6,000
Jan. 16, 1935	32.50	----------
Jan. 17, 1935	33.00	----------
Jan. 18, 1935	33.00	84,000
Jan. 19, 1935	33.50	101,000
Jan. 21, 1934	34.00	----------
Jan. 22, 1935	34.75	48,000
Jan. 23, 1935	35.25	----------
Jan. 24, 1935	35.50	----------
Jan. 25, 1935	35.50	----------
Jan. 26, 1935	35.50	62,000
Jan. 28, 1935	35.50	----------
Jan. 29, 1935	36.25	----------
Jan. 30, 1935	36.75	----------
Jan. 31, 1935	37.50	----------
Feb. 1, 1935	38.25	
Feb. 2, 1935	38.50	
Feb. 4, 1935	38.25	626,000
Feb. 5, 1935	37.00	
Feb. 6, 1935	37.00	
Feb. 7, 1935	37.25	
Feb. 8, 1935	37.50	
Feb. 9, 1935	37.50	1,805,000
Feb. 11, 1935	37.50	
Feb. 13, 1935	36.50	
Feb. 14, 1935	36.25	
Feb. 15, 1935	36.25	
Feb. 16, 1935	36.00	854,000
Feb. 18, 1935	35.50	
Feb. 19, 1935	35.50	

Date	Daily wholesale price of butter [1]	Reported arrivals foreign butter at New York [2]
	Cents per pound	*Pounds*
Feb. 20, 1935	35.75	----------
Feb. 21, 1935	35.75	
Feb. 23, 1935	35.00	
Feb. 25, 1935	34.00	895,000
Feb. 26, 1935	33.50	
Feb. 27, 1935	34.00	
Feb. 28, 1935	33.75	----------
Mar. 1, 1935	33.25	
Mar. 2, 1935	32.25	
Mar. 4, 1935	31.50	684,000
Mar. 5, 1935	31.75	
Mar. 6, 1935	31.25	
Mar. 7, 1935	31.50	
Mar. 8, 1935	32.75	
Mar. 9, 1935	32.75	
Mar. 11, 1935	32.75	2,700,000
Mar. 12, 1935	31.75	
Mar. 13, 1935	31.25	
Mar. 14, 1935	31.25	
Mar. 15, 1935	31.00	
Mar. 16, 1935	30.25	183,000
Mar. 18, 1935	29.50	
Mar. 19, 1935	29.75	
Mar. 20, 1935	29.50	
Mar. 21, 1935	30.00	
Mar. 22, 1935	31.00	
Mar. 23, 1935	31.50	2,440,000
Mar. 25, 1935	32.50	
Mar. 26, 1935	32.50	
Mar. 27, 1935	32.25	
Mar. 28, 1935	33.00	
Mar. 29, 1935	33.50	
Mar. 30, 1935	33.50	375,000
Apr. 1, 1935	34.00	
Apr. 2, 1935	35.00	
Apr. 3, 1935	35.75	
Apr. 4, 1935	36.00	
Apr. 5, 1935	36.50	
Apr. 6, 1935	36.50	1,405 000
Apr. 8, 1935	38.00	
Apr. 9, 1935	38.50	
Apr. 10, 1935	38.50	
Apr. 11, 1935	36.75	
Apr. 12, 1935	37.00	
Apr. 13, 1935	37.00	1,104,000
Apr. 15, 1935	35.00	
Apr. 16, 1935	35.00	
Apr. 17, 1935	33.00	
Apr. 18, 1935	33.75	
Apr. 19, 1935	33.75	
Apr. 20, 1935	34.00	2,995,000
Apr. 22, 1935	33.75	
Apr. 23, 1935	32.50	
Apr. 24, 1935	32.50	
Apr. 25, 1935	33.00	
Apr. 26, 1935	31.50	
Apr. 27, 1935	30.50	2,638,000
Apr. 29, 1935	29.50	
Apr. 30, 1935	29.25	
May 1, 1935	29.25	
May 2, 1935	28.75	
May 3, 1935	28.75	
May 4, 1935	28.75	437,000
May 6, 1935	28.00	
May 7, 1935	28.25	

[1] Figures as listed in weekly publications of the American Creamery and Poultry Produce Review.
[2] Daily butter prices reported in Daily Market Report, Market News Service, U. S. Department of Agriculture.
[3] No arrivals listed.

Daily wholesale price of 92 score butter at New York, and reported arrivals of foreign butter at New York, Dec. 1934 to June 1935—Continued

Date	Daily wholesale price of butter	Reported arrivals foreign butter at New York	Date	Daily wholesale price of butter	Reported arrivals foreign butter at New York
	Cents per pound	*Pounds*		*Cents per pound*	*Pounds*
May 8, 1935	28.25		June 6, 1935	25.50	
May 9, 1935	28.25		June 7, 1935	25.25	
May 10, 1935	28.25		June 8, 1935	25.00	
May 11, 1935	28.00	846,000	June 10, 1935	24.50	135,000
May 13, 1935	27.25		June 11, 1935	24.00	
May 14, 1935	27.00		June 12, 1935	24.25	
May 15, 1935	27.00		June 13, 1935	24.25	
May 16, 1935	27.25		June 14, 1935	24.50	
May 17, 1935	27.50		June 15, 1935	24.50	
May 18, 1935	27.00	1,326,000	June 17, 1935	25.00	420,000
May 20, 1935	26.75		June 18, 1935	24.00	
May 21, 1935	26.75		June 19, 1935	24.00	
May 22, 1935	26.75		June 20, 1935	23.50	
May 23, 1935	26.75		June 21, 1935	23.50	
May 24, 1935	27.00		June 22, 1935	23.50	
May 25, 1935	26.25	1,446,000	June 24, 1935	23.25	18,000
May 27, 1935	26.00		June 25, 1935	23.00	
May 28, 1935	25.75		June 26, 1935	23.25	
May 29, 1935	25.50		June 27, 1935	23.50	....
May 31, 1935	24.75		June 28, 1935	24.00	....
June 1, 1935	24.75		June 29, 1935	24.25	....
June 3, 1935	25.00	568,000			
June 4, 1935	25.50				
June 5, 1935	25.00				

Index numbers of prices received by farmers for dairy products and all commodities sold and prices paid by farmers for feed and all commodities bought, by years, from 1926 to 1936, inclusive

[1910-14=100]

Year	Price received for all goods sold	Price received for dairy products	Price paid for all goods bought	Price paid for feed
1926	145	152	155	137
1927	139	155	155	138
1928	149	158	155	148
1929	146	157	153	145
1930	126	137	145	132
1931	87	108	124	93
1932	65	83	107	69
1933	70	82	109	79
1934	90	95	123	110
1935	108	108	125	111
1936	114	119	[1] 124	115
Jan. 15, 1936	109	120	122	94
Jan. 15, 1937	131	128	128	142

[1] Preliminary.

Source: Index numbers of prices received by farmers for farm products 1910 to 1935 and Bureau of Agricultural Economics, U. S. Department of Agriculture.

Oleomargarine production and butter consumption

	1934	1936	Increase (+) or decrease (−) 1936 over 1934
	Pounds	*Pounds*	*Pounds*
Oleomargarine produced	262,900,000	390,898,000	+127,998,000
Creamery butter consumed (apparent trade output)	1,759,000,000	1,598,000,000	−161,000,000

Source: U. S. Department of Agriculture.

Imports of cattle into the United States, by countries and weight classes, 1935 and 1936

Year and country	700 pounds or over			Under 700 pounds			Total dutiable
	Dairy cows	Other	Total	Under 175 pounds	175-699 pounds	Total	
1935	*Number*	*Number*	*Number*	*Number*	*Number*	*Number*	*Number*
Canada	(1)	(1)	59,930	(1)	(1)	52,790	112,720
Mexico	(1)	(1)	8,622	(1)	(1)	242,468	251,090
All countries	(1)	(1)	68,573	(1)	(1)	296,050	364,623
1936							
Canada	6,686	136,533	143,219	55,695	35,149	90,844	234,063
Mexico	0	21,992	21,992	1,615	140,439	142,054	164,046
All countries	6,689	158,847	165,536	57,206	176,467	233,673	399,209

[1] Not classified prior to Jan. 1, 1936.

Source: U. S. Department of Agriculture, Foreign Crops and Markets.

United States importation of cattle, tariff rates and quotas on various weight classifications, 1936

Weight class	Total cattle imported, 1936	Trade-agreement quota	Tariff rates	
			Rate under Tariff Act of 1930 (cents per pound)	Canadian treaty tariff rate (cents per pound)
Cattle:				
Under 175 pounds	57,206	51,933	2.5	1.5
175 to 699 pounds	176,467	(1)	2.5	2.5
Dairy cows	6,669	20,000	3.0	1.5
Others over 700 pounds	158,847	155,799	3.0	2.0

[1] No concession.

Source: U. S. Department of Agriculture, U. S. Department of State, and Tariff Act of 1930.

Wholesale price of beef steers at Chicago for slaughter (all grades), by weeks, 1935 and 1936

Date: 1935	Price (cents per pound)	Date: 1936	Price (cents per pound)
Jan. 5	8.31	Jan. 4	9.22
12	8.82	11	9.53
19	9.29	18	9.38
26	9.62	25	9.34
Feb. 2	10.09	Feb. 1	8.97
9	10.33	8	8.92
16	10.48	15	8.36
23	10.54	22	8.35
Mar. 2	10.57	29	7.90
9	10.78	Mar. 7	8.68
16	11.07	14	8.73
23	10.70	21	8.54
30	10.52	28	8.72
Apr. 6	10.76	Apr. 4	8.49
13	11.15	11	8.60
20	11.16	18	8.61
27	11.28	25	8.31
May 4	11.48	May 2	8.25
11	11.31	9	8.05
18	11.23	16	7.71
25	11.02	23	7.95
June 1	10.50	30	7.92
8	10.57	June 6	7.84
15	10.61	13	7.79
22	10.03	20	7.71
29	9.83	27	7.89
July 6	10.15	July 4	8.27
13	9.87	11	8.26
20	9.41	18	7.79
27	9.29	25	8.19
Aug. 3	10.05	Aug. 1	8.08
10	10.09	8	7.99
17	10.00	15	8.45
24	10.68	22	8.70
31	10.40	29	8.66
Sept. 7	10.49	Sept. 5	8.82
14	10.45	12	9.17
21	10.15	19	9.24
28	10.26	26	9.20
Oct. 5	10.26	Oct. 3	9.31
12	10.47	10	9.14
19	10.41	17	9.05
26	10.36	24	9.35
Nov. 2	10.41	31	9.73
9	9.92	Nov. 7	10.09
16	9.77	14	10.28
23	9.96	21	10.30
30	10.21	28	10.48
Dec. 7	10.37	Dec. 5	10.25
14	9.80	12	10.30
21	9.35	19	10.00
28	9.87	26	10.44
Average	10.28	Average	8.85

Source: U. S. Department of Agriculture, Bureau of Agricultural Economics.

Imports of cheese (Edam and Gouda) from the Netherlands, February-December, inclusive, 1935 and 1936—Trade agreement effective Feb. 1, 1936

11 months, 1935, imports [1]—cheese not separately classified...pounds..	2,112,000
11 months, 1936, imports, Edam and Gouda cheese, plus all other not separately classified...pounds..	4,238,000
11 months, 1936, imports, Edam and Gouda...pounds..	4,118,000
1936 increase in Edam and Gouda cheese and all other not separately classified cheese over cheese not separately classified in 1935...pounds..	2,126,000
1936 increase in Edam and Gouda cheese and all other not separately classified cheese over cheese not separately classified in 1935...per cent..	100.7

[1] Imports of Edam and Gouda cheese were not separately classified until Feb. 1, 1936.

Source: Preliminary figures compiled from records of Division of Foreign Trade Statistics, U. S. Department of Commerce.

Imports of Swiss cheese (Emmanthaler) from Switzerland, February-December, inclusive, 1935 and 1936—Trade agreement effective Feb. 15, 1936

11 months, 1935...pounds..	4,423,000
11 months, 1936...pounds..	4,402,000
Decrease, 1936 under 1935...pounds..	21,000
Decrease, 1936 under 1935...percent..	0.5

Source: Preliminary figures compiled from reports of Division of Foreign Trade Statistics, U. S. Department of Commerce.

Imports of cheese (Gruyere process) from Switzerland, February-December, inclusive, 1935 and 1936—Trade agreement effective Feb. 15, 1936

11 months, 1935 imports [1], cheese not separately classified...pounds..	958,000
11 months, 1936, imports, Gruyere-process and all cheese not separately classified...pounds..	1,461,000
11 months, 1936, imports, Gruyere-process cheese...pounds..	1,407,000
1936 increase of Gruyere-process and all cheese not separately classified over cheese not separately classified in 1935...pounds..	503,000
1936 increase of Gruyere-process and all cheese not separately classified over cheese not separately classified in 1935...per cent..	52.5

[1] Edam and Gouda cheese imports were not separately classified until February 1936.

Source: Preliminary figures compiled from records of Division of Foreign Trade Statistics, U. S. Department of Commerce.

Imports of Swiss (Emmanthaler) cheese from Finland, November and December 1935 and 1936—Trade agreement effective Nov. 2, 1936

November-December, 1935...pounds..	48,939
November-December, 1936...do....	59,256
Increase, 1936 over 1935...do....	10,317
Increase, 1936 over 1935...percent..	21.1

Source: Preliminary figures compiled from records of Division of Foreign Trade Statistics, U. S. Department of Commerce.

Imports of Roquefort cheese from France, June-December, inclusive, 1935 and 1936—Trade agreement effective June 15, 1936

7 months, 1935...pounds..	888,000
7 months, 1936...do....	1,383,000
Increase, 1936 over 1935:	
Pounds...	495,000
Percent...	55.7

Source: Preliminary figures compiled from records of Division of Foreign Trade Statistics, U. S. Department of Commerce.

Imports of unclassified cheese, including Blue Mold from France, June-December, inclusive, 1935 and 1936—Trade agreement effective June 15, 1936

7 months, 1935,[1] unclassified cheese .... pounds..	458,000
7 months, 1936:	
Unclassified cheese and Blue Mold .... pounds..	391,000
Blue Mold cheese .... do....	302,000
Decrease in imports unclassified and Blue Mold cheese under unclassified cheese, 1935:	
Pounds	67,000
Percent	14.6

[1] Blue Mold cheese not separately classified before June 1936.

Source: Preliminary figures compiled from records of Division of Foreign Trade Statistics, U. S. Department of Commerce.

United States imports of dried and malted milk, first 11 months 1935 and 1936

	Pounds
1935	2,397,000
1936	23,873,000

Source: Monthly Summary of Foreign Commerce, U. S. Department of Commerce.

Netherlands was the leading exporter of dried milk to the United States, and Canada was next in importance.

United States importations of casein:[1] 1935 and 1936

1935 .... pounds..	3,229,700
1936 .... do....	16,208,903

[1] Practically all casein comes from Argentina.

Source: Data from Import-Export Report, U. S. Department of Agriculture.

Wholesale price of casein at New York for specified months, 1936 and 1937

[Cents per pound]

Type of casein	January 1937	December 1936	November 1936
Domestic, 20-30 mesh	19.50	18.50	17.00
Argentine, 20-30 mesh (duty paid)	19.50	18.31	17.00

Source: Weekly prices in Oil, Paint, and Drug Reporter, averaged for the month.

Exports of dairy products to Haiti on which tariff was changed (August 1933-December 1934, August 1935-December 1936, inclusive)—Trade agreement effective Aug. 5, 1935 (17 months)

Cheese:	
1935 .... pounds..	43,281
1936 .... do....	41,284
Butter:	
1935 .... do....	231,741
1936 .... do....	117,457
Evaporated milk:	
1935 .... do....	98,147
1936 .... do....	118,301
Condensed milk:	
1935 .... do....	55,143
1936 .... do....	96,365
Malted and prepared milk, etc.:	
1935 .... do....	12,808
1936 .... do....	14,124

Source: Preliminary figures compiled from records of Division of Foreign Trade Statistics, U. S. Department of Commerce.

Exports of dairy products to Guatemala on which tariff was changed (June to December, inclusive, 1935 and 1936, 7 months), trade agreement effective June 15, 1936

Dry and powdered milk and cream:		
1935	pounds	26,057
1936	do	28,661
Evaporated and condensed milk and cream:		
1935	do	37,086
1936	do	41,299
Butter:		
1935	do	13,562
1936	do	13,123
Cheese:		
1935	do	20,125
1936	do	19,094

Source: Preliminary figures compiled from records of Division of Foreign Trade Statistics, U. S. Department of Commerce.

Exports of dairy products to Colombia on which tariff was changed (May-December, inclusive, 1935 and 1936, 8 months), trade agreement effective May 20, 1936

Condensed milk:		
1935	pounds	23,554
1936	do	29,841
Evaporated milk:		
1935	do	72,942
1936	do	107,781
Prepared and malted milk:		
1935	do	61,870
1936	do	105,062
Pure milk and cream:		
1935	gallons	11
1936	do	14

Source: Preliminary figures compiled from records of Division of Foreign Trade Statistics, U. S. Department of Commerce.

Exports of dairy products to Honduras on which tariff was changed (March to December, inclusive, 1935 and 1936, 10 months), trade agreement effective Mar. 2, 1936

Condensed milk:		
1935	pounds	102,934
1936	do	220,325
Evaporated milk:		
1935	do	142,191
1936	do	104,302
Dry skim milk:		
1935	do	120
1936	do	621
Dry whole milk:		
1935	do	57,165
1936	do	53,984
Butter:		
1935	do	20,867
1936	do	30,114

Source: Preliminary figures compiled from records of Division of Foreign Trade Statistics, U. S. Department of Commerce.

Exports of dairy products to Nicaragua on which tariff was changed (October–December, inclusive, 1935–36, 3 months)—Trade agreement effective Oct. 1, 1936

Condensed milk and cream:		
1935	pounds	4,212
1936	do	7,099
Evaporated milk and cream:		
1935	do	16,082
1936	do	19,732
Dried whole milk and cream:		
1935	do	3,240
1936	do	6,419
Dried skim milk:		
1935	do	0
1936	do	0

Source: Preliminary figures compiled from records of Division of Foreign Trade Statistics, U. S. Department of Commerce.

Exports of milk powder to Brazil on which tariff was changed—Trade agreement effective Jan. 1, 1936

[January–December, inclusive, 1935 and 1936]

MILK POWDER

Months	12
Pounds:	
1935	45,792
1936	84,572

Source: Preliminary figures compiled from records of Division of Foreign Trade Statistics, U. S. Department of Commerce.

Trade agreements concluded

Country	Date signed	Date effective	Time required to become effective
Cuba	Aug. 24, 1934	Sept. 3, 1934	9 days.
Brazil	Feb. 2, 1935	Jan. 1, 1936	11 months.
Belgium	Feb. 27, 1935	May 1, 1935	2 months.
Haiti	Mar. 25, 1935	June 3, 1935	Do.
Sweden	May 25, 1935	Aug. 5, 1935	Do.
Colombia	Sept. 13, 1935	May 20, 1936	8 months.
Canada	Nov. 15, 1935	Jan. 1, 1936	1½ months.
Honduras	Dec. 18, 1935	Mar. 2, 1936	2½ months.
Kingdom of the Netherlands (Netherlands in Europe, Netherland India, Surinam, and Curacao).	Dec. 20, 1935	Feb. 1, 1936	1½ months.
Switzerland	Jan. 9, 1936	Feb. 15, 1936	1 month.
Nicaragua	Mar. 11, 1936	Oct. 1, 1936	6½ months.
Guatemala	Apr. 24, 1936	June 15, 1936	3 weeks.
France and its colonies, dependencies, and protectorates other than Morocco.	May 6, 1936	do	Immediately.
Finland	May 18, 1936	Nov. 2, 1936	5½ months.
Costa Rica	Nov. 28, 1936	[1]	

[1] Not yet effective.

TRADE AGREEMENTS—RATIFICATION

Countries requiring parliamentary ratification of trade agreements.—Brazil, Haiti, Sweden, Colombia, Honduras, Nicaragua, Guatemala, Finland, Costa Rica.

Countries requiring parliamentary ratification of trade agreements, but provisionally granted trade benefits.—Canada, Netherlands, Switzerland, France.

Countries operating trade policy similar to United States.—Cuba, Belgium.

Source: Trade Agreements Section, U. S. Department of State.

Babassu oil: Imports and use in oleomargarine for the United States, 1936

Babassu oil and oil equivalent of nuts imported into the United States	pounds	37,587,000
Babassu oil used in oleomargarine	do	16,114,000
Percentage of imports used in oleomargarine	percent	42.9

Source: Import figures compiled from Reports of Division of Foreign Trade Statistics, U. S. Department of Commerce. Oil use in oleomargarine reported by Bureau of Internal Revenue, U. S. Department of Treasury.

Monthly average wholesale price of babassu, coconut, and cottonseed oil, by months, for 1936

[Cents per pound]

Month	Babassu oil, tank lots, Pacific coast	Coconut oil crude, tank lots, Pacific coast (3 cents excise tax included)	Cottonseed oil prime, crude, southeast, tanks	Month	Babassu oil, tank lots, Pacific coast	Coconut oil crude, tank lots, Pacific coast (3 cents excise tax included)	Cottonseed oil prime, crude, southeast, tanks
January	(1)	7.56	8.89	August	7.48	7.55	8.84
February	7.08	7.48	8.04	September	8.19	8.45	8.86
March	7.00	7.26	8.29	October	8.94	9.19	8.38
April	7.00	7.22	8.36	November	9.40	9.33	8.66
May	6.97	6.75	7.66	December	10.41	11.06	9.88
June	6.90	6.89	7.96				
July	7.06	7.28	8.66	Average	7.86	8.00	8.59

[1] Not available.

Source: Weekly quotations in the Oil, Paint, and Drug Reporter, averaged for the month.

Senator King. We are glad to get your views. Thank you very much. Mr. Robert C. Graham, of Detroit, Mich. Come forward, Mr. Graham.

STATEMENT OF ROBERT C. GRAHAM, VICE PRESIDENT, GRAHAM-PAIGE MOTORS CORPORATION, AND CHAIRMAN, EXPORT COMMITTEE, AUTOMOBILE MANUFACTURERS ASSOCIATION, DETROIT, MICH.

Senator King. Mr. Graham, you are chairman of the export committee of the Automobile Manufacturers Association?

Mr. Graham. Yes, sir. I am Robert Graham, vice president of the Graham-Paige Co., and chairman of the export committee of the Automobile Manufacturers Association, which comprises practically all of the automobile companies with the exception of Ford.

Senator King. How much time do you want, Mr. Graham?

Mr. Graham. Just a very few minutes.

Senator King. Proceed. Take what time you need.

Senator Vandenberg. Is Mr. Ford a member of the association?

Mr. Graham. No, sir.

Mr. Chairman, we are here to respectfully ask you to approve the Trade Agreements Act as it is and to have it extended for 3 years.

In April of 1934 our association approved this act and we have found, after a study of the past 3 years, that it has been of great advantage not only to our industry but we think to general business in the country as a whole. For our own particular industry, I would like to say that in '29 we exported approximately a million automobiles. In 1932 that dropped to 180,000. It has since risen to where this past year exports were in excess of a half a million cars. For our company, which is one of the small companies in the industry, we exported approximately 10,000 cars in 1929, and this dropped to a low in '32 of slightly over a thousand automobiles, and this past year our position has improved to where we will export—we did export—around 4,500 to 5,000 automobiles.

Now we feel that if the Trade Agreements Act could be carried on as is for the next 3 years it would not only help the automobile industry but general industry and agriculture as well, and with that in mind we would like to submit our brief, with the idea that it will be favorably passed upon.

Senator KING. It will be received.

Mr. GRAHAM. On April 30, 1934, the automobile manufacturers, then the National Automobile Chamber of Commerce, submitted a brief to the Senate Finance Committee in support of the bill which established the present trade-agreements program. After nearly 3 years of progress under the Trade Agreements Act it is felt that the record of improvements in the foreign trade of the United States warrants continued support of the program without amendment.

This legislation is favored because we believe that increased foreign trade has been a great aid to the improvement of domestic conditions, and that it will continue to be so. We feel that employment will continue to increase, as it has in recent years, coincident with the increase of both exports and imports, and that American agriculture and industry will benefit still further from these improved conditions with the extension of the trade-agreements program.

The automobile manufacturers believe in the expansion of foreign trade, both incoming and outgoing, with the least possible restriction, and equality of treatment as between trading nations; and that the negotiation of trade agreements in conjunction with the generalization of concessions under the most-favored-nation clause is of demonstrated value in the promotion of such trade.

We believe that the export of American manufactured goods should be maintained for the direct and positive advantages that result. The export of American agricultural products should also be promoted so that the farmer may raise more and more and sell more, increasing his standard of living and becoming, in consequence, a better customer for manufactured goods. The import of goods into the United States should be promoted on a competitive basis in the interests of the consumer, and so that adequate purchasing power is correspondingly created for vitally important exports. The mutual lowering of tariff barriers between countries is necessary to these ends.

The board of directors of the association, already on record as favoring the objectives of the trade-agreements program, on March 12, 1935, approved the following resolution endorsing the most-favored-nation policy of equality in treatment:

Whereas an increase in our foreign trade is an essential element in the attainment of domestic prosperity and cannot be achieved unless the flow of trade is materially increased among all nations in the broadest sense of the word;

Whereas this trade is of such a character that exact balances between countries cannot be achieved without serious reduction in the total volume of trade unless most-favored-nation treatment be given under reciprocal-trade agreements to all other nations according us similar treatment;

Therefore the board of directors of the Automobile Manufacturers Association commend the Government of the United States for the thorough and effective work it is doing in consummating these reciprocal-trade agreements with these broad objectives in view.

In spite of the good record thus far made in the negotiation of trade agreements with foreign countries, it is our feeling that 3 years is too short a time to reap the full benefits of these policies and that further benefits will increasingly become apparent.

The Automobile Manufacturers Association believes that the further improvement of the foreign trade of the United States can best be realized by the continuation of the Trade Agreements Act as provided in House Joint Resolution 96.

Senator VANDENBERG. Mr. Graham, before you leave, what countries are the chief buyers of automobiles?

Mr. GRAHAM. We are shipping in our own particular case to 77 countries of the world. I would say that South Africa is a particularly good country. South America is a good country. We have many countries in Europe, for example, like Holland. We have good business in Sweden, in Norway. We are not shipping to Germany, as you know, because of embargoes. We are not shipping to France in large quantity because of quotas.

Senator VANDENBERG. Excuse me—perhaps I can simplify it for you. This is what I would like to know: Are there any figures available to show how your export trade in automobiles has increased from 1929 to 1936 in all of these various countries identified, so that we can see what the effect is on your export trade both in trade-agreement countries and nontrade-agreement countries?

Mr. GRAHAM. We would be glad to submit that, and we can give it to you now or we can give it to you later.

(The data requested will be found at the close of Mr. Graham's testimony.)

Senator VANDENBERG. Put it in the record.

Mr. GRAHAM. Yes.

Senator KING. For my information, although I have a general knowledge, will you state some of the commodities that are required in the manufacture of automobiles, starting in with steel and iron, of course manganese in the production, and coal in the production, and leather and the various oils, and so on?

Mr. GRAHAM. Mr. Chairman, it is interesting to know that in 1929, when we exported a million automobiles, that meant 800,000 tons of steel, that meant 5,000,000 tires, that meant 22,500,000 square feet of plate glass——

Senator KING. And tires—pardon the interruption—a great deal of cotton is used in the manufacture of tires?

Mr. GRAHAM. And I was going into that.

Senator KING. Yes.

Mr. GRAHAM. That in every State in the Union there are raw materials that comprise the automobile, whether it is copper, glass, steel, wood, and that every State benefits. We have, for example, plants, suppliers, from every State in the Union, dependent upon the automobile.

Senator KING. And in the production and manufacture of those commodities which enter into the construction of the automobile a large number of persons are employed, and as they are employed the more commodities they purchase, whether it is butter or lard or any of the commodities that are required for human consumption.

Mr. GRAHAM. I think, Mr. Chairman, that you can readily see what the increase from 180,000 to 500,000 production in export means to the prosperity of the farmer alone. Let us take a few illustrations or cases of his prices. After all, the automobile industry, being one of the largest in America, must first consider domestic prosperity, because, after all, our prosperity at home must come first.

With the increase in automobile production which meant millions of dollars in labor and in materials of all kinds, we find farm prices today taking an important part in helping the general situation.

For example, just about 3 years ago we had hogs at $2.75. We had cattle at $5. We had wheat at 35 to 40 cents a bushel. We had corn at 18 to 20 cents a bushel.

Now, let us look at the situation today. Right now we have dollar corn. And I am farming in southern Indiana, down near your section, Senator Barkley, and have been for 25 years, and know something about it. We have got a dollar for corn. We have got $1.25 for wheat. We have got $10 to $12 for hogs, as against the $2.75, and so on down the line.

In regard to cheese, I happen to have two cheese plants on my farm, and it just so happens that 3 years ago American cheese sold at 8 cents and now it is 15 to 16 cents, or just double, and I think that a great deal of that is due to the fact that we have industry started and that we are selling to the rest of the countries of the world and putting more men to work. And I want to say, for the farm organizations—and I belong to several—as I have often brought out, that the clients of some of these associations are not only the farmers themselves but their customers, and their customers are the men working in the plants, and if, through an exchange of goods throughout the world, we are able to take some of the products that those countries excel in and in turn sell them the products that we excel in, then there surely is an opportunity for greatly expanded business, and the spirit of good will that we will create by such a program, contrasted to building up high tariff barriers and trying to close ourselves in and excluding the rest of the world, certainly brings out a fine and far-reaching and humanitarian program that you would not get with the other.

I think from an economic standpoint the work of the last 3 years in this direction shows our position greatly improved, shows that the farmer's position is greatly improved, and for that reason we are anxious to have it continued as is for the next 3 years.

Senator KING. Thank you for your exposition.

(Mr. Graham subsequently furnished the following data:)

United States exports of automotive products, years 1934, 1935, and 1936

	1934 value	1935 value	1936 value
Passenger cars	$77,783,861	$94,510,757	$103,024,254
Trucks	44,069,120	50,456,406	54,854,366
Total	121,852,481	144,967,163	157,878,620
Total automotive products (including parts for assembly)	191,200,150	229,012,606	242,360,022

Source: Automotive-Aeronautics Trade Division, U. S. Department of Commerce.

United States exports of automotive products

1929	$565, 821, 343
1932	87, 396, 121
1933	97, 326, 237
1934	191, 299, 150
1935	229, 012, 606
1936	242, 360, 022

Source: Automotive-Aeronautics Trade Division, United States Department of Commerce.

United States exports to some of the countries in which conditions are favorable for the importation of American motor vehicles[1]

[Favorable]

Country	1934 value	1935 value	1936 value
Argentina	$5, 234, 706	$7, 176, 855	$8, 058, 573
Belgian Congo	190, 099	493. 191	567, 164
Belgium	8, 910, 448	9, 495, 680	9, 973, 148
Brazil	5, 318, 515	5, 453, 024	6, 311, 288
Canada	1, 833, 644	2, 496, 650	7, 713, 696
China	2, 872, 183	1, 619, 686	1, 320, 150
Colombia	1, 586, 057	1, 968, 739	2, 984, 113
Cuba	1, 442, 553	3, 185, 107	3, 744, 354
Dominican Republic	285, 857	290, 238	357, 174
Egypt	2, 109, 264	4, 107, 981	3, 370, 047
Finland	353, 201	499, 960	756, 180
Gold Coast	148, 077	459, 302	546, 270
India	5, 342, 133	4, 244, 814	4, 597, 938
Mexico	4, 387, 319	7, 574, 698	8, 714, 546
Morocco	1, 450, 489	1, 703, 530	1, 588, 659
Netherlands	2, 370, 176	2, 266, 081	2, 034, 434
Netherland India	1, 010, 970	1, 558, 633	1, 619, 539
Netherland West Indies	305, 488	405, 776	421, 873
New Zealand	2, 545, 005	3, 562, 567	4, 546, 605
Palestine	1, 481, 056	1, 079, 409	375, 991
Panama	191, 391	757, 781	797, 002
Peru	1, 379, 182	2, 085, 543	2, 238, 139
Philippine Islands	2, 629, 667	3, 097, 469	3, 449, 026
Portugal	1, 010, 567	1, 068, 641	1, 058, 878
Sweden	4, 231, 665	6, 598, 543	7, 269, 632
Syria	683, 209	607, 342	350, 842
Turkey	408, 378	502, 479	626, 121
Union of South Africa	15, 503, 765	18, 132, 993	23, 550, 829
United Kingdom	4, 720, 543	5, 666, 517	7, 393, 371
Venezuela	1, 099, 219	2, 028, 700	3, 558, 499
Total	81, 044, 726	100, 283, 935	119, 894, 081

[1] Complete vehicles only.

Source: Automotive-Aeronautics Trade Division.

United States exports to some of the countries in which importation of American motor vehicles are restricted[1]

[Restricted]

Country	Type of restriction	1934 value	1935 value	1936 value
Australia	Quota	$7, 831, 147	$11, 685, 447	$10, 059, 412
Bolivia	Exchange	944, 609	328, 768	447, 445
British Malaya	British preference	127, 460	180, 874	153, 394
Ceylon	do	93, 696	152, 454	120, 417
Chile	Exchange	703, 672	956, 057	934, 496
Denmark	Import permit	2, 941, 279	1, 502, 743	1, 545, 577
Ecuador	Exchange	230, 457	462, 131	442, 606
France	Quota	869, 616	788, 930	953, 025
Greece	do	499, 544	730, 898	524, 381
Hong Kong	British preference	111, 999	164, 621	98, 907
Iran	Quota and monopoly	1, 621, 771	2, 000, 150	2, 332, 481
Japan	Automobile monopoly, law, and quota	7, 770, 205	7, 655, 407	6, 350, 186
Lithuania	Import license	18, 604	17, 013	23, 836
Mozambique	Quota	52, 829	142, 732	206, 912
Nicaragua	Exchange control	12, 285	24, 916	16, 902
Norway	Import license	1, 531, 435	1, 509, 282	1, 576, 843
Rumania	Import permit	152, 748	661, 822	695, 180
Switzerland	Quota	1, 354, 953	883, 338	1, 188, 339
Total		28, 874, 309	29, 847, 583	27, 670, 429

[1] Complete vehicles only.

Source: Automotive-Aeronautics Trade Division.

United States exports to some countries in which the importation of American motor vehicles is definitely unfavorable[1]

[Definitely unfavorable]

Country	Type of restriction	Motor vehicles		
		1934 value	1935 value	1936 value
Albania	Importation of passenger cars prohibited	$23,157	$50,217	$70,033
Austria	Small quota	24,668	34,282	71,463
Bulgaria	Compensatory export requirements	20,766	37,292	72,193
Czechoslovakia	Quota	59,178	125,117	163,389
Estonia	Import license	71,952	138,074	125,106
French Indochina	French preference	136,156	203,212	139,323
Germany	High duty and exchange	519,765	614,675	194,564
Hungary	Import permit	8,068	20,282	9,416
Iceland	Government monopoly	41,631	12,966	750
Irish Free State	Small quota	306,219	433,545	573,762
Italy	High duty and exchange	372,145	724,234	416,080
Latvia	Import license	61,741	114,652	92,685
Poland and Danzig	Compensatory export requirements	50,103	128,800	264,575
Spain	Internal situation and quota	3,057,392	3,068,167	1,063,034
Yugoslavia	Exchange permits	41,744	125,950	81,813
Total		4,794,682	5,831,474	3,338,191

[1] Complete vehicles only.

Source: Automotive-Aeronautics Trade Division.

Mr. Frank Wheeler, of New York City, National Association of Manufacturers.

STATEMENT OF FRANK R. WHEELER, REPRESENTING NATIONAL ASSOCIATION OF MANUFACTURERS

Senator King. For the record, just state your name and representation.

Mr. Wheeler. My name is Frank R. Wheeler. I am treasurer of the Rossie Velvet Co., of Mystic, Conn. I am here as a representative of the tariff committee of the National Association of Manufacturers to express the collective views or concensus of opinions of our membership on the proposed extension of the Reciprocal Trade Agreement Act.

Also, I wish to state that I do not intend to discuss any particular trade agreement, but solely the general principles involved, since the time that has elapsed from the signing of many of these agreements has been too short to enable anyone to finally judge whether or not either increased exports or imports, or both, has been the result. Nevertheless, data thus far available indicates that during the period of January to Novmber 1936, as compared with January to November 1935, imports increased 17 percent in value, while exports increased only 8 percent. The actual increase in imports from nations which we have reciprocal trade agreements with during the period January to October 1936 were 23 percent over the same preceding period, while our exports to these countries increased 12 percent.

In this connection I would like to point out that it is almost a physical impossibility to determine whether or not we are securing the benefits we anticipated when we made these agreements, since the inclusion of the unconditional most-favored-nation clause in an agreement immediately enables all countries with whom we have such treaties to benefit from the concessions we make to the other contracting party, and likewise any concession that we might secure is granted to all other countries subscribing to the unconditional most-favored-nation clause. Due to the fact that complete figures on imports are not issued in sufficient time, it is impossible to segregate as yet the trade affected by these agreements in order to have some sort of a measuring stick wherein we could determine whether or not a particular agreement was beneficial to our interests.

The National Association of Manufacturers is heartily in accord with the general objective of the proposed legislation, which is the expansion of foreign markets for the products of the United States, which in turn will help to increase the purchasing power of the American public and will tend to establish and maintain a better relationship among the various branches of American agriculture, industry, and mining.

The principle of reciprocity in international trade has been consistently advocated by the National Association of Manufacturers for over 40 years. Since its organization the association has clearly recognized that reciprocity is a vital principle in our trade with other nations and that it must become one of the essential elements in our foreign commerce.

In 1895 the National Association of Manufacturers stated that—

> The principle of reciprocity should be embodied in national legislation in accordance with the requirements of equity, so that reciprocal trade relations between the United States and foreign countries may be developed and extended as far as practicable.

Throughout the history of the National Association of Manufacturers this viewpoint has been reiterated time and time again; and in regard to the proposed extension of the Trade Agreements Act of 1934, the National Association of Manufacturers is favorable to this extension, provided that certain modifications are made in the act, which it believes will make for truer reciprocal bargaining and would likewise make the act more effective in the objectives it seeks to promote.

Senator KING. Do you suggest in your address there something about those?

Mr. WHEELER. Very definitely, Mr. Chairman.

The 1936 Congress of American Industry stated as follows its basic position on reciprocal treaties:

> We believe such agreements should be negotiated with specific countries, with corresponding benefits to both the United States and the foreign country involved.

It is our belief that the following provisions must be incorporated in the act if we are to achieve this goal.

First, there should be included in the act a specific provision which would assure American employees, farmers, manufacturers, and others who might be affected by an agreement that they they would get at least 3 months' advance notice of intention to negotiate and of subjects to be considered, to adequately permit them to prepare and submit arguments in support of their contentions.

We are of the opinion that the people whose interests might be in jeopardy are those who should be given first consideration in these matters, and that they should be given definite indications as to whether or not their products and enterprises will be affected.

Recently a new procedure was inaugurated by the State Department, in that an informal notice of intent to nogitiate with Ecuador was made substantially prior to the issue of the formal declaration. This is in accord with the belief expressed by many Senators at the time the act was under consideration in 1934. Senator Royal S. Copeland declared that he was of the opinion that "any interested industry was to have advanced notice of intention to make a change in the tariff. It was understood that there was to be a hearing under such circumstances." We believe that such a procedure should be definitely stated in the act itself, in order to provide ample time for American producers to prepare their case, and that advance information of the specific items subject to consideration should be given.

Secondly, on account of the chaotic and unsettled conditions that exist in the field of international trade and finance and the possibilities of further currency depreciation and its attendant dislocation of trade as a result, the act itself should provide for incorporation in each agreement of a currency protection clause—similar, for example, to those now included in the Finland, Costa Rican, French, Belgian, Canadian, Swiss, Netherlands, Brazilian, Nicaraguan, Guatemalan, and Houduran agreements.

The French agreement provisions, for example, read as follows:

> In the event that a wide variation occurs in the rate of exchange between the currencies of the United States of America and France, the Government of either country, if it considered the variation so substantial as to prejudice the industries or commerce of the country, shall be free to propose negotiations for the modification of this agreement or to terminate this agreement in its entirety on 30 days' written notice.

It is imperative that such a provision be included in every agreement, and as a corollary to this it is extremely desirable that close attention be paid to wide movements in foreign exchange which would be injurious to American producers as a result of such currency disorders.

Senator VANDENBERG. Has that clause been left out of any treaties?

Mr. WHEELER. To my knowledge, this was the only one which specifically made the provision, Senator.

Senator VANDENBERG. I thought you read quite a list of countries in which you said provision was made.

Mr. WHEELER. Well, the language, I believe, which is taken only from the French agreement, is as specific as this. I would be glad to furnish information on that point if you wish.

Senator VANDENBERG. All right.

Mr. WHEELER. In the case of France, since the signing of our trade agreement with them, their currency has been depreciated approximately 30 percent, from 0.0659 cent on September 25, 1936, to 0.0466 cent on February 10, 1937, and it is quite evident that this has given French producers an increased advantage at our expense.

There has been much discussion as to whether or not these trade agreements should be ratified by the Senate. I am not a lawyer and do not intend to make any detailed analysis of this phase of the matter, but it seems obvious that if the agreements are legally regarded as treaties it is necessary that they be submitted to the Senate for ratification. Presumably, on the other hand, if they are merely executive agreements, then such Senate ratifications might be required, but would not be mandatory under the Constitution.

In this connection it is interesting to note that of the 15 agreements that have been signed to date, at least 4 definitely provide for legislative ratification in the foreign countries, while 9 others are believed to require such ratification under their own constitutions. Apparently in connection with only two of the agreements, Belgium and Cuba, is foreign legislative ratification clearly unnecessary.

We do not urge that all tariff agreements should be referred to the Senate for ratification, but suggest for your consideration the advisability of providing in the extension act that if the foreign nation stipulates that its approval is dependent upon legislative ratification, that we should in such cases provide for Senate ratification.

Another matter of serious import is the fact that in several trade agreements the negotiators have definitely restricted, or attempted to restrict, our internal taxing power. For example, in the agreement between the United States and Colombia, article III reads as follows:

> Articles the growth, produce, or manufacture of the United States of America or the Republic of Colombia enumerated and described in schedules I and II, respectively, shall, after importation into the other country, be exempt from any national or Federal internal taxes, fees, charges, or exactions other or higher than those imposed by laws of the Republic of Colombia or the United States of America, respectively, in effect on the day of signature of this agreement.

In the agreement with the Netherlands there appears the following in schedule II:

> No Federal internal tax in excess of the rate of 3 cents per pound now provided for in section 602½ of the revenue action of 1934 shall be imposed in the United States in respect of palm oil the product of the Netherlands or any of its overseas territories.

An article similar to the one included in the Colombian agreement also appears in our agreement with Brazil.

Secretary Hull specifically indicated before the House of Representatives in 1934 in the hearings on the original Reciprocal Trade Agreement Act, page 9, hearings before the Committee on Ways and Means, House of Representatives, Seventy-third Congress, second session, on H. R. 8430, that no action was contemplated with respect to purely internal excise taxes, and it seems clear from the discussion that it was not the intention of Congress to grant any authority over purely internal-revenue exactions. Nevertheless, the three provisions so referred to above clearly constitute a promise that there shall be no new taxes or no increase in domestic tax rate on the products enumerated in the agreement.

It is true that a few lawyers have maintained the treaty power may be used to abandon Federal powers by treaty, but even if this should be done Senate approval would be prerequisite. When such abandonment is promised by executive agreement, it seems clearly beyond the executive power, certainly without previous approval by the Congress, particularly of that branch which must initiate revenue legislation.

It is quite clear that hereunder the trade agreements we are actually delegating control over our internal taxes, and it is our contention that Congress did not intend to delegate such a sweeping power to levy or adjust or modify excise taxes by means of this Trade Agreement Act. Such provisions should not be included, and in those agreements where they now appear they should be abrogated at the earliest possible moment. The act itself, moreover, should, in our opinion, be modified so as to prohibit such internal tax control in reciprocal agreements.

The Trade Agreements Act in its present form is administered on the principle that the agreements concluded thereunder should be made on the unconditional most-favored-nation basis; that is, that all concessions granted in the agreements shall be extended generally to all nations who are not discriminating against American commerce. At the present time only two countries are in the class of those who cannot receive the benefits of concessions, Germany and Australia.

We are not in agreement with this principle. We believe that the continuance of the unconditional most-favored-nation provisions is inconsistent with the theory of reciprocal tariffs. They extend the benefits of reciprocal tariff provisions to those not parties to the agreements, giving the benefits and getting nothing in return. We continue to believe now as we did in 1895 that:

> The basis upon which reciprocity rests is the simple business principle of demanding an equivalent favor for every concession granted or offering a concession for every favor we ask.

We do not wish you to believe that we are opposed to the unconditional most-favored-nation stipulations in the negotiation of commercial treaties. The National Association of Manufacturers in 1925 approved of the adoption and maintenance of this policy, but pointed out the fact that the unconditional most-favored-nation clause does not necessarily prevent tariff discrimination against American products through classifications and import restrictions.

I might say parenthetically here, Mr. Chairman, that I think that was illustrated in Mr. Graham's statement in regard to France.

We then foresaw the possible repercussions and dangers of the maintenance of such a policy when international trade conditions and foreign exchange were relatively stable. The chaotic situation that has existed since 1929 in this field makes the problem still greater.

We are in favor of unconditional most-favored-nation clauses. We are in favor of reciprocal tariff agreements. We are not in favor of the two together.

The argument in favor of using the conditional most-favored-nation clause in connection with reciprocal tariff agreements has been well expressed as follows by the United States Tariff Commission, composed of such experts as Dr. F. W. Taussig, Dr. Thomas Walter Page, and others, in its special 1919 Report on Reciprocity and Commercial Treaties, page 42:

> The evidences show that the conclusion of reciprocity treaties is likely to lead to claims from States outside the agreement, which, if granted, will defeat the purpose of the treaties, and which, if not granted, occasion the preferring of a charge of disloyalty to treaty obligations. The practice of making reciprocity treaties requires the conditional construction of the most-favored-nation clause.

There is a real question, moreover, as to whether we actually get the benefits from the unconditional clauses which we are supposed to get. Thus, Prof. John Donaldson, of George Washington University, economist with the United States War Trade Board, 1918 to 1919, and research director for the President's special advisor on foreign trade 1934 to 1935, states in Social Science, April 1935, pages 146–149:

Such treaties were and are most frequently either "honored" in the breach or kept from full and real effect by various devices which may represent sophistication but which have not in the past appealed to the American sense of consistency. * * * One device is the insertion in most-favored-nation treaties of various kinds of restriction clauses. One very common type of restrictions is the exemption of border trade. Another is the specification in the most-favored treaty of lists of commodities to which the most-favored nation principle is applicable and lists to which it is not. Moreover, it is a common, if not always avowed, practice in European and other countries to consider quotas and exchange controls and other quantitative restrictions as being outside the scope of the unconditional most-favored nation, which robs the principle of proper force and meaning.

Other devices for preserving the unconditional most-favored nation policy in name, getting the benefits of violation of its true spirit in practice, are even less satisfactory. They are used elsewhere, but I doubt if we care to use them. Thus country A, a European manufacturing nation, makes an agreement with a country elsewhere, country B, and the latter gives a rate reduction on automobiles, but makes the concession exclusive in practice by specifications which cover only automobiles made in A, and not in the United States, and thus preserves a pretense of unconditional most-favored nation. Do we want that kind of deal? * * * I question whether American policy should resort to such devices. But without them, a study of the facts of trade reveals that either the unconditional most-favored-nation principle cannot be preserved, or the reciprocal trade agreement program cannot be made substantially effective either in stimulating American imports, or, as the act provides, both imports and exports. The two policies are inconsistent in principle and in good practice.

The distinguished Secretary of State in his letter to this committee advocated reciprocal tariff agreements as a means of eliminating "international economic warfare." But there is real reason for doubting whether the unconditional most-favored-nation clauses actually increase agreements contributing to this end. Thus Professor Donaldson says:

> Under the unconditional policy our bargaining power will diminish. If we conclude a trade agreement with Zulu, in which, in return for a concession from her of tariff-rate reduction on our mousetraps, we reduce our tariff rate on her coconuts to us, Timbuctu will not be disposed to give us concessions or perhaps even to negotiate with us at all, because she will get the same rate reduction on her coconuts automatically.
>
> Our bargaining power would be reduced even in the beginning. Zulu would be nonchalant about our mousetraps, or even about any negotiations at all, in the thought that if she only waits, Timbuctu will arrange the coconut matter.

Senator KING. Those are rather dark regions in which to predicate a determination of this question, are they not?

Mr. WHEELER. But, anyway, evidently Professor Donaldson selected them for obvious reasons.

Senator VANDENBERG. We are dealing with a dark subject.

Senator BARKLEY. Will this shed any light on it?

Mr. WHEELER. I think it does.

> The idea of setting a shining example scarcely seems to apply to the world of realities about us, nor does there seem much hope that we can by such a policy enforce other nations' general most-favored-nation commitments to us

any better than we can enforce them now. It would be trite to review here the hosts of special restrictions and special deals affecting foreign trade almost everywhere, from quotas and exchange controls to agreements concerning them; these are indulged in, in one form or another, by practically all the countries having most-favored-nation commitments with us—they do not mean to discriminate against us; they just have their fingers crossed when we try to tag them.

In summary we believe the Reciprocal Agreement Act should be extended, but that the act should be amended to include the following provisions:

First. Definite requirements of at least 3 months' advance notice to, and opportunity for hearing by, interested industries, workers, and agriculturists.

Second. Senate ratification to be essential where the foreign nation provides for legislative ratification.

Third. Provision that agreements shall make no restriction as to our internal tax rates.

Fourth. Provision that each agreement should contain a provision providing protection against substantial currency changes.

Fifth. Definite divorcement of unconditional most-favored-nation clauses from reciprocal agreements.

Senator KING. Mr. Wheeler, what manufacturing associations generally does your organization represent?

Mr. WHEELER. We represent every type of manufacture in the country, Mr. Chairman. I am informed that there are directly something like 3,000 members and through affiliations some 40,000 additional.

Senator KING. Does your organization represent what might be called the textile manufacturers and manufacturers of clothing?

Mr. WHEELER. That is correct.

Senator KING. And glassware and cement and all those organizations?

Mr. WHEELER. Yes, sir.

Senator KING. Thank you very much.

Senator BARKLEY. Does your statement here represent the consensus of all of the membership of the American Manufacturers Association?

Mr. WHEELER. It does, Senator.

Senator BARKLEY. Or only a special group?

Mr. WHEELER. It does, sir. It represents the consensus of opinion as typified by its tariff committee.

Senator BARKLEY. How was that consensus arrived at?

Mr. WHEELER. Well, as I understand the operation, the tariff committee is charged with the responsibility in regard to tariff matters.

Senator BARKLEY. You have not taken any census of the members to determine how many of them agree to your suggestions?

Mr. WHEELER. I cannot answer that question, but I can furnish you with the information.

Senator KING. How are you enabled to come here and speak for your association?

Mr. WHEELER. As a member of the tariff committee. The chairman, unfortunately, was unable to be present himself.

Senator BARKLEY. Who is the chairman of it?

Mr. WHEELER. Mr. Derby.

Senator BARKLEY. How many members of that committee?

Mr. WHEELER. There are 25.

Senator BARKLEY. What industries do they represent?

Mr. WHEELER. I haven't the list available by memory, Senator, but I will be glad to have it furnished.

Senator BARKLEY. Yes; put it in the record.

(Subsequently the following was submitted:)

N. A. M. TARIFF COMMITTEE, 1936

H. L. Derby, chairman, New York, N. Y.; president, American Cyanamid & Chemical Corporation.

Henry Abbott, New York, N. Y.; president, Calculagraph Co.

Paul N. Anderson, Jamestown, N. Y.; president, Dahlstrom Metallic Door Co.

D. E. Bates, Lansing, Mich.; president, Reo Motor Car Co.

Henry S. Bromley, Philadelphia, Pa.; president, North American Lace Co.

John J. Conway, Bridgeport, Conn.; first vice president, The Acme Shear Co.

E. G. Davies, Easton, Pa.; vice president, C. K. Williams & Co.

A. T. Eastwick, Bridgeport, Pa.; president, James Lees & Sons Co.

Harold T. Edgar, Metuchen, N. J.; president, Edgar Brothers Co.

M. H. Eisenhart, Rochester, N. Y.; president, Bausch & Lomb Optical Co.

D. C. Everest, Rothschild, Wis.; vice president, Marathon Paper Mills Co.

Wirt Franklin, Oklahoma City, Okla.; president, Wirt Franklin Petroleum Corporation.

C. L. Gairoard, Newark, N. J.; sales manager, J. Wiss & Sons Co.

Frank R. Henry, Dayton, Ohio; vice president and secretary, Simonds Worden White Co.

John W. Hooper, Brooklyn, N. Y.; comptroller, American Machine & Foundry Co.

T. Frank Kendrick, Germantown, Philadelphia, Pa.; secretary, James R. Kendrick Co., Inc.

J. L. Knipe, Lancaster, Pa.; assistant manager foreign operations, Armstrong Cork Co.

A. E. Mallon, Minneapolis, Minn.; vice president, Pillsbury Flour Mills Co.

Roy C. McKenna, Latrobe, Pa.; president, Vanadium-Alloys Steel Co.

H. G. Metcalf, Auburn, N. Y.; president, Columbian Rope Co.

William L. Monro, Pittsburgh, Pa.; president, American Window Glass Co.

W. W. Nichols, New York, N. Y.; assistant to chairman, Allis-Chalmers Manufacturing Co.

W. E. Penny, Auburn, N. Y.; president, Cayuga Linen & Cotton Mills, Inc.

George Royle, Jr., Philadelphia, Pa.; treasurer, George Royle & Co.

Taylor Strawn, Chicago, Ill.; vice president, Elgin National Watch Co.

Guy A. Wainwright, Indianapolis, Ind.; president, Diamond Chain & Manufacturing Co.

Stanley Williamson, New York, N. Y.; Union Carbide Co.

Julius Wolf, Philadelphia, Pa.; executive vice president, Schoble Hats, Inc.

C. K. Woodbridge, New York, N. Y.; Arbuckle Bros.

J. D. Zellerback, San Francisco, Calif.; executive vice president, Crown Zellerbach Corporation.

Frank R. Wheeler, 1441 Broadway, New York, N. Y.; treasurer, Rossie Velvet Co.

Senator KING. Has there been any general discussion among the subsidiaries and auxiliaries and the larger manufacturers generally of this question?

Mr. WHEELER. To my knowledge, there has.

Senator KING. What proportion of the manufacturing plants of the industries of the United States does your organization represent?

Mr. WHEELER. I am afraid I cannot furnish that from memory, Mr. Chairman, but I will be glad to furnish it.

Senator KING. In the matter of output, what would you say, or production? Would you say 80 percent or 90 or 60 or what? You have 40,000.

Mr. WHEELER. Well, I would say it represents a very large proportion.

Senator BARKLEY. Does the membership of your national association represent as much as 51 percent of the production in this country?

Mr. WHEELER. I would say that that would be a reasonable estimate, although I don't want to hazard a guess. That is a matter of statistical record, and I am sure it can be furnished.

Senator KING. Generally what industries, manufacturing plants, or organizations are outside of your organization? It seems to be so comprehensive. I was wondering what it excludes or what it does not exclude?

Mr. WHEELER. I don't think, Mr. Chairman, that it excludes any particular branch of industry. As you are probably familiar, in my own State for example, I happen to be engaged in the manufacture of velvets; I know that there are certain members of our own industry who are not members of the national association. In other words, it is very largely an individual situation. Now they may be indirectly as a result of being members of State organizations.

Senator KING. There are State organizations——

Mr. WHEELER. That are affiliated with the national association.

Senator BARKLEY. You mean to say that there is only one firm of the velvet manufacturers who is a member of the national association?

Mr. WHEELER. No; I don't mean to say that. I do know of two firms in the industry who are not. I cannot tell you that, out of the approximately 16, how many there actually are.

Senator BARKLEY. I thought you said it was an "individual matter", and I thought that you meant that that individual concern belonged to the association.

Mr. WHEELER. Oh, no; I did not mean to imply that.

Senator BARKLEY. All right.

Senator KING. Thank you very much.

Is there any witness here who lives out of the city and is very anxious to conclude his statement today?

Mr. PEABODY. I am.

Senator KING. Or it is imperative that he appear—because we will not be able to finish.

Mr. PEABODY. I am very anxious to.

Senator KING. What is your name, please?

Mr. PEABODY. Peabody.

Senator KING. How much time do you want, Mr. Peabody?

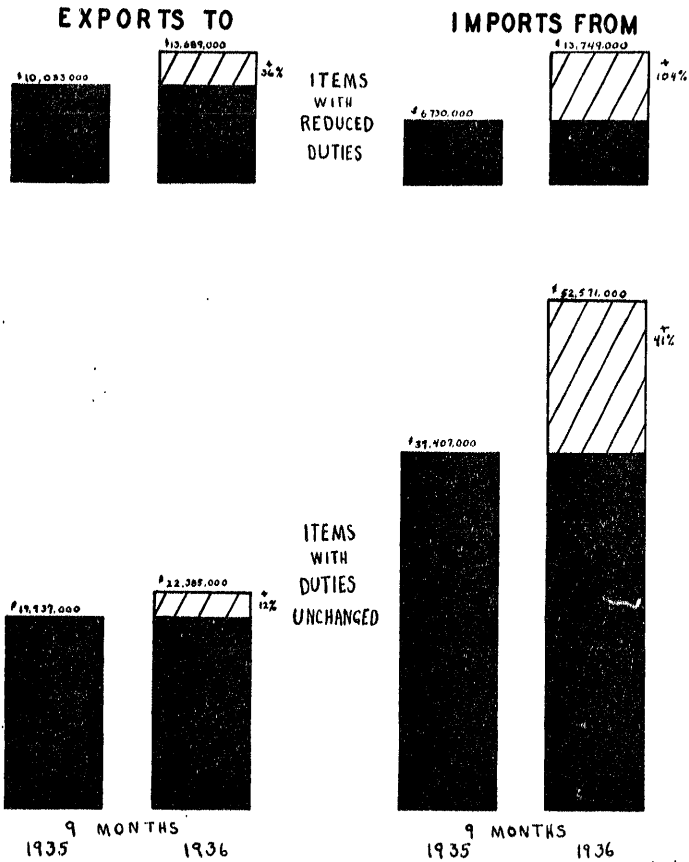
Mr. PEABODY. I will try to economize in time. I cannot guess. If there are no questions, probably 20 minutes or 25 at the outside.

Senator KING. Is Mr. Culbertson here?

A SPECTATOR. He said he would be here on Monday.

Senator KING. Come forward then, Mr. Peabody.

AGRICULTURAL TRADE WITH CANADA



Source: U. S. Dept. Agri. For Crops and Markets 11/23/36

STATEMENT OF WALTER R. PEABODY, SECRETARY OF THE AMERICAN TARIFF LEAGUE, NEW YORK CITY

Senator KING. For the record, Mr. Peabody, state your name, address, and the organization you represent.

Mr. PEABODY. Walter R. Peabody, secretary of the American Tariff League, New York City.

Mr. Chairman and members of the committee, I want to confine my discussion as much as I can to things that, as far as I am aware, have not been put in the record. I have tried to follow it, and while I would like to supplement it in the sense of approving some things that have been said, I do not want to impose on your time.

Senator KING. If you desire to submit something for the record after you have concluded your statement, you may do so.

Mr. PEABODY. Thank you.

I want to talk principally about the economic aspects of the trade-agreements program. It is perfectly true, as some witnesses have said, that we haven't a long period of observation of results, but the results that we are able to analyze, the first returns, are I think rather remarkably consistent.

I am sorry that this particular chart is so crudely done. Our statistical chief has been sick, and I did this by hand last night. But to preface and supplement as far as seems necessary I think it must be said without any real possible answer that the change in our trade that has taken place since the trade-agreements program started, the greater increase in imports than exports, but an increase in both, cannot be primarily attributed to the results of the trade agreements program, either as far as exports are concerned or as far as imports are concerned.

It can be said, though, I think with equal positiveness, that a much larger proportion of the increase in imports may be attributed to the trade-agreement program that can the increase in exports.

The topic has been touched on, but I think the chart will help visualize it. It relates only to our agricultural trade with Canada, 9 months, taken from the Department of Agriculture bulletin, and I think, without reading the figures, it will illustrate. [Indicating on chart.] These are on absolute scales. We have reduced in our exports to Canada duties on what amounted to $10,000,000 worth in 1935. In 1936 the exports amount to a little less than $14,000,000. That is an increase of $3,656,000—36 percent increase in exports to Canada, where Canada made concessions.

Now, here we find that the agriculture exports to Canada not covered by the agreements total almost $20,000,000 in 1935 and slightly more than $22,000,000 in 1936, an increase of 12 percent. That is, the agriculture exports were stimulated where there was concession.

But turning to the import side of the picture, we made concessions on what amounted to $6,730,000 worth of agriculture imports in '35. In the first 9 months of '36 that figure has more than doubled. It represents now $13,749,000 worth of imports, the red on the chart representing the amount of increase, and the percentage there is 104 percent.

Senator BARKLEY. What period is that, 9 months?

Mr. PEABODY. Nine months. This is the last official tabulation I can find.

Senator BARKLEY. Those figures represent the total imports——

Mr. PEABODY. Of agriculture products. These are the ones on which concessions were made, these [indicating] where no concessions were made. Where concessions were not made, $37,000,000 imported in 1935, $52,000,000 in 1936. That is an increase of $15,000,000; but on a percentage basis, 41 percent. In other words, if that is characteristic, even roughly, of the way the agreements operate, the percentage increase where concessions have been made is much greater than the rate of increase in operations coming outside of them, although the total increase is greater for nonagreement items.

Senator BARKLEY. What did those agricultural imports consist of?

Mr. PEABODY. I have—and if it will facilitate putting it in the record, it can be taken directly from the table of foreign crops and markets and put in that way—I can give you a very brief summary of the principal ones.

Senator BARKLEY. Is that a Government publication?

Mr. PEABODY. This is a Government publication, Department of Agriculture. The only thing that they did not do there was calculate the percentages. I calculated those. The imports that are listed, of concession items: Cattle, poultry, cheese, cream, cereal breakfast foods, oats, certain vegetables, turnips and seed potatoes and peas, fruits, fresh fruits—that is, apples, blueberries, some others—and certain grasses that are mentioned, timothy, Canada blue grass, maple sugar, and then there is a catch-all phrase. I could amplify the record with a more detailed analysis, but there is that much.

Senator BARKLEY. Suppose you put in the record so much of that table as bears on the questions I asked you.

Mr. PEABODY. I will be very glad to do so.

(The matter submitted by Mr. Peabody is as follows:)

TABLE A.—*United States: Exports to Canada of agricultural commodities on which duties were reduced, January–September 1935 and 1936*

[Compiled from official records of the Bureau of Foreign and Domestic Commerce]

Commodity	Unit	January-September			
		Quantity		Value	
		[1] 1935	[1] 1936	[1] 1935	[1] 1936
Animals:					
Horses	Head	123	231	$56,000	$66,000
Live poultry	Thousand pound	9	25	6,000	13,000
Other				212,000	244,000
Total animals				274,000	323,000
Meats:					
Pork, pickled or salted	Thousand pound	397	2,362	43,000	208,000
Hams and shoulders	do	104	431	44,000	89,000
Bacon and sides	do	38	109	7,000	14,000
Pork, canned	do	69	129	29,000	47,000
Pork, fresh	do	303	51	40,000	5,000
Other meats	do	296	350	60,000	54,000
Total meats	do	1,207	3,432	223,000	477,000
Other animal products:					
Lard (including neutral lard)	do	518	1,552	64,000	183,000
Sausage casings	do	712	550	219,000	112,000
Eggs in the shell	Thousand dozen	15	100	10,000	33,000
Miscellaneous				7,000	20,000
Total animal products				300,000	348,000
Grains and grain products:					
Corn and cornmeal	Thousand bushel	[2] 114	[2] 381	228,000	356,000
Rice, cleaned	Million pound	7	3	234,000	99,000
Wheat and wheat flour	Thousand bushel	[3] 13	[3] 68	22,000	87,000
Biscuits, unsweetened	Thousand pound	670	752	72,000	77,000
Hominy and corn grits	Million pound	6	6	136,000	118,000
Other				111,000	291,000
Total grains and grain products				803,000	1,028,000
Vegetables and preparations:					
Potatoes	Million pound	10	11	134,000	274,000
Other fresh vegetables				2,280,000	2,885,000
Canned vegetables				63,000	96,000
Dried vegetables				64,000	63,000
Vegetable preparations				100,000	127,000
Total vegetables and preparations				2,641,000	3,445,000
Fruits and preparations:					
Oranges, fresh	Thousand box	[4] 768	[4] 1,109	[4] $1,911,00	[4] $2,621,000
Grapefruit, fresh	do	371	400	651,000	847,000
Apples, fresh	Thousand pound	[5] 5,311	[5] 7,001	149,000	166,000
Pears, fresh	do	10,139	14,823	347,000	456,000
Other fresh fruit				1,638,000	2,223,000
Pears, dried	Thousand pound	213	283	14,000	19,000
Peaches, dried	do	1,151	1,428	82,000	114,000
Apricots, dried	do	463	971	54,000	102,000
Other dried and evaporated fruit	do	590	1,061	33,000	58,000
Apricots, canned	do	12	158	1,000	11,000
Peaches, canned	do	104	105	8,000	8,000
Pineapples, canned	do	519	1,552	44,000	112,000
Other canned and preserved fruit	do	1,102	1,332	108,000	136,000
Total fruit and preparations				5,040,000	6,878,000
Nuts:					
Pecans	Thousand pound	95	827	43,000	193,000
Other nuts	do	330	333	84,000	63,000
Total nuts	do	425	1,160	127,000	256,000

[1] Preliminary.
[2] Cornmeal converted at the rate of 4 bushels of corn to 1 barrel of meal.
[3] Wheat flour converted at the rate of 4.7 bushels of wheat to 1 barrel of flour.
[4] January to April, free entry having been granted under the agreement for these months only.
[5] Apples converted at the following rates: 48 pounds to 1 bushel basket, 44 pounds to 1 box, 140 pounds to 1 barrel.

Compiled from official records of the Bureau of Foreign and Domestic Commerce.

TABLE A.—*United States: Exports to Canada of agricultural commodities on which duties were reduced, January–September 1935 and 1936*—Continued

[Compiled from official records of the Bureau of Foreign and Domestic Commerce]

Commodity	Unit	January-September			
		Quantity		Value	
		1935 [1]	1936 [1]	1935 [1]	1936 [1]
Molasses	Thousand gallon	212	293	42,000	45,000
Sirup, including maple	do	41	35	9,000	11,000
Malt extract and sirup	Thousand pound	96	132	7,000	8,000
Fruit juices	Thousand gallon	284	509	209,000	347,000
Field and garden seeds	Thousand pound	1,269	3,461	204,000	309,000
Nursery and greenhouse stock				136,000	200,000
Miscellaneous items				18,000	19,000
Total				10,033,000	13,689,000
Cattle:					
Weighing less than 700 pounds [6]	Thousand head	36	75	1,156,000	1,173,000
Weighing 700 pounds or over	do	57	138	3,471,000	6,968,000
Total cattle	do	93	213	4,627,000	8,141,000
Poultry:					
Live	Thousand pound	8	799	4,000	126,000
Dead [7]	do	(8)	169	(8)	40,000
Total poultry	do	8	968	4,000	166,000
Horses worth not over $150 each	Thousand head	5	15	522,000	1,782,000
Cheese: [9]					
Cheddar [10]	Thousand pound		9,346		1,251,000
Other	do	594	[11] 281	78,000	[11] 53,000
Total cheese [9]	do	594	[12] 9,627	78,000	[12] 1,304,000
Cream	Gallons	406	15,338	(8)	22,000
Cereal breakfast food	Thousand pound	308	2,177	33,000	246,000
Hay	Thousand tons	[13] 18	26	[13] 165,000	188,000
Oats [14]	Thousand bushels	773	45	313,000	16,000
Vegetables:					
Turnips and rutabagas	Million pound	49	74	280,000	485,000
Seed potatoes (white)	do	3	24	27,000	326,000
Peas, green	Thousand pound	53	0	3,000	0
Total vegetables				310,000	811,000
Fruits:					
Blueberries, frozen	Thousand pound	1,046	1,452	48,000	78,000
Apples	Thousand bushel	5	5	6,000	6,000
Other	Thousand pound	88	979	9,000	80,000
Total fruits				63,000	164,000
Grass and other forage seeds:					
Timothy	Thousand pound	1,974	21	357,000	2,000
Canada bluegrass	do	112	110	13,000	12,000
Other	do	46	1,561	9,000	105,000
Total grass, etc	do	2,132	1,693	379,000	119,000
Maple sugar	do	1,036	5,029	236,000	790,000
Total				6,730,000	13,749,000

[6] Agreement affected only those weighing less than 175 pounds. These were not separately classified before Jan. 1, 1936.
[7] Does not include poultry imported free for use as ship's stores.
[8] Less than 500.
[9] Excludes Swiss, Romano, Reggiano, Provoloni, Roquefort.
[10] Included in "other" prior to Jan. 1, 1936.
[11] Not a concession item.
[12] Excludes also Gruyere, Edam, and blue-mold.
[13] Does not include hay imported free during 1935 shortage.
[14] Duty was reduced only on "oats, hulled, unfit for human consumption", not separately classified before Jan. 1, 1936, and during the first 9 months of 1936 formed 40 percent by volume and 35 percent by value of the item shown.

Mr. PEABODY. I choose that one first, because that is the Department of Agriculture's own calculation. Following that we have undertaken, since the agreements came out, to follow them as carefully as we can. When the Belgian agreement had been completed a year we analyzed the imports in detail. We did the same thing with the Swedish when that had been completed for a year.

In substance, the story that is told by the Canadian Agriculture is also told with these other agreements. There has been a greater increase in imports than in exports, and there has been the greatest change in the movement of commodities where duties were cut by the United States.

The summary on the Swedish agreement, for example, shows that at the end of the first complete year in which the agreement was in operation our imports from Sweden increased by slightly more than $11,000,000, which was an increase of 32 percent. Split up, segregating the commodities where concessions in duty had been made from commodities where no reduction was made, we find that the rate of increase where we made reductions in duty is approximately 80 percent, with the rate of increase in the other being approximately 30. But again, in total value, the increase in commodities where no concession was made was much greater in dollar value.

On the export side there was an increase of exports to Sweden of $4,591,000, 13-percent increase. The increase in exports to Sweden of commodities in which Sweden reduced duties to the United States was 12 percent; the increase in other commodities 13 percent. But on a value basis the total increased exports to Sweden on commodities where they made concessions in duty was $184,000. The bulk of the increase exported 4 million four-hundred-and-odd thousands dollars was on commodities where Sweden gave us no concession.

I could multiply that with the story of our findings on the Belgian agreement. I think you will find that it is also borne out by the record which I understand Mr. Sayre inserted on Wednesday of 6-months' analysis of the Canadian agreement in full. I have not seen the thing that he submitted, but I assume that it is the one that has been prepared and released by the Department of State, which does cover the whole thing, with again essentially the same story.

Senator KING. Isn't it true that if there had been no reduction or no reciprocal-trade agreements with some of these countries that you have just described our exports would have been less? With the status quo anterior to this agreement, the time the agreements had been made, would not our exports to those countries have been less?

Mr. PEABODY. I doubt it very much, Senator. As far as I know, there is no way of proving it, but even in the case of Cuba our increased trade to Cuba set in before the agreement was completed. It was the change in economic conditions. The same was true in the case of Canada. We were already moving out from the low when the agreement was completed. And the record shows such a large proportion of the increases was outside of concession items that I think it is almost indefensible to maintain that the increase in export trade is in any large measure due to trade agreements. Of course, you can pick out a few commodities.

I think, as a matter of record—this is a personal opinion, we have not analyzed the thing so deeply—I think the automobile industry probably has got more direct tangible gain than any other industry or agricultural group in the country, and I do not thing it amounts to very much. I am sorry that Mr. Graham did not have and read into the record the table that Senator Vandenberg asked for, because I think that one would find that a considerable part of the increase in automobile exports has not gone to agreement countries.

Senator GERRY. Have you got any statistics showing possible effect of the favored-nation clause with other nations under these agreements?

Mr. PEABODY. I have a long list of it, sir. If it makes no difference, I will refer to them a few moments later, although I can—well, in the Belgian case—

Senator GERRY. It is all right to refer to them later if you want to.

Mr. PEABODY. This is all right. I shall leave out a good deal of what I have here anyway, out of appreciation for being allowed to go home tonight.

In the case of the Belgian agreement, without reading into the record the whole set of figures, the increased imports from Belgium of items where the United States made concessions in duty was $3,880,000. That is an increase of 111 percent at the end of the first year of the Belgian agreement.

In that same period there were imports from other countries of those same items which exceeded the imports of previous years by $2,221,000.

In other words, the increased imports from Belgium was that figure of $3,800,000. The increase from other countries of those same commodities getting the benefit of the rates that were granted on the Belgian agreement amounted to $2,221,000.

There are specific instances; for instance, some instances where the total importation that has followed the reduction in duty has followed from some other country than the country in which the concession was made. There are not many of those, but there are a few.

Senator VANDENBERG. Can you illustrate that?

Mr. PEABODY. I have no premeditated case here. I can take the first one that comes to light on that.

Six months of the Canadian agreement, reduction was made in the duty on cobalt oxide—no imports from Canada. Imports to the value of $376,000 from some other countries getting the benefit of the reduction in duty.

Senator KING. I presume that that reduction in duty which Canada might have taken advantage of but which some other country did enabled us, however, to ship to that other country commodities in payment of that $300,000?

Mr. PEABODY. I don't see why that would follow.

Senator KING. Well, we would pay for it some way, would we not? Would it not be paid for by exchange of commodities ordinarily?

Mr. PEABODY. May I suggest something? I am happy to get into that, but if I do I am going to want an extra few minutes. That opens up, as I see it, pretty much the whole theory of this thing.

Senator KING. Let me say that it is not cash-and-carry, our dealings as between nations. It is not one-way, is it, a one-way lane?

Mr. PEABODY. No.

Senator VANDENBERG. It is not all imports and exports either.

Senator KING. No.

Mr. PEABODY. The other part of it are the imports and exports for which we haven't got the full record.

Senator KING. However, when we were exporting as we were a number of years ago five or six billion dollars worth of commodities a year, the greater part of that was paid for by imports into the United States.

Mr. PEABODY. The intangible items in the trade of the United States have, ever since the World War, represented a very appreciable part of our total trade, and I think even Secretary Wallace on one occasion suggested that the offset might be merely idle funds, or something of that sort, and could not be expected to be charged up to trade movement.

But, if you care to go on with that discussion, I should be delighted, but I would like your indulgence in some time then.

Senator KING. Well, I think we had better limit ourselves to the matter in issue.

Mr. PEABODY. All right, sir.

Now, the other particular thing I wanted to speak of again is background of what has taken place. I have not cultivated 4 acres of tobacco. I have done a little haying, a little potato-bug chasing, and things like that, but I am not a farmer. But I have been tremendously interested. I noticed in the record Wednesday, Secretary Wallace started out his first appeal "Export market for farm products." I went as far as I could last night. If I had had more time I would have gone further.

He mentioned first cotton, leaf tobacco, wheat.

In the 14 agreements that are now in effect there have been no concessions in duty or increased quotas granted to the United States on cotton. Two countries have agreed not to increase the duty, two countries have agreed to leave it on the free list, but no specific concessions to stimulate the movement of cotton have been made. I was going to ask permission to put in the record a somewhat more detailed statement. I can amplify here if it is desirable.

In leaf tobacco, which has been discussed, there have been two reductions in duty, Colombia and Cuba. France increased the quota. That is all out of 14 agreements, unless you want to count two countries, that agreed not to increase the duty later, that is, binding agreements.

Our exports of leaf tobacco from the United States to all countries last year jumped from 381,000,000 pounds to approximately 408,000,000 pounds. To Colombia, taking only the period the agreement was in effect—the agreement came into effect May 20, 1936; June through December, inclusive, 1935, giving round numbers here, the detail is on the sheet—29,000 pounds, and after the reduction in duty, 44,000 pounds, an increase of some 16,000 pounds out of the total increase of 27,000,000 pounds.

Cuba, which gave us the reduction, the exports in 1935 zero. I did not get the figure for 1936. The customs figures became available down in their own workshop only day before yesterday, and they have to be taken off the sheets, and knowing that 1935 was zero, I did not check, but that was under the agreement, the agreement was in operation.

To France, which increased its quota, the agreement becoming effective in June 1936—June 15—exports 6 months in 1935, 1,403,000 pounds. The exports for the 6 months in 1936, July-December, 463,000 pounds, 1,000,000 pounds less. But that is one of the concessions we offered as favorable to agriculture. It may change in the future, of course, but for the moment the record shows there was an increase in leaf tobacco last year, the whole of it, plus a little more, which will have to be credited to improved market conditions where we have not had concessions made.

In wheat the picture is somewhat the same. One reduction in duty, Canada, and one or two increases in quota, depending on how one interprets the Netherlands agreements. Switzerland increased its quota, and the Netherlands agreed to purchase milling wheat in the United States equal to 5 percent of their total consumption, "provided"—and this is quoted from their agreement—"that the price is competitive with world prices."

The record shows a slight increase to Canada, no exports to Switzerland, and a fairly substantial increase to Netherlands, always bearing in mind of course that even in 1936 our wheat exports are still nominal and the market we had once is still gone; but out of 14 agreements, 1 reduction in duty and 1 or 2 increases in quotas.

SUMMARY OF CONCESSIONS GRANTED AND TRADE IN CERTAIN IMPORTANT AGRICULTURAL EXPORTS

I

Fourteen agreements are now in effect. Agricultural exports to these countries amounted to $171,495,043 in 1935.

II. COTTON

Cotton exports to the 14 countries with which agreements are now in effect amounted to $79,202,862 in 1935. This is 46.2 percent of the total agricultural exports to these countries in 1935.

Deductions in duty	0
Increased quotas	0
Bound duties (Cuba, Switzerland)	2
Bound on free list (Canada, Netherlands)	2

III. LEAF TOBACCO

Reductions in duty (Colombia, Cuba)	2
Increased quota (France)	1
Bound duties (Belgium, Netherlands)	2

Exports of leaf tobacco from the United States to all countries:

1935	pounds	381, 182, 000
1936, approximately	do	408, 000, 000

The Colombian agreement became effective May 20, 1936.

Exports June–December:

1935	pounds	28, 965
1936	do	43, 040

The Cuban agreement became effective September 3, 1934.

Exports 1935	0

The French agreement became effective June 15, 1936.

Exports July–December:

1935	pounds	1, 463, 314
1936	do	462, 756

IV. WHEAT

Reductions in duty (Canada)	1
Increased quotas (Switzerland)	[1] 1
Bound duties (Guatemala)	0

[1] In addition the Netherlands Government agreed to purchase milling wheat in the United States equal to not less than 5 percent of the total consumption of foreign milling wheat in the Netherlands "provided that the price * * * is competitive with the world price * * *."

Exports of wheat from the United States to *ALL* countries:

1935	bushels	233,000
1936	do	1,879,000

The Canadian agreement became effective January 1, 1936.

Exports January–December:

1935	bushels	9,501
1936	do	53,641

The Swiss agreement became effective February 15, 1936.

Exports March–December:

1935	bushels	0
1936	do	0

The Netherlands agreement became effective February 1, 1936.

Exports February–December:

1935	bushels	0
1936	do	335,599

Total increase in exports of wheat in 1936 over 1935, 1,646,000 bushels, of which 379,739 bushels went to agreement countries which made concessions either in duty or increased quota.

I think I should add—I would have gone further if I had had time to do it—I am quite certain that the record on some of the specialty crops would not be quite as unhappy as those three, but these are the three most important agricultural products, and it has been represented time and time again that the trade-agreement program was going to be something to rehabilitate the export market for agriculture, and they are starting with the peak, with cotton representing 20 or 25 percent sometimes of our total exports with nothing done.

Then, as I say, I would like to put in the record two tables, short ones, still on the subject, but instead of dealing with commodities they go back to the Belgian and Swedish agreements. I have here the Swedish one. Sweden at the end of 1 year, the total change in our agricultural exports where they had made concessions in duty was a net increase of less than $130,000.

Belgium, 1 year's operation of the Belgian agreement and at the end of the year there was a net decrease in agricultural exports to Belgium of items in which they made concessions amounting to $182,000. They may not be typical. We have seen in the case of Canada there was some benefit, but to these European countries which have been held out as perhaps, certainly in the past, the most important export market for American agriculture, as far as we have a record to date, the trade-agreement program cannot point to any major, or even any considerable, improvement in trade which can be claimed as a fruit of the program.

AGRICULTURAL EXPORTS UNDER SWEDISH AGREEMENT

A majority of the reductions in duty granted by Sweden in the trade agreement with the United States related to agricultural products. The net increase in exports to Sweden of agricultural products on which duties were reduced was $126,797. The complete story of our export trade in these items is shown in the following table:

Exports from the United States to Sweden of agricultural commodities on which Sweden granted concessions

	12 months ended July—	
	1935	1936
Duty reduced:		
Raisins	$369,424	$350,488
Cereal breakfast foods:		
Hominy and corn grits	0	0
Corn breakfast foods	30,111	36,533
Oatmeal	0	0
Wheat breakfast foods	1,259	1,348
Cereal foods, n. e. s.	2,651	2,488
Preserved fruits, jellies, and jams	1,260	3,226
Canned fruits:		
Peaches	19,274	41,525
Apricots	7,007	13,575
Pineapples	50,174	119,485
Pears	11,128	16,441
Mixed fruits for salads	8,894	17,398
Grapefruit	87	615
Canned soups (vegetable)	923	1,866
Baked beans, and pork and beans (canned)	8	0
Grapefruit	2,091	13,686
Total	504,291	618,674
Seasonal reductions extended:	*Figures only for months indicated*	
Apples, fresh:		
In baskets (January)	0	0
In boxes (January)	50,203	23,923
In barrels (January)	41,881	59,788
Pears, fresh (December and January)	23,272	44,059
Total	115,356	127,770
Grand total	619,647	746,444
Net increase		126,797

Exports from the United States to Belgium for the first 12 months of the trade agreement of agricultural commodities on which Belgium granted concessions, compared with exports of the preceding 12 months

	12 months ended April—	
	1935	1936
Duty reduced:		
Honey	$330	$3,331
Oatmeal, oat groats, and flaked and rolled oats	49,369	11,403
Apricots, dried and evaporated	187,379	279,617
Grapefruit	16,242	14,513
Peaches, dried and evaporated	9,262	6,939
Pears, fresh	2,602	16,031
Pears, dried and evaporated	8,249	7,274
Apples, dried and evaporated	24,286	45,575
Prunes, dried and evaporated	392,855	443,684
Canned pork	7,909	11,938
Canned fruit	231,412	318,861
Annual quota increased:		
Lard	263,636	68,278
Cornstarch and cornflour	91,494	106,816
Pork: Hams and shoulders, cured; bacon; and Cumberland and Willshire sides	2,303	3,665
Linseed oil cake (quota withdrawn, special tax reduced)	2,712,670	2,479,833
Total	3,999,989	3,817,848
Net decrease		182,141

I would like to go on from there with the thought, which I do not want to elaborate on unnecessarily, but to leave in your minds this point: Our import trade already, in quantitative terms, is far above what it was in 1923–25, according to the Department of Commerce's own estimate. Our export trade is not. I don't think that this committee would be——

Senator KING. Are you speaking of 1923 or 1933?

Mr. PEABODY. Average of 1923–25. The import trade is above. I don't have the figure here; I think for last year it was about 110. Mr. Fox may know. And the exports somewhere around 78 percent of what they were in 1923–25.

We all know, it has been made a matter of discussion so often, that part of our export trade during that period was a result of the post-war adjustment period in Europe. Part of it was the result of our foreign loan policy, and if you take those two things into consideration, and add to it a recognition of the changes that are taking place in the world today, industrial changes and agricultural changes, I don't think we have any basis for expecting that, by any device, short of trying to give our things away, we can ever get our export trade back to the level that we knew it.

We don't want to make the kind of loans that we made before. The rehabilitation of Europe has partly taken place, and along with it—and thanks to the impetus of the depression—we have had in the last 5 or 6 years a tremendous expansion of industrial experiments in other countries, and these other countries are doing the same thing that we have talked about and heard so much about that is happening in Japan. They are using the most modern productive methods, and they are importing managers, supervisors, from this country, with the result that you have the equivalent factory set-up not only in Japan but coming in China, coming in the Balkan States, and unquestionably not long distant in other countries, where the output per labor hour is equal to, and in some cases higher, than the output per labor hour in the United States.

The minute you get that situation, then you have something far different from the old arguments as we used to think of them in the tariff. We all know you cannot compare wage per hour here with wage per hour abroad.

Senator KING. You could not a number of years ago. You cannot now, generally speaking.

Mr. PEABODY. Of course, that was used, but it was not careful. But today—and what always should have been—you must compare, because it is the significant thing competitively, the labor costs, and where Japanese, using that illustration merely because it is well known, can produce as much per hour as an employee in a factory in New Bedford or in the South, then that difference in wage becomes significant in the production cost and gives a competitive advantage that our present tariff structure cannot compete with.

You are all familiar with the recent attempt on the part of the textile industry to get some kind of a voluntary agreement. We had a tariff adjustment upwards which, as I am told by members of the industry, really meant nothing, and so they had this commission, and they have an agreement, which I hope for their sakes is successful, though personally I am awfully skeptical about it.

But where that solves their problem for the moment, that problem of competitive imports by labor that is as efficient as it is here is coming up and is from not one front today but from many fronts.

Senator KING. Your contention is that technologically they have made improvements so that they have reached the same standard which we have reached, and that in wages, while they are very much less, the output per man or per hour is substantially the same?

Mr. PEABODY. In a great many instances. I don't want to be misunderstood on that. I don't want to imply that it is universally true, but there is scarcely a month that goes by but what I hear of additional evidence of some new trade in a foreign country that is adopting the best methods.

Senator KING. Without being critical though, hasn't the Tariff League from its origin, and particularly during the nineties, and during this century up to the present time, for that matter, been very responsive to the demands of the manufacturer as well as the importer for increased tariffs?

Mr. PEABODY. I assume it has. My personal knowledge does not go back that far.

Senator KING. It has been its object to secure higher tariffs, hasn't it?

Mr. PEABODY. But I think, as a matter of fact, sir, you might be a little surprised to know what we have undertaken to do in recent years. Those studies from which I have drawn some of these inferences have been made to find out what was happening. We have suppressed nothing. We have taken the Belgian agreement. We have analyzed the whole thing. We are not trying to hide behind a partisan thing. If a tariff policy should be changed, as we see it, for the good of the country, I think we would be one of the first ones to come down and tell you so.

Frankly, much as I would like to delve into the history of that, I have not taken the time to go back.

Senator VANDENBERG. You have not discovered anything to change your position?

Mr. PEABODY. As I see it, if anything, we might be coming down—I was coming to this; I anticipated a little.

Senator KING. Coming down not for tariff?

Mr. PEABODY. Not in terms of rates but in terms of a change in principle. My own feeling—and this is personal, because we have not acted formally on this—we have had a number of extensive discussions dating back ever since the trade-agreement program has begun—the joker that is involved in the existence of the most-favored-nation principle lies in the fact that, while a great many people, let us say—I take an illustration out of the air—are sympathetic to trade with England, the tariff rate that will allow competition from England without being disruptive, would result in complete devastation to American industry if that same product was produced in one of the newer industrialized countries, and I think it is the fear of that that has created a great deal of the objection to generalization.

I think, more than that, that it is the recognition of the differences in standards, production standards, that has brought us to the point where this committee probably should be the one to sponsor a tariff program, tariff policy, that was looking forward instead of playing with a bad situation, which I think you are doing with these trade agreements. You are not facing the issue of the future.

Senator VANDENBERG. Do not our progressive pay-roll taxes for social security further add to the differential in this international competition?

Mr. PEABODY. Indeed they do. You mention pay-roll taxes; but we are all of us faced with, many of us disposed to make, as many concessions as we can in the way of wage payments which will yield a better standard of living. In other words, internally we have been committed to a policy of higher standards of living which, translated, mean in considerable measure more wages, additional security taxes, and the like; and then in these trade-agreement programs you are making agreements which can last indefinitely into the future. As far as I know, I think every agreement except the Belgian provides that when the terminal date has come it shall continue in effect until such time as 6 months' prior notice has been given. The only difference in the Belgian is that the terminal date is not set, unless I have missed something there, but there is still 6 months' notice. In other words, if we make an agreement which is going to carry us on into the future, we are pretty severely bound.

There was some discussion this afternoon, I think, that Congress could override. I believe you suggested yourself that under those circumstances you would be taking an action which would probably provoke more ill will and feeling abroad than under any other type of thing.

Senator KING. I don't think that where there was an agreement that the United States ought to just—out of the air, so to speak—abrogate it, but take it up and negotiate with a view to its modification or its abrogation, just like you would with a treaty. I would be opposed to the abrogation of a treaty that had been solemnly entered into with a country with which we had good relations. I would oppose abrogating it overnight. I would take it up diplomatically and try and work out a program that would be satisfactory, and, failing which, then, of course, if we desired to abrogate it, do so.

Mr. PEABODY. Well, of course, I inferred that from your other observation; but the point is, as I see it, the minute that you get into these negotiations designed to last, you are going to be awfully reluctant to take action; and here we have 14 agreements binding to reduce duties, binding existing taxes, and, as pointed out this afternoon promising to even impose internal taxes on certain imports. The more we do that, the more hamstrung we are to cope with the changes that are taking place in world economy so rapidly today, that we will be in a bad hole.

I know—it may have been in the record, but I have not heard it—there are what you might call escape provisions in most of these agreements. If a third country reaps the benefit of a concession, it can be taken out—and various other things. But I suspect that we are going to be tremendously reluctant to exercise those things, and in my own judgment, again, if you are going to extend this policy you ought to circumscribe those things to make certain things mandatory, if for no other reason than to give those who do the work somebody else to share the responsibility with.

Senator KING. Mr. Witness, I don't mean to say that your observations indicate the philosophy of the Chinese wall around the

United States, but don't you think that the position which your organization is taking, and your opposition to attempts to negotiate trade agreements, calls for as a goal the self-sufficiency policy, so that we would have no trade relations?

Mr. PEABODY. Absolutely no.

Senator VANDENBERG. I would say, instead of a Chinese wall around the country, it was aimed at preventing a Chinese standard in the country.

Mr. PEABODY. I think that would be a very clear way of putting it. I thank you for translating it.

Senator KING. No; but the reason I asked you that——

Mr. PEABODY. There is no thought in this opposition at all of decreasing trade. I think that, as I stated in the beginning, the trade-agreement program has not resulted in increase in trade, but that results of increase in trade have come primarily from other factors. I think it still will be true, and that more than anything else stabilization in world currencies and stabilizing our monetary activities will rehabilitate trade.

Senator KING. I thought you were emphasizing the fact of increased productivity of labor in other countries and the development of technology in those countries.

Mr. PEABODY. And I would like to point out the greatest hazards in these trade agreements. We have a changing economy, a dynamic world. There will be new industries next year and the year after in Columbia and in Brazil and in various South American countries, not to say Japan and China. Those industries will be doing the best they can and paying low wages and getting high productivity. If we do not leave ourselves with a greater flexibility, preferably a well-defined principle, not a principle of embargo, but a principle of equalization of some sort, then we cannot cope with the future so that we will not be badly stuck.

Senator VANDENBERG. Have you any data or statistics or information that will enable you to comment specifically upon the statement of the editors of the London Economist that Great Britain already has obtained such great trade advantages——

Mr. PEABODY. I am sorry you asked that, Senator. I know you read that in the Record the other day. My own answer to that would be that that is not so.

Senator KING. You think that they have——

Mr. PEABODY. I think if we entered into a negotiation with Great Britain in regard to tariffs, I suspect that the—I am not going to name four men. I don't know who does all this work. But I suspect somebody—maybe 400 men, I don't know—has got a list now that would run up to two or three hundred commodities, where we had made no concession and where Great Britain would like to see a concession made.

Senator VANDENBERG. And our neutrality is probably one of the commodities on their list.

Mr. PEABODY. Of course neutrality—war debts—Heaven knows what else. But in terms of tariff duties there is plenty left that can be given away.

Senator VANDENBERG. Oh, yes; I am sure of that.

Mr. PEABODY. I will not run over the time I asked for, Senator, but there are two other things I would like to mention. One, there has been a change in procedure announced. It is a welcome change, but there remains the fact that when these agreements were negotiated, and you go over the list of the commodities, the people who are to come down before the Committee for Reciprocity Information to argue their case, they are without possession of the information that exists already, presumably, in the hands of the negotiators. I quote from the 28th Annual Report of the Tariff Commission, 1936.

"Approximately 1,600 summaries have been completed in preliminary draft"—and it is parenthetical "September 1936"—"of which about 1,200 have been mimeographed for the use of the Commission and other governmental agencies."

I cannot see any excuse in not making that information available to every interested party long before they have to prepare their own affidavits and make up their own case to come down here.

The problem of coming in without the information, without knowing what is really in the possession of the hands of those making negotiations, is a tremendous handicap, though it is a small handicap by comparison with the other matter which I will just mention.

There are no standards in this act. This act has been compared with other reciprocal authorizations of Congress. Most of the others clearly define certain specific commodities, and certain other things. This act gives a latitude of 50 percent. As far as the law goes, you could reduce the duty because they do not like the color of a man's eyes. I know they don't do it that way, but I don't know why they do certain things nor does anyone else outside of their group. A man comes down here to defend himself and he does not know whether, in the minds of some people, the fact that he paid a different profit last year than most people did might be taken to indicate that his tariff was too high. Nobody knows.

And of course I think that fundamentally it is completely out of order to authorize negotiation of agreements without having disclosed what considerations shall be taken into account.

Senator VANDENBERG. As a matter of fact, one of the statements issued in explanation of one of these agreements, as I recall it, stated specifically that this reduction really would not hurt the American producers if they would reduce the salaries in their companies.

Mr. PEABODY. There was one, as I recall it—I am not sure of it verbatim, but as I read it, it included one company. I don't know whether that one company was characteristic of the industry.

Senator VANDENBERG. In other words, as I read that explanation, it looked to me as though these gentlemen were undertaking to rebuild our social economy inside as well as our external economy.

Senator KING. Have you sought the information from those who have been conducting these negotiations?

Mr. PEABODY. Well, if I may rephrase your question, I have discussed often with many of them, and they have been most gracious and most courteous, and some of these changes that have taken place have been discussed with them at great length.

Senator KING. You, as representing your organization, have obtained information whenever you sought it?

Mr. PEABODY. Not of the sort I am asking now; no.

Senator KING. What are you speaking of specifically?

Mr. PEABODY. Standards. I could not tell a member of my organization positively what type of information is regarded as most significant. I can make some guesses, and I do, but I don't know positively. I don't think that anyone out of the group knows positively what standards are looked for or accepted. In a general way, we know, of course, and in a general way we expect considerable amount of reasonableness, but what is reasonable to one man is not to another.

Senator KING. Were there reasonable standards when we were drafting tariff laws under which there was one-hundredth part of 1 percent imports, or we imposed a traiff of three or four thousandths percent? Was that a reasonable standard?

Mr. PEABODY. Well, now, we are getting back, Senator, to the historical aspect. I am not a historian. I am hoping to make progress and not go backward.

Senator KING. I think those were rather dark ages when that sort of tariff bill was drawn.

Senator VANDENBERG. We cannot pass on those now.

Mr. PEABODY. I won't make any objection. But I think most emphatically that the definition of standards, a pretty careful definition, belongs in any declaration of policy if you are going to pass it over.

Senator VANDENBERG. Wouldn't there be substantial protection of all fundamental commodities if there was an amendment which prohibited the reduction of any rate below a point which would protect the American cost of production?

Mr. PEABODY. That ought to do it. I know that—and here you get right up against one of the controversial things—you are going to be told, "We cannot get the information", and then they want to proceed. Of course, I don't think they should proceed unless you can show positively the evidence; that is, you should not guess that the differences exist.

I found this, Senator King—but I perhaps can illustrate it best by parallel—every now and then I meet some friend who is going to send his son off to college where I went 20 years ago. He asks me about some fraternity. I don't know any more about the fraternities in Amherst today, anything new, than I did when I graduated, and if I am not careful I am going to tell that fellow which one in my estimation was good and which was bad 20 years ago.

I think an awful lot of our judgments on this type of things, where you are making a duty, are likely to be predicated on obsolete information.

Now, I know that these people that have worked on these agreements have undertaken to be very careful, but nobody knows what information they have, nobody knows what standards they have, and in one specific case—that is why I feel it fair to mention it—in discussing a certain product generally, with two people, who may have something to do with it, I don't know—they are in a position where they might—they have described conditions in textile plants, or the textile industry, about as the conditions were in 1923, and I was talking with them in 1935.

Now, suppose, acting on that kind of procedure, you make a concession, you make a binding duty, and then you wake up to find that the other countries have got our methods and their wages, and we are in a hole.

And so I would hope at least, again speaking this part without specific formal authorization—that the committee, if it sees fit to approve going on with this policy experimentally, write into the bill which the resolution would extend some very specific restrictions on the conditions under which concessions might be made.

I thank you very much indeed for your courtesy in letting me appear now and letting me talk myself out instead of hitting me down with the gavel.

I might say Mr. Lerch, who was scheduled to appear with me, will file a brief on the legal aspects, in the interest of time and consideration of the committee.

(The brief furnished by Mr. Lerch is as follows:)

MEMORANDUM IN OPPOSITION TO EXTENSION OF TIME FOR OPERATION OF RECIPROCAL TARIFF AGREEMENT ACT

To: The Senate Finance Committee, United States Senate, Washington, D. C.

The American Tariff League hereby opposes the enactment of legislation providing for an extension of time for the operation of the Reciprocal Trade Agreement Act—Public, No. 316 of the Seventy-third Congress.

The memorandum herewith will consider:

I. The lack of constitutionality of the delegation of the power which the reciprocal trade agreement seeks to confer upon the President.

II. Invalidity due to lack of ratification.

III. The desirability of reinstating by amendment sections 336 and 516 (b) of the Tariff Act of 1930, in the event the present time limit for the act to operate is extended.

I

In the so-called A. A. A. case (*United States* v. *Butler*, vol. 80, no. 5, p. 287 of the U. S. Sup. Ct., Law. Ed., Advanced Opinions), the majority opinion lays down its method of approach when an act of Congress is challenged as not conforming to the constitutional mandate. At page 293, it states:

"There should be no misunderstanding as to the function of this court in such a case. It is sometimes said that the court assumes a power to overrule or control the action of the people's representatives. This is a misconception. The Constitution is the supreme law of the land ordained and established by the people. All legislation must conform to the principles it lays down. When an act of Congress is appropriately challenged in the courts as not conforming to the constitutional mandate, the judicial branch of the Government has only one duty, to lay the article of the Constitution which is invoked beside the statute which is challenged and to decide whether the latter squares with the former. All the court does, or can do, is to announce its considered judgment upon the question. The only power it has, if such it may be called, is the power of judgment. This court neither approves nor condemns any legislative policy. Its delicate and difficult office is to ascertain and declare whether the legislation is in accordance with, or in contravention of, the provisions of the Constitution; and, having done that, its duty ends."

At page 294, the Court speaks of the powers reserved to the States, and those governmental powers the people by their Constitution have conferred upon the United States, as follows:

"The question is not what power the Federal Government ought to have but what powers in fact have been given by the people. It hardly seems necessary to reiterate that ours is a dual form of government; that in every State there are two governments—the State and the United States. Each State has all governmental powers save such as the people, by their Constitution, have conferred upon the United States, denied to the States, or reserved to themselves. The Federal Union is a government of delegated powers. It has only as are expressly conferred upon it and such as are reasonably to be implied from those granted."

The power in Congress to lay duties, although embraced by the taxing power (Constitution, clause 1, sec. 8, art. I), may, nevertheless, be exercised as a regulation of foreign commerce (Constitution, clause 3, sec. 8, art. I). It may not be questioned that the legislature may exercise this power by laying duties to encourage the industries of the United States, and to this end may determine what articles may be imported into this country and the terms under which such importation is permitted. This power is exclusive and plenary, and Congress may, and undoubtedly does, in its tariff legislation consider the conditions of foreign trade in all its aspects and effects, including its effects upon the commercial and industrial welfare of the United States. These principles, long the subject of political controversy, were finally settled by the Supreme Court in *Board of Trustees* v. *United States*, 289 U. S. 48.

The act of June 12, 1934, was enacted in the exercise of this plenary power of Congress to regulate foreign commerce. This is its declared purpose, to be accomplished by expanding foreign markets for the products of the United States and corresponding market opportunities for foreign products in the United States. To this end the President is authorized to enter into foreign-trade agreements with foreign governments or instrumentalities thereof and by proclamation carry out the agreement by increasing or decreasing existing duties or other import restrictions. The duties and other import restrictions proclaimed by the President apply to articles the growth, produce, and manufacture of all foreign countries, and with modifications as to Cuba, not merely of these countries with which such agreements are made. Having proclaimed such duties and restrictions, the President may immediately suspend their application to the products of any country "because of its discriminatory treatment of American commerce or because of other acts or policies which, in his opinion, tend to defeat the purposes set forth in this section." The only standard prescribed for the exercise of these plenary legislative powers thus delegated to the President is that he must find as a fact that before entering into any trade agreement or proclaiming any change in duties or import restrictions, that the existing duties or restrictions of the United States or of any foreign country "are unduly burdening and restricting the foreign trade of the United States, and that the declared purpose of the statute will be promoted" by the proposed trade agreement of the proclaimed change in duties or other import restrictions. It is further provided that no proclamation shall be made increasing or decreasing by more than 50 percent any existing rate of duty or transferring any article between the dutiable and free lists.

Upon the principles laid down in *Panama Refining Co.* v. *Ryan* (293 U. S. 388) and in *A. L. A. Schechter Poultry Corp.* v. *United States* (295 U. S. 495), the act under consideration appears to be an unconstitutional delegation of legislative power to the President. In both the oil and poultry cases the Supreme Court of the United States declared:

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

In the poultry case, it was held that a finding that the general purposes of the statute would be promoted by the President's exercise of legislative power was not a finding of fact but was a mere expression of opinion, leaving him free to exercise his discretion as he saw fit. This principle applies to section 350 (a) of the Tariff Act of 1930, as amended June 12, 1934.

The only other condition precedent to Presidential action is that he shall find that any existing duties or other import restrictions of the United States or of any foreign country are unduly burdening and restricting the foreign trade of the United States. The statute does not specify a reduction in rate of any specific merchandise, nor mention which existing rates or restrictions are to be the subject of agreement or those unduly burdensome and restrictive.

The statute authorizes the Presidents (1) to enter into agreements wih foreign countries modifying existing duties and import restrictions that may, in his opinion, be burdening and restricting the foreign trade of the United States, and (2) to proclaim such modifications of those duties and restrictions which, in his opinion, are required or appropriate to carry out such agreements, but these duties and restrictions become applicable to imports from all countries unless the President suspends the application, and this he may do because of acts or policies of any country which, in his opinion, tend to defeat the general purposes of the act. By selecting the merchandise, by fixing the rate, by determining restrictions and providing for their remedy, by selecting a country to enter an agreement, by suspending the duties and restrictions with relation to a particular country—in all these acts the President's discretion is absolutely unfettered and uncontrolled except by his own opinion as to what "may be needed or advisable for the rehabilitation and expansion of trade and industry" (*Panama Refining Co.* v. *Ryan, supra*).

The principles upon which delegations of power must be treated were fully developed and defined by the Supreme Court of the United States in *Hampton & Co.* v. *United States* (276 U. S. 394) and *Field* v. *Clark* (143 U. S. 649). A summary of legislation which has in the past delegated to the President the power to suspend, increase, and decrease customs duties appears in *Norwegian Nitrogen Co.* v. *United States* (288 U. S. 294, at pp. 308-309). While in each of these cases the particular delegation of power was sustained as constitutional, the principles established therein formed the basis of the decision in the oil and poultry cases.

In *Field* v. *Clark, supra*, the tariff act provided that if the President was satisfied that the government of any other country imposed duties upon agricultural or other products of the United States which "he may deem to be reciprocally unequal or unreasonable", he should have power to suspend the provisions of the act relating to the free induction of certain commodities into the United States, in which case certain tariffs prescribed in the act of Congress should become applicable. The President's action, the Court found, was to be determined upon the basis of findings with respect to the commercial regulations of other countries, and nothing involving the expediency of the legislation was left to his determination. In other words, he was the mere agent to the lawmaking department to ascertain the event upon which its expressed will was to take effect.

In *Hampton & Co.* v. *United States, supra*, the President's action was made determinable by his findings on the question of whether the duties fixed in the act equalized the differences in cost of production in the United States and in the principal competing country with respect to a given article.

In both the *Field* and *Hampton cases* the Court sustained the validity of the statutes under consideration, but the principles on which those decisions are based point clearly to the invalidity of section 350 (a). The Reciprocal Tariff Act has not laid down any principle on which the President shall act. It has not confined itself to delegating to him the power to investigate and determine facts on which the application of the law is to depend. Giving to the President power to adjust our tariff duties to equalize the differences he may find to exist between the costs of production at home and abroad is quite different from the attempt of section 350 (a) to give to the President unlimited power to change duties or impose restrictions.

Under the provisions of section 350 (a) the President's authority, through the exercise of his tariff-bargaining power with all the nations of the world, to revise duties and restrictions upon imports within the 50-percent limit prescribed by the statute appears to be absolutely unfettered and uncontrolled by any standard considered and adopted by Congress in the exercise of its power to prescribe the legislative policy which must guide executive action. The phrases "unduly burdening and restricting the foreign trade of the United States", and "because of other acts or policies which in his opinion tend to defeat the purposes set forth in this section", do not in any sense bind or control the exercise of the power attempted to be delegated by the statute.

The modification of tariff schedules and restrictive provisions need not relate to the action of any country, to the condition of any particular trade or industry, to the discriminatory or retaliatory legislation of any particular country, or to any particular facts, except the making of a trade agreement with a single country. Indeed, if the President finds it desirable to expand our foreign markets through concessions granted by a foreign government and to open our domestic markets by concessions given in exchange, he may revise the tariff schedules without regard to costs of production here and abroad or the resulting effects upon particular industries in this country.

The principles outlined have, in the past, been fully recognized and followed in instances in which legislation has been enacted dealing with the exercise of the power to regulate foreign commerce which the Constitution has granted exclusively to Congress.

The Tariff Act of 1930, which the reciprocal trade agreement amends, is replete with instances of the extreme caution Congress exercises in its legislation when an instrumentality is selected to administer the legislative will. As may be noted in each instance, the formula for its exercise is carefully specified. Some examples follow:

"Section 336 dealing with changes of rates of duty by Presidential proclamation, after hearings had before the United States Tariff Commission.

"Section 337 which provides for embargo by Presidential proclamation in instances where, after investigation by the United States Tariff Commission, unfair practices in import trade have been shown to exist.

"Section 338 wherein provision is made to prevent discrimination against our trade by foreign countries.

"Section 307, whereby the importation of convict-made goods is excluded, and the importation, the product, of other forms of forced labor, is regulated."

II

Since the act authorizes the President (1) to enter into agreements with foreign countries modifying existing duties and import restrictions that may be burdening and restricting the foreign trade of the United States, and (2) to proclaim such modifications of these duties and restrictions as are required or appropriate to carry out such agreements, the question arises whether they are treaties in the sense in which that term is used in the Constitution (article II, sec. 2), or whether they constitute an international agreement generally distinguishable from treaties.

It is within the knowledge of your committee that not one "treaty" entered into by force of section 350 (a) has been ratified by a two-thirds vote of the Senate. The Senate vote on the Reciprocal Tariff Act was 57 to 33.

It is also within your knowledge that with respect to each "treaty" adopted, each involves revenue and revisions of rates downward and with few exceptions each is of general application to all countries of the world.

Illustrative of the doubt existing at the time of promulgation as to the nature of the agreements the statute had in contemplation, we quote from reciprocal trade agreements. Hearings before the Committee on Ways and Means, House of Representatives, Seventy-third Congress, second session, on H. R. 8430 (p. 354):

"Mr. TREADWAY. You used the words 'treaty agreement', I am quite certain.

"Mr. SAYRE. If I did in connection with this bill, I beg that it be allowed to be altered to 'trade agreement.'

"Mr. TREADWAY. I am quite certain that you used the words 'treaty agreement', and so far as my own part of the discussion is concerned, I should like it to stand. So far as your own corrections are concerned, it is your privilege to make them, of course.

"Mr. HILL. I do not see that there is any point in that. There might be a treaty agreement, but it would have to be ratified by the Senate. Now, an executive agreement does not have to be ratified by the Senate.

Mr. SAYRE. That is correct.

"Mr. HILL. That is the distinction between treaties and Executive agreements?

"Mr. SAYRE. That is correct. The bill provides authority for the making of Executive agreements."

In *B. Altman & Co.* v. *United States* (224 U. S. 583), it is stated:

"Generally, a treaty is defined as a 'compact made between two or more independent nations, with a view to the public welfare' (2 Bouvier's Dictionary, 1136). True, that under the Constitution of the United States the treaty-making power is vested in the President, by and with the advice and consent of the Senate, and a treaty must be ratified by a two-thirds' vote of that body (art. II, sec. 2), and treaties are declared to be the supreme law of the land (art. VI) * * *."

If foreign trade agreements are not treaties in the constitutional sense, such agreements cannot modify or replace provisions of the Tariff Act of 1930. The Constitution provides (art. VI, clause (2)):

"This Constitution and the laws of the United States which shall be made in pursuance thereof; and all the treaties made or which shall be made, under the authority of the United States, shall be the supreme law of the land * * *."

Accordingly, the distinction between an Executive agreement and a treaty (which is any agreement with a foreign state concluded with Senate concurrence) is that only a treaty can change existing statutory law.

Consequently, it would seem to follow that the provisions of law existing at the time of the passage of the act of June 12, 1934, remain the supreme law of the land. The foreign trade agreements do not amend or replace provisions of the Tariff Act of 1930.

In view of the reasons stated showing lack of constitutionality, the Reciprocal Tariff Act and treaties thereunder should be permitted to lapse and should not be extended.

III

If, however, the time will be extended for the operation of the Reciprocal Tariff Act, we draw to your attention the necessity of amending the act so as to reinstate sections 336 and 516 (b) of the Tariff Act of 1930, which the present Reciprocal Tariff Act suspends.

The present bill in section 2 repeals certain provisions of the Tariff Act of 1930, insofar as the treaties negotiated under this act are concerned. The most important of these provisions are sections 336 and 516 (b). Through a number of tariff acts, the measure of the rate assessed has been the difference between the cost of production of the commodity in the principal country of exportation and the cost of producing a like or similar article in the United States. It is to be presumed that no treaty would be negotiated which would reduce a rate below this standard, since the Congress has laid down this test for all tariff rates and enacted section 336 to permit the adjustment of rates from time to time as economic factors changed. It would seem that this was in the minds of the negotiating powers to the treaties signed under this act when they inserted in most of them a provision for changing the rates named in the treaty on notice of either party. It would seem, therefore, that section 336 should be allowed to function so that the President and the Secretary of State would have the necessary facts from time to time upon which to make changes so that they might carry out the intent of Congress as to tariff rates and preserve the proper relation of costs of production here and abroad.

Section 516 (b) gives to the domestic producer the right to bring a suit in the customs tribunals to determine the proper classification of imported commodities. The wisdom of this remedy was realized by Congress when it had presented to it by domestic interests instances where collectors of customs had construed the language of a tariff act in a manner that was beneficial to the importer, and this construction permitted to stand throughout the life of a tariff act to the great detriment of the domestic interests the law was designed to protect. Obviously, an importer would not file a protest under the provisions of section 514 of the tariff act against a decision of a collector which was in his favor.

Under the provisions of the Reciprocal Tariff Act, section 350 (c) (1), power is given to change the "rate and form of import duties and classification of articles." Under this provision, in a treaty negotiated with France, the language and rate in paragraph 218 (e) were changed to read:

ACT OF 1930	AGREEMENT
Par. 218 (e). Bottles and jars, wholly or in chief value of glass, of the character used or designed to be used as containers of perfume, talcum powder, toilet water, or other toilet preparations; * * * all the foregoing produced by automatic machine, 25 per centum ad valorem; otherwise produced, 75 per centum ad valorem.	Par. 218 (e). Bottles and jars, wholly or in chief value of glass, of the character used or designed to be used as containers of perfum, talcum powder, toilet water, or other toilet preparations, *when filled with any of such preparations and produced otherwise than by automatic machine, 37½ per cent ad valorem.*
Par. 218 (h). Any of the articles specified in this paragraph, if containers of merchandise subject to an ad valorem rate of duty or to a rate of duty based in whole or in part upon the value thereof, shall be dutiable at the rate applicable to their contents, but not less than the rate provided for in this paragraph.	

The fact that the treaty may use language that is ambiguous, and did use language that was ambiguous in this instance, is evidenced by the fact that there is now pending in the United States Customs Court protests filed by the importers under section 514 of the Tariff Act of 1930 looking toward a construction of the language of the treaty by that court. Inasmuch as the importer has protested in this instance, it could be assumed that the language has been given by the Government a construction inimical to the interests of the importer.

Construction of other language in the same treaty may be just as objectionable to domestic interests and, we may say, very favorable to the importer. But the domestic interests, by reason of the fact that the operation of section 516 (b) has been suspended so far as the Reciprocal Tariff Act is concerned, are unable to take any action to secure its proper construction. This seems inconsistent with the avowed purpose of Congress in the enactment of tariff duties to protect the domestic industries. The preamble to the tariff act mentions protection of the American industries and labor, so it may be assumed that section 516 (b) was enacted to give the party most interested the right to insure such protection. We believe it to be as much to the interests of the parties when a classification is fixed in treaties as in tariff acts, and the remedy provided by section 516 (b) should not have been suspended.

In view of the above arguments, we respectfully submit that if the Reciprocal Tariff Act is extended, the right to proceed under sections 336 and 516 (b) of the Tariff Act of 1930 should be restored by amendment.

Respectfully submitted.

LAMB & LERCH.

Senator KING. Mr. Robin Hood and Mr. Brenckman are on the list in advance of Mr. Stimson. Mr. Stimson does not live here. Would you, Mr. Brenckman, be willing that he should appear?

Mr. BRENCKMAN. Yes, sir; that is all right.

Senator KING. And would Mr. Hood likewise?

Mr. HOLMAN. Mr. Chairman, Mr. Hood would be very glad to yield. He is not in the room.

Senator KING. Who is this speaking?

Mr. HOLMAN. Mr. Holman.

Senator KING. Oh, yes; I did not recognize you.

Mr. HOLMAN. May I enter into the record another brief which I failed to mention in connection with my testimony? Mr. Michael J. Flynn, 604 Carpenters' Building, representing the American Wage Earners' Protective Conference, which I understand is supported by 10 of the important international unions of the American Federation of Labor, and who cannot be present at the hearing, desires the privilege to file a brief in favor of Senate ratification and to make a discussion of the landed price theory which I advocated this morning.

Senator KING. If he will transmit it to the clerk it will be entered in the record.

(The brief referred to appears elsewhere in the record.)

Senator KING. Will you consent to allow Mr. Stimson to appear, since he is very anxious to return to his home this evening?

Mr. BRENCKMAN. Yes, sir.

Senator KING. Mr. Stimson will come forward, please. Mr. Brenckman and Mr. Hood have consented to your appearing ahead of them, and we will hear you now.

STATEMENT OF A. H. W. STIMSON, NORTHAMPTON, MASS., REPRESENTING CONNECTICUT VALLEY BROADLEAF & HAVANA SEED TOBACCO GROWERS, INC.

Senator KING. Whom do you represent, Mr. Stimson?

Mr. STIMSON. Mr. Chairman and gentleman, I represent the Connecticut Valley Broadleaf & Havana Seed Tobacco Growers, Inc. I am a farmer, and for some time I have been vice president of the National Farm Loan Association. I speak of this because I think I am in a position to know how the farmers have been situated in the past and how they are situated today, and how they feel. I am one of three men on the loan committee and have to sign every loan. I know how many delinquents there were under the old system and I know how many delinquents there are now.

Senator KING. Do you speak generally of the United States or confine your testimony to the Connecticut Valley?

Mr. STIMSON. I had thought of confining myself to just what is in the brief, but after listening to the testimony of other witnesses and seeing the latitude that you have given some of them, I am tempted to ask to talk about something else besides what is in the brief.

I want to state here that——

Senator KING. We would like to finish by about 5 o'clock.

Mr. STIMSON. I will do as well as I can.

I want to state right here that everything I have got in the world is tied up in a 184-acre tobacco plantation and in four farms, in a dairy business, retail and wholesale dairy business, and the production of milk, and cars and trucks and equipment that goes with it, and the houses and barns.

I am not paid to be here. I borrowed money to come down. And I am interested in this. You are going to hear now from a farmer who I think is qualified to speak for the farmers, because, even after my activities here in 1935, they refused to accept my resignation as president because of bad health, and I was kept on without any opposition from Connecticut, and I think when I speak to you I am giving you the consensus of the opinion of the farmers in our valley.

Senator KING. Your home is in Connecticut, is it?

Mr. STIMSON. My home is in Northampton, Mass., but our association takes in both sides of the river up and down the valley in the four States growing tobacco.

Senator KING. I see.

Mr. STIMSON. I am also chairman of the legislative committee of this Connecticut River Game Fish Association, which I think has the largest membership of any association in New England of that type. Its president wrote to me yesterday and said they had taken in 71 new members since I came down here. We have members in the District of Columbia and in at least six States besides Massachusetts.

Now, I am only putting this in so that I might better qualify as a witness.

Senator KING. I think we will accord you the distinction of being an expert.

Mr. STIMSON. Well, I am not an expert, but I want to say this, that I am the only member of my family in this present generation that is fool enough to try to get a living off the farm. My people have been here in Massachusetts for over 300 years, and they have been interested in the dairy business and the tobacco growing, and all the way down the line have had that sort of background.

Senator KING. You look like you came from a hardy race.

Mr. STIMSON. Well, it came originally from the hills of Scotland, way back, but that doesn't matter. It is aside from the issue.

I have listened for about 3 weeks to the testimony before the Ways and Means Committee and the debate in the House, and I have waited very patiently, and I want to thank you, for this is the first time—I am about 65 years old—that I ever reached this august body and have been able to give testimony. So I think things are getting better and better all the time.

I want to say this to you—I think this should have some bearing—my father was a Republican and I was a Republican, even down to helping organize—or I was the organizer of Hampshire County, with 22 towns and the city of Northampton, for Hoover's reelection in 1932, and I have attended 11 State Republican Conventions, elected by my people, and I was a member of the board of aldermen in 1927 and of the council in 1925 and 1926. I have been elected on the Republican ticket 28 different times. So there is nothing partisan as far as I am concerned. I did campaign for 7 weeks for Roosevelt's reelection, and I am not ashamed of it. I have no apologies to offer to any Republican. Now that ought to settle that pretty well.

The reason I spoke of that and I would not have spoken of it if it had not been that the previous speakers tried to convince you that they started off in life in the milk business or on the farm, and we have had a pretense of that from many other speakers, and that there was nothing partisan in anything they had to say. I believe they said that.

Now, I hope that you won't call me down for this, but I am pretty well fed up. I believe the American Tariff League was established in 1882. At a recent meeting there I could not find anything but sunflowers around that building, and if you ask me I think they are pretty poor judges of the flower to select; and we have never, the farmers of my valley at least, have never considered that the American Tariff League was trying very hard to make things good for us. It always seemed to me that they were trying to get these exorbitant rates for certain individuals or small groups, like the duty on the Sumatra wrapper from the Netherlands, which I would like to speak of and I have spoken of in my brief.

There was a duty of $2.27½ a pound on an article which, grown in this country, cost me and others, $1.25 per pound, the statement by Mr. Cullman, vice president of the Cullman Bros., Inc., commissioner of the Port of New York Authority, in a statement he made said it cost $1.25 a pound to produce the nearest to a substitute. That is his statement. Now that is what it cost me 2 years, that I kept track of it.

Now, we claim, and have for a long time, that it is such duties as that particular duty that have helped kill our foreign trade.

I would like to ask, if it is permissible, on what basis, on what economic theory, can a duty exist of practically twice the actual cost of producing a substitute article in America?

And right in this connection I would like to speak, if you will allow me, of the witness this forenoon, who said that he was raised on a tobacco farm in Connecticut, and that they were now growing Sumatra wrapper on that farm. I know of no farm anywhere in the United States growing Sumatra wrapper. It is Cuban tobacco grown under cloth in Connecticut. So I think that right at the start he disqualifies himself as an expert on the tobacco situation.

Now, I want to hurry along. There is one thing that started me down here, and my friends up there in our organization wanted me to go. They are boiling when they read in the press that even some of our distinguished representatives from Massachusetts talk about star-chamber proceedings and locked doors and all that sort of thing.

Now, we are not entirely ungrateful and I am here to refute such charges. We knew that we were licked under this so-called protective tariff. We could not sell our tobacco. It was bringing 7.5 cents a pound on an average for our valley in 1932. In 1934 it had gone up to 17.5 cents but that was due to the Administration's control of production largely.

Then, according to your Crop Reporting Board, which I have a record of here as of August 1936—I think that is the latest figure—the price of Massachusetts tobacco had gone up to 28 cents per pound, and the Connecticut tobacco to 32.5 cents per pound. Now, that is real bread and butter. That is not a Santa Claus exactly.

That is the reason, because of our success down here in getting this reduction through these reciprocal trade agreements, and our winning a victory—even though we didn't win it fully as we asked for a 50-percent reduction in that tobacco from the Netherlands, Sumatra wrapper, and we got 77.5 cents. But we intend to go after the balance of that 50 percent whenever the time is right. That is how we feel up through that valley and it has been pretty well thrashed out, and I think as a proof I would like to submit this evidence that I am giving you as the consensus of the opinion of the tobacco men in that valley.

In 29 of the strongest Republican towns in the State of Connecticut they never had elected as far as those towns were concerned, a Democratic President, and they elected a Democratic President this time. Some of the towns where it was 4 to 1 Republican on a Presidential election went for Mr. Roosevelt, and they even reelected a Democratic Congressman and they reelected a Democratic Governor. And that, remember, was after all up and down the valley they had heard of the "selling out to other countries" and all of this stuff was thoroughly aired, thoroughly thrashed out, and they were going into it with their eyes wide open, and that is how they feel about it. They have been clamoring and urging me to come down here and see if they could get the balance of that $1.13¾ cents, which would be the full 50 percent; that is as far as we can go. Of course, we would like it down to about a dollar. For years it stood at 75 cents. Then we could make money.

Senator KING. As I understand, so far as your organization is concerned, they approve of these reciprocal trade agreements?

Mr. STIMSON. Why, absolutely. It is because of these trade agreements, this new method of adjusting on these tariff questions, that the State of Connecticut went Democratic for the first time, I believe, in 60 years. Now that is pretty conclusive evidence. I want to put that in as a part of the record, and I say no one can disprove it.

Now, there is another reason. I would like to say something to you on one reason why I am down here. Perhaps it won't be permissible. That is about this talk of locked doors. Now, in here I have the record of a hearing held on February 4, 1935. It is a hearing on this very thing, on this tobacco. We were supposed to have been recorded at this hearing. We trusted to someone to have us recorded. It was 6 months later before we knew that we had not been recorded. They called a meeting. I didn't even know that up where I live, and they called a meeting, called me down, and they voted to have me go down to Washington and find out what it was all about.

So I came down here and I went right to the State Department. I didn't have to have any Senators or Congressmen to hold me up or make an appointment for me. My shirt tail was hanging out, as it is today. I was a poor, impoverished farmer representing a lot of other poor, impoverished tobacco growers, made so under the so-called high protective tariff that never protected us.

Now, I walked in there. Somebody told me there was a man in there by the name of, I think it was George Fuller, that met such people as I, and met anybody that wanted to talk the thing over, to hear our problems. Well, he was very gracious, and he listened to me for awhile, then informed me that it might be too late. They held the hearing on the 4th of February; and here it is most 7 months. Was the last week of August. "I don't know if we can do anything about it. We have thrown that back into"—that is only from memory; I think he said he threw it back or sent it back to the Agriculture Department, now we have no authority to take it up and go ahead unless the Agriculture Department would turn it back into our Department.

But he staged an interview for me with the man in the Agriculture Department, and then I took a taxi and went over there and saw this man in the Agriculture Department.

Now where are the locked doors? Almost seven months after the last hearing was held on this particular tobacco. Where are the locked doors? Well, he told me what I could do, and I will cut a long story short; I went home and came back again and again, and I brought the evidence, and I was backed up by between 24 and 25 thousand tobacco growers, 9,000 in Wisconsin, 6,000 in Ohio, 6,000 in Pennsylvania, and I think the Agriculture Department lists about 4,000 in Massachusetts and Connecticut. I should say a little better than 4,000 in our valley, but at that time our membership had gone down to around 1,600, because we had not been able to accomplish anything in three years.

Well, we got the facts across to them after I made seven trips down, and the duty was lowered by 77.5 cents a pound.

Now don't you think we should feel grateful to the people that will do anything like that? That is the first time in years that we have been able to enter the portals. I have been to Washington time and time again. All I could do was as I have been doing here, and I was afraid it was going to turn out that way today, listen to lawyers talk for the other side and we farmers never get anything or anywhere. I will tell you, the lawyers are the worst enemies the farmers have, as we have no money to employ them. I was quite pleased when I was told that I could talk. I said I would not talk about oil, cheese, rat traps, or mouse traps or anything else so trivial.

But if you could hear what our farmers up there are interested in—it is bear traps to catch these lawyers and hold them out of the hearings so the farmers themselves can be heard.

I don't know how to act in here. I tell you, this is the first time. I am about 65 years old and I don't want to get kicked out.

Senator BARKLEY. You are going good, I will tell you that.

Mr. STIMSON. I was quite pleased at the remark you made this morning, to find that you were a Kentucky tobacco man. But you were not so sure how we felt up there in our valley, were you?

Senator BARKLEY. Well, not from what the other witnesses said.

Mr. STIMSON. Naturally, but this is the way we feel.

But in this brief, if you will read it, you will find I didn't quote many figures, but I quoted a few of them, the increase in the exports of unmanufactured tobacco from the United States in 1936 over 1935 was 4,300,000 pounds. I am not going to waste the time to hunt for many of them but they are in that brief, and they are correct.

Now here is something: In spite of all those high-pressure lawyers and the great salesmen that are working for somebody else and would have you think they are speaking for the farmers—they are not speaking for the farmers. My friends, whether you believe it or not, the only milking they ever did was before they were 2 years old, and that is the only milking process they know anything about when they come down here and talk that way, so you can readily see they are just trying to earn their fee.

Now I am telling you. I have listened to the farmers. I have listened to them on the floor of the House. The chairman of the Ways and Means Committee—what does he say? And what do all of the real farmers say? Mr. Chairman, you are a farmer. What do you think about it? Let the farmers speak for themselves. And I thank God for the first time I have been able to come down here and speak for myself and my neighbors. Of course, we have had politicians speaking for us, and a former President said "Blessed are the young, for they shall inherit the national debt." Thank God, my children and grandchildren are still living to inherit something else, if you will renew and maintain this act for 3 years more, give us 3 years more, and don't load it down with amendments. Make it hard for the American Liberty League and the American Tariff League and that will suit the farmers all right.

Give us 3 years more of this New Deal tariff medicine and I will have something to hand down to my children besides debts. I hope I can hand them down an inheritance of $250,000 worth of property, and we have had a pretty hard time to go on, the way things were going under this so-called protective tariff, and I would have gone out on the auction block long before this. No matter how well we managed under the old deal my wife and I never had a nickel left us. I pulled her out of an attic window when she was 18 years old and took her down on a ladder and went and married her. I was only 22. She had a shirt on her back and I had a handkerchief and a few other things, and that is the way we started out, and nobody has ever left us anything. In 1922 we had $250,000 that we had made together, and I told her, "I will take you around when I am 50"—she would be 46—"and we would see the world." What have we seen? We have seen the part of the world that was given to us under this so-called protective tariff, and we have never worked so hard in our lives according to our strength as we have since I was 50.

I would like to tell you what my wife said to me in 1933 under the old deal. She had angina pectoris. That is a pretty painful thing—a day nurse and night nurse. She thought she was going to pass out, and I set beside the bed. She said, "Henry, pray for me. Pray for me, will you?" "Well," I says, "where do you want to go?" "Well," she says, "wait—if there are any farms in heaven I don't want to go there." That is the way my wife felt in 1933.

Now, after all those years of hard work when she was sticking to it, Roosevelt was elected, and she is as happy and healthy as can be and has not had an attack for quite a while, got a smile on her face, under these reciprocal trade agreements that you are talking about.

I am not an economist. I never went to school but two terms after I was 10 years old, and that was a winter vacation, but I had to milk cows, and I want to tell you this, that the total agricultural income for the United States in 1935 was $8,009,000,000. Now, I got that right down by heart. And in 1936 it was $9,050,000,000, or an increase of $1,041,000,000.

Now, if these reciprocal acts or negotiations with these 14 or 15 nations have been injurious to us, how can you account for that? And in spite of the floods, in spite of the droughts, in spite of the damaged tobacco, the millions of dollars worth up in our valley—the farmers owned or had 29,000 cases of tobacco 2 years old or over up in our country in 1935; not all of that was soaked but some of it soaked was Wall Street tobacco that was held there, and I was glad of that. Wall Street would not give us any quota to raise unless you are tied to them and work for them like the niggers used to work back before the Civil War. I can prove these statements and bring you letters to show how they have refused to give us a quota. They have not given me a quota since 1932, and then I had only 12 acres. They haven't given me a quota since. There is where they have got us signed up. There has been money in the shade for years they have grown prosperous under this special high tariff and control while we stalked growers or sun grown tobacco men have taken a licking.

Senator BARKLEY. Then these trade agreements, in so far as they affect tobacco, not only affect the tobacco that comes from my section of Kentucky, which is very largely an exportable product, which must find its market in some other country, but it has also helped the tobacco in your country?

Mr. STIMSON. Why, yes.

Senator BARKLEY. Which is a different type?

Mr. STIMSON. Altogether. Ours is grown for cigar leaf. Of course, if we had to raise cigarette tobacco we would take an awful licking, because that is only the sand leaves, hail-cut, or torn leaves. But we find that we have sold the Kingdom of Netherlands 12 times as much tobacco as we have bought from them in pounds since the treaty became effective, and there is a big increase for the month of August, which is shown in my brief.

Now, how anyone, if they would look for the facts, possibly could say that agriculture has been damaged by these treaties is more than I know.

I could go into the cattle business. I live 2 miles from the city hall, and 425 acres of my land, the farthest part of my farm is not more than 4 miles from the city hall. You can see my taxes are high, and I cannot afford to keep "boarders", and ordinarily I cannot afford to raise cows. Of course, I have kept them, and when I have done with them I turned them into beef, and before this thing became effective they would bring me from $10 to $15 or $20 each, and it was a pretty good cow 4 years ago that would bring $25 in our market, but recently I shipped some one a 2-year-old heifer and got $55 for her.

I had a registered bull, but he was not fit for service. I had had him a long time and I didn't want to keep him any longer, and I was talking about getting rid of him in 1935. I couldn't get but $35. He was an old bull. I had bought him and paid $1,400 for him. He was a son of a valuable registered cow. But he was old and I hated to stick anyone with him, but I didn't want him any longer, so I tried to sell him. Well, I was told that he would bring me $30—he had too much neck meat, he was too big, and I couldn't get over $30. About a week before I come down here I took $110 for that bull, and shipped him to the Brighton Market slaughterhouse.

Now, that is the way it has injured the beef business. I cannot replace my cows, can't afford to, because cows are so high.

Senator KING. Then these statements that the cattle industry has suffered under these reciprocal trade agreements are without foundation?

Mr. STIMSON. Well, that is a lot of blah-blah, and you know it. That is the proper word for it. You can't fool the cattleman, and you can't fool a farmer and dairyman. You know what it is In 1934 I got a carload of choice cows, 26 from Ohio, and I paid $85—good ones—Guerneseys and Jerseys—paid an average of $85. Well, out of the 26 that I bought in I kept 7 of them a little over a year and put them into grass that grew on the tobacco land in the spring and fatted them, and in August 1935 I sent my truck with them down to Brighton Market, about 120 miles, and they gave me the beautiful price of 3.5 cents a pound for them, and they brought me about $31 each.

Now, I sent another load in 1936. A 2-year-old heifer brought me $55, and the cows brought me $70 and a bull brought me over $100. Now, there is the difference.

Now, how can you figure that these reciprocal trade agreements and stuff coming in from Canada has injured our business? I wish I could bring in some new milch cows to replenish my herds, but the price is prohibitive. The same type that I bought for $85 in 1934 will cost me today $160 to $180. I saw the handwriting on the wall on June 12, 1934, and started to raise calves. I now have 40 under milking age.

I was interested yesterday listening to that man. He tried to convince you that the cattle coming in from Canada had demoralized the market. Now, I was in hopes you would ask him what percentage that was—about a third of 1 percent.

Senator KING. One-fourth of 1 percent.

Mr. STIMSON. And on the calves one——

Senator KING. I don't remember.

Mr. STIMSON. Well, it is a fraction—one-tenth, I guess—of 1 percent.

Now you know that would not make any jolt at all in the market. He insulted the intelligence of your group when he said that it was going to have any effect at all.

Senator KING. Do you want to put your statement in the record, Mr. Stimson?

Mr. STIMSON. I would like to.

Senator KING. Yes; you hand it to the reporter there and he will insert it in the record.

Mr. STIMSON. Here is the brief that I have drawn up.

Senator KING. Anything else that you desire to submit, you may do so.

Mr. STIMSON. There is the record of the "star chamber proceedings", that big volume, from 10 to 4 o'clock in the afternoon.

(The matter here submitted by Mr. Stimson is as follows:)

CHAIRMAN, FINANCE COMMITTEE,
United States Senate.

SIR: I am appearing on behalf of the Connecticut Valley Broadleaf and Havana Seed Tobacco Growers, Inc. I am president of this association and the membership of my association encompasses the tobacco growers of the four States (Vermont, New Hampshire, Massachusetts, and Connecticut). Personally I am a farmer, owning 184 acres of tobacco plantation and four other farms. I am a producer and dealer in milk and cream under the trade name of Villa Farms Dairies. I am here representing our association in connection with the trade agreement with the Netherlands insofar as it affects the duty on Sumatra tobacco. For many years the duty on Sumatra tobacco was 75 cents per pound. Under this rate the domestic tobacco growers were prosperous. This was before 1897. In 1897 the duty was fixed at $1.85 per pound. This rate remained in force until 1921 when, I believe, in order to meet the war emergency the rate was raised to $2.35 per pound and a year later was changed to $2.10 per pound. Under the Smoot-Hawley bill the rate was fixed at $2.27½ per pound.

The competitive tobacco in the United States for wrapper purposes is the shade-grown tobacco of the Connecticut Valley. I am told that the cost of production of this tobacco is $1.25 per pound. This I can personally corroborate since I have grown on my plantation shade-grown tobacco over a course of years. From this it will be seen that the duty under the Smoot-Hawley bill amounts to approximately 200 percent of the cost of producing a similar article in this country. Because of the inherent qualities of Sumatra tobacco and domestic shade-grown tobacco they have individual properties which will not permit the free substitution of one for the other. Since the Tariff Act of 1930 my association, together with the tobacco growers of Pennsylvania, Wisconsin, and Ohio, amounting to approximately 25,000 growers, have engaged in a fight to reduce the duty on Sumatra wrapper. Since this wrapper can only be used to commercial advantage on cigars made of domestic filler and binder, in other words, without this imported wrapper, the domestic grower of filler and binder, would lose his market.

As I have said, I am grower of shade tobacco and also of broadleaf and Havana seed tobacco. I realize, as all the members of my association realize, that in order to produce a commercial cigar of domestic binder and filler, we must have Sumatra wrapper. On the contrary, the shade-grown raised in this country is used on cigars made on imported filler, this because of popular demand for blended tobacco.

When the trade agreement was negotiated with the Netherlands we made, in substance, the same presentation to the committee on reciprocity on information and under the law now under consideration the duty was reduced from $2.27½ per pound to $1.50 per pound. Since this reduction in the duty on Sumatra tobacco, the statistics will show that it has profited not only the grower of broadleaf and Havana seed tobacco but also the grower of shade-grown tobacco. I need not go into these statistics, since my visits to the State Department and the Department of Agriculture have shown that our study of this proposition confirms my conclusions. These statistics are available to this committee and I will not encumber the record with their repetition here. Let me observe, however, that the effect of the reduction in duty in the Netherlands treaty has accomplished the result that since February 1, 1936, the Netherlands has bought 12 times as much tobacco from the United States as the United States has bought from the Netherlands. While the importation of unmanufactured leaf tobaccos increased 8 percent, the exports of the same type increased 15½ percent during the same period. The total exports of unmanufactured tobaccos for August 1936 from the United States amounted to 26,944,233 pounds. The exports for July 1936 amounted to 20,775,137 pounds, an increase of more than 6,200,000 pounds in one month. If you will compare these figures with that of August 1935, you will find that there was only 22,644,275 pounds exported, or 4,300,000 pounds less in 1935 than in 1936. We wish to call attention to the fact that this occurred under the operation of the Netherlands agreement which was brought about by the Reciprocal Tariff Act now under consideration.

In 1932 the broadleaf and Havana seed tobacco grown in the Connecticut Valley sold for 7.7 cents per pound. In 1934 it had risen to 17½ cents; in August 1936 the Agricultural Department in its bulletin setting forth farm prices of tobacco per pound reports the price in Massachusetts as 28 cents per pound and in Connecticut 32.7 cents per pound. Our examination of the reports of the Agricultural Department also show that the income of the agriculturist over the United States was, for 1935, $8,009,000,000; in 1936 it was $9,050,000,000, or $1,041,000,000 increase in 1 year, which we believe was partly due to the effect of the reciprocal trade agreements negotiated under this act.

It is the concensus of my association expressed in a resolution adopted authorizing me to appear here that this progress has been made under the reciprocal trade agreements, and because of this I am authorized to appear here on behalf of my association, and I believe I am voicing the sentiment of the consumers of our product to petition the Congress to continue the operation of the Reciprocal Tariff Act, since it is only through this means that we felt that we will be able to reduce the prohibitive duty on Sumatra tobacco to an amount which will equalize the expressed intent of Congress to base all duties on the difference between cost of production abroad and in the United States. This cannot be accomplished until we receive the full 50-percent reduction authorized by the Reciprocal Tariff Act, and even then it will more than equalize the cost of production here and abroad.

Since it is the concensus of opinion of my association, and I may say, the consumers of our product, that only through the good offices of the State Department operating under the authority granted by Congress in the Reciprocal Tariff Act, we may secure the proper adjustment of the duty on Sumatra tobacco, we ask on behalf of the 25,000 farmers in this country whose financial interests are contingent upon successive tobacco crops, the Reciprocal Tariff Act must be extended as proposed in the bill now pending or it will result in economic disaster to those of us who are now struggling to maintain the leadership of America in the growing of tobacco.

Respectfully submitted.

CONNECTICUT VALLEY BROADLEAF & HAVANA SEED TOBACCO GROWERS, INC.,
A. H. W. STIMSON, *President.*

Senator KING. In addition, there will be placed in the record a statement furnished by Mr. Julian D. Conover, secretary, American Mining Congress, regarding the pending joint resolution; a brief by Mr. John E. Dowsing, tariff counsel for the United States Potters Association; a statement furnished by Mr. E. H. Everson, national president, Farmers Educational and Cooperative Union of America; and a memorandum submitted by Mr. Robin Hood, secretary-treasurer of the National Cooperative Council.

(Information referred to is as follows:)

STATEMENT OF JULIAN D. CONOVER, SECRETARY AMERICAN MINING CONGRESS, TO THE COMMITTEE ON FINANCE OF THE UNITED STATES SENATE, IN RE H. J. RES. 96, PROVIDING FOR EXTENSION OF THE FOREIGN TRADE AGREEMENTS ACT OF 1934

The American Mining Congress, representing the various branches of the mining industry of the United States, respectfully urges that in any extension of the Trade Agreements Act of 1934, a provision be added that will specifically require that a list of all commodities or articles under consideration for the granting of concessions to any country, be included in the advance public notice of intention to negotiate a trade agreement with that country.

Such a provision in the law is of the utmost importance to producers of minerals and metals and undoubtedly of many other commodities. In the negotiating of reciprocal trade agreements in the last 3 years, producers in this country have been without any knowledge or advance warning as to whether reductions in duties or other changes in their tariff protection were under consideration. This has resulted in extreme confusion and uncertainty which has been harmful to the mining industry and has tended to retard and discourage the development of mineral enterprises.

Lacking such information, producers in many cases have had to go to great trouble and expense in preparing data for submission to the committee for reciprocity information on the mere supposition that their interests might be in jeopardy, and much of this time and expense has undoubtedly been wasted. In certain cases where an industry has apparently had every reason to believe that its product was not under consideration, and for that reason has not submitted data to the committee, proclamation of the completed agreement has disclosed, to the acute distress of employers and employees in that industry, that their protection had been materially reduced.

The case of white lead under the Belgian agreement is an example. Although it had been clearly indicated, in hearings before Congress and elsewhere, that as a general policy concessions to any foreign country would be made as to those products for which that country was a principal source of importations, and although the list of principal imports from Belgium published by the State Department contained no reference to white lead, and hence the producers assumed that their protection was in no way endangered and did not file a statement nor make an appearance, yet when the completed treaty was proclaimed, to the extreme surprise of all concerned, it carried a reduction from 2.5 to 2.1 cents per pound in the white-lead duty. Under the unconditional most-favored-nation policy, also, this reduction was extended to other countries which are large producers of this commodity.

The case of silica sand under the same trade agreement is another example. The list of principal imports from Belgium showed no reference to this commodity, yet when the agreement was proclaimed it was found that the duty upon it had been cut in half.

The fact that domestic producers have been completely "in the dark" as to matters so vitally affecting their operations and their ability to employ labor has resulted in numerous protests concerning this procedure, and in its recent announcement of negotiations with Ecuador, the State Department declared that formal notice of intention to negotiate would contain "a listing of all the items under consideration for the granting of concessions to Ecuador—in other words, all items with respect to which a reduction or binding of tariff treatment of our imports is contemplated."

This procedure is a distinct improvement and one which we heartily endorse. However, it is essential to the welfare of American industry that such procedure be definitely provided by the law and not left to administrative discretion.

We respectfully submit that Congress should unequivocally state its intention that domestic producers should thus receive adequate notice in case any tariff concession on their product is contemplated, and that employees, employers, and agricultural and other groups should then have full opportunity to present pertinent facts. A period of at least 90 days should be given for the preparation and submission of data before negotiations are undertaken.

We suggest that an amendment to the present law, making specific provisions such as we have urged, might appropriately be made in section 4 of Public, No. 316, Seventy-third Congress.

Brief of the United States Potters Association

MEMORANDUM IN OPPOSITION TO EXTENDING THE RECIPROCAL TRADE AGREEMENTS ACT FOR ANOTHER 3 YEARS

(By John E. Dowsing, tariff counsel)

The United States Potters Association, representing 95 percent of the manufacturers of pottery (tableware and kitchenware) in the United States, is opposed to the extension of the Trade Agreements Act as it is not regarded in any sense a reciprocity bill, or in the best interests of industry and agriculture. Statistics showing the adverse effect on both industry and agriculture, as published by the Department of Commerce and by the United States Chamber of Commerce, illustrate this fact.

The Reciprocity Trading Act is a misnomer and conveys, in our opinion, an unlawful delegation of power and therefore unconstitutional.

Where each of the parties to a treaty makes special concessions to the other with the intention that the transaction shall be looked upon as a particular bargain, and with the understanding its benefits are not to be extended automatically, generally, and freely to other states, such an agreement is a "reciprocity" agreement.

The so-called reciprocity treaties, 15 of which have been negotiated by the Department of State under this act, are not reciprocity. The agreements signed with Canada, France, Netherlands, etc., with reductions made in our tariffs automatically apply to merchandise of the same kind or class no matter what country it comes from. The rates are not confined to the states contracted with but are generalized to all the world, excepting Germany and Australia. Surely this is an absurd method of trading when states not parties to the agreement get the benefit of the trade without giving any compensation for it. The first form of agreement is bilateral while the latter is multilateral.

In point as a bilateral agreement for compensatory reductions of rates by the other country is the agreement between Sweden and the United Kingdom, May 15, 1933, where the United Kingdom agreed to reduce rates of duty on raw granite, safety razor blade blanks, Kraft paper, etc., for Swedish reduction on automobiles, marmalade, oil cloth, asbestos sheeting, etc. But England did not generalize her reduced rates to the world. It was strictly an agreement between the two countries—a reciprocity agreement. Further, instead of merely reducing rates on specific commodities which are generalized to the world by us, the bargaining consideration in some cases is to "freeze" rates of duty for a specified time, thus giving the other contracting party, as well as the world, the assurance against increases; or to maintain a particular product on our free list.

Sixty-six percent of the importations into the United States are on our free list, and it is a fact worthy of note that while most of our exports have a dutiable status in the tariffs of the foreign countries most of the merchandise imported from those countries are on our free list and duty free; yet we have made binding promises not to impose a duty or a tax on a broad list of commodities that are now admitted free and this agreement to "freeze" such merchandise on the free list is extended not only to the country with whom the agreement is made but to all other countries of the world. And this under the name of reciprocity.

The principle of this bill seems to be clearly unconstitutional, and as to that premise we will go no further than to refer to the speeches made by Senator Hull, now Secretary of State; Speaker Garner, now Vice President; Mr. Doughton, now chairman of the Ways and Means Committee, and many others, as reported in the current copies of the Congressional Record during the time of the discussions relative to the limited authority conveyed by the flexible provisions of the Tariff Act. We quote an excerpt from Senator Hull's speech:

"The proposed enlarged and broad expansion of the provisions and functions of the flexible clause is astounding, is undoubtedly unconstitutional, and is violative of the functions of the American Congress * * *. As was said on a former occasion, 'This is too much power for a bad man to have or a good man to want.' * * *"

If, in the opinion of all those distinguished statesmen that the limited measure, which, incidentally, was passed on by the Supreme Court and pronounced to be constitutional and not a forbidden delegation of power) was unconstitutional then and delegated too much power for a "good man to want", they have been very inconsistent in fostering the Reciprocity Trading Act, with its conveyance of unlimited power, and now its extension. The Constitution has not changed, but evidently the minds of those statesmen have.

Secretary Hull stated some months ago before the United States Chamber of Commerce and lately before the Ways and Means Committee, that the Trade Treaty Act had the noble purpose of the "preservation of world peace." We were originally given to understand that it was solely for the extension of our foreign trade, to bolster our waning export market. Now it is an instrument of peace. Can it be seriously considered that the trade-treaty program will supplant the League of Nations, The Hague Tribunal, the World Peace Foundation, and other such organizations throughout the world? Is it really believed this plan will be more successful? Is it really believed that free trade tariff reductions would have kept Napoleon's army in France? Were international barriers responsible for the conquests of Caesar and Alexander the Great? Did the Underwood Free Trade Tariff passed in 1913 keep us out of the World War? Did such a theory keep Mussolini from grabbing a large slice of Africa?

Honest men are elected to high office and honest statesmen are appointed to steer our ship of state in a true and safe course. They are honest in their convictions and sincere in their desire to render noble and faithful service. Yet many a ship of state has gone on the rocks of financial chaos and despair because it takes more than honesty and sincerity of purpose in the make-up of a statesman to keep a nation on an even keel and in a true course that will guarantee safety and good government to the best interests and welfare of the nation and all its people. It takes experience, wisdom, and sound judgment and, most frequently, the greatest requirement in the make-up of a modern statesman is lacking, and that is an abundant supply of good, old-fashioned common sense.

One of the idealistic thoughts advanced in argument for this reciprocity bill relates to the payment of the hundreds of millions of dollars owed us by foreign nations that this debt cannot be paid us in gold because we have most of the gold of the world. Therefore, it must be paid in dollar credits, but we cannot set up dollar credit here only by permitting unrestricted importations of goods whereby dollar credits would be set up. In view of our unemployment situation with some 9 or 10 millions of unemployed that is impossible, and the cancelation of our war debts in toto would probably be far less harmful to our industrial and economic system. But does anyone really think that the use of that money, if the credits were set up, would be for the purpose of buying the goods we have for export or for paying the debts owed us rather than the purchase of our stocks and bonds and increasing the foreign holdings in our great corporations and industries?

The subject of reciprocal treaties is all absorbing to American industry and agriculture. All welcome and recognize the necessity of the expansion of foreign trade. But it should be conducted along lines of reciprocity and not as has been done. The Senate in abdicating its constitutional power in treaty making placed in the hands of the President the sole power to control the prosperity or failure of 95 percent of American industry. We should not delude ourselves that the development of our foreign trade at the expense of our domestic industries and agriculture in the home market will banish unemployment and produce prosperity.

Foreign trade is necessary unless we wish to build a Chinese wall about the country, which no one advocates; but foreign trade should be developed by special agreements between countries of a bilateral character. Figures show that the greatest gains in international trade have been made by those nations which have pursued the policy of making special agreements, and that those gains have been made largely at the expense of the United States. Some 375 or 400 of these special agreements have been concluded by other nations the benefits of which do not accrue to the United States. Obviously this form of agreement must be advantageous or those nations would not have entered into them, and according to the League of Nations Review of World Trade the greatest gains in world trade have been made by the nations making such bilateral agreements.

Reduction of industrial tariff rates not only hurt domestic manufacturers and labor, but is harmful to agriculture as well. Any blow at industry and labor smites the farmer also, as the farmer's greatest market is industrial America. The sharing of American jobs with cheap foreign labor closes factories and affects production, reduces the buying power of labor of the farmer's products, and thus passes the effect on to agriculture as well, fostering unemployment and continuing the depression.

There is much misinformation in regard to foreign trade. The impression has seemingly been created that the very crux of our economic life is foreign markets and that there are untold millions employed in producing goods for foreign trade and exports of raw materials. Competent industrial statisticians estimate that perhaps not more than 1,500,000 or 2,000,000 were engaged in United States exports at the very peak. In the banner years of 1927–29 exports amounted only to 6 percent of our national income, whereas other countries received from 20 to 65 percent of their national income from foreign markets. Approximately one-half of the world's trade is normally taking place within our borders. Accordingly, a pick-up of 5 percent in our domestic trade is equivalent to 100 percent in American exports. Arguments for increasing export trade through unrestricted importations is a case of the tail wagging the dog.

It is concededly right for the United States to try and improve its foreign trade, but this tariff experiment has put this vast market at the mercy of foreign agriculture and foreign industry with its cheap labor. And while American industry has been pilloried for not absorbing the vast army of unemployed when there was no work for them to do as industries were being unsold by the vast importations of foreign competitive goods; and for not paying larger wages to those having jobs—the tariff, the only protection the manufacturers have, has been cut to let in a still greater flow of foreign cheap labor merchandise. The results have been that for the most of last year imports exceeded exports and depressed this country's favorable trade balance. It declined from $439,000,000 in the first 11 months of 1934 to $49,000,000 in that period in 1936. The gain in imports since 1934, during the life of the Reciprocity Act, exceeded $651,700,000, two and one-half times the gains in our exports. Taking the trade pacts with Canada, Belgium, Sweden, Netherlands, and Switzerland as illustrative, we find that in the first 11 months of 1934 our imports for those five countries totaled $302,000,000. For the same period last year the imports were $496,000,000. The exports to those countries rose also, but the gain in imports was just 137 percent greater. We see glowing statements about the gain in exports over a given period, but the tremendous gains in imports is soft-pedalled.

For nearly 50 years this Government has enjoyed a favorable trade balance in its international trade, which of course means that we have always sold more goods abroad than we have imported. That is a bookkeeping favorable trade balance; when, as a matter of fact, we probably have not enjoyed a favorable trade balance from a practical standpoint at any time in the last 20 years.

In 1929 our export excess over our imports was $841,000,000. By 1933 we had reached the lowest figures of our favorable trade balance in many years. This was what might be termed the bottom of the world-wide depression, particularly as far as the United States was concerned. During the latter part of 1933 and 1934 there were signs of business recovery, due to the pump-priming and enormous expenditures of Government money on W. P. A. and other governmental agencies and enterprises so that in 1934 we had recovered our favorable trade balance to the extent of $478,000,000. More than 50 percent of this balance was wiped out in 1935, although several of the reciprocity treaties were in operation. The favorable trade balance dropped back to $236,000,000, almost touching the low level of 1933, the rock-bottom figure of our world-wide depression. Eleven or twelve additional treaties were negotiated in 1936, with the result that our favorable trade balance dropped to a new low level of $34,000,000 in 1936, the lowest at any time in 50 years. But if $34,000,000 was the figure it might not be quite so bad. Under normal conditions instead of having a bookkeeping favorable trade balance of $34,000,000, based on our excess exports for the year 1936, we should have had approximately $500,000,000 favorable trade balance based on the ratio of imports to exports during the past 20 years. Also in 1936 we purchased approximately $175,000,000 worth of silver. This purchase of silver, an unnecessary importation, adds to our unfavorable trade balance, especially in view of the fact we are paying an enormous premium on the value of this silver. No doubt we had to do this to maintain the fictitious price of silver created by our Government. There was nothing that caused a greater shock to the economic set-up of Germany than her unfavorable trade balance because Germany was a great exporting nation. She started her printing presses in operation to save herself, and the results are still fresh in mind.

Everybody must admit that a man or woman without a job is a poor customer for the products of any manufacturer whether they be produced abroad or in our own country. Nine millions unemployed means a terrific reduction in the purchasing power of the Nation. At $1,000 per annum it means no less than $9,000,000,000. The turnover of this enormous sum would bring prosperity to all industries, and to all classes of citizens. It would balance the Budget. It would enable the Government to reduce taxes. It would increase our foreign trade because we would buy more coffee, tea, spices, bananas, rubber, silk, tin, and all those things which we do not produce at home. We would once more become the world's greatest customer for these items. The real road to prosperity has its beginning at home in the greatest market the world has ever known, the American market. This market must be maintained by jobs for American citizens, the productivity of our industries and farms, and not by jobs for foreign workmen. Slashing the tariff to all the world; freezing merchandise on our free list: freezing rates of duty for a period of years, are not conducive to giving jobs to American workmen.

The Reciprocity Act should not be extended in the form it is, nor should the State Department be given the free hand it has had to traffic away the interests of industry and agriculture. No treaty should be effective until it has met with scrutiny of the Senate and confirmed by it.

STATEMENT OF E. H. EVERSON

Mr. Chairman and Gentlemen of the Committee, I am the national president of the Farmers Educational and Cooperative Union of America, a genuine farmers' organization carrying on organization work in 37 States.

We are not opposed to the practice of reciprocity in carrying on trade with foreign nations exchanging commodities of which we have exportable surpluses for commodities which we do not produce a sufficient amount to supply our domestic requirements, provided we are assured an average cost of production. However, we do believe our farmers should be entitled to the American market to the full extent of their ability to supply that market.

The curtailing of our farm production by the Government, on the one hand and then the importing of these farm products to supply the deficit of production thus created on the other hand does not seem to us to be consistent with sound public policy and we know his has been done under existing treaties.

I wish to call your attention to the fact that immediately after our treaty with Canada went into effect the price of cattle on the South St. Paul market went down $1 per hundred, and this at a time when our cattle in that section were forced on the market on account of the drought. The price of cheese also went down 2 to 3 cents per pound.

We believe it will be impossible to insure our farmers their equitable share of our national income under such conditions, and unless farmers do receive their fair share of our national income, they cannot meet their obligations and purchase the products of industry and labor which they sorely need to sustain and maintain their farm plants. Surely, it seems to me, in negotiating any tariff treaty, the industries affected should have an opportunity to be heard before the trade is made, and it seems to me these agreements should require ratification by the Congress representing all the interests of our people affected.

I listened attentively yesterday to the gentleman from Detroit explaining to your committee the increase in foreign sales their industry had enjoyed as a result of these trade treaties, and I want to call your attention to the fact that he entirely overlooked the fact that by exchanging these automobiles for foreign farm products they probably lost an American farm market for even a greater number of automobiles than they sold abroad.

I know from personal observation and contact with farmers in the great majority of States in this Union that there is a potential market out on the farms of this country for billions of dollars worth of the products of industry and labor if our income was such as to make it possible to purchase these products which we need, but I say to you that every time you give our American farm market for the products which we produce in sufficient quantities to supply our domestic market, you are curtailing the American market for the products of industry and labor to the same extent. I am sure the automobile industry would not approve of trade treaties wherein we would exchange our farm products, we will say, for automobiles from foreign countries when they are well equipped to supply our needs. There are hundreds of thousands of farmers who are in actual need of all kinds of manufactured products and they cannot supply their needs because of lack of income. Surely, it seems to me, these farm products should not be permitted to enter the American markets at lower prices than the average cost of production here.

I do not believe the increase in business and industrial activity is due to these trade agreements. I think it is largely because of the increase in Government spending to the inflation of credit more than anything else, and if this inflation is followed by a deflation as is usually the case, the losses will, no doubt, be much greater than the gains we have made. It is true that in the high protective tariffs we had discriminated against the farmer and in favor of the manufacturer because the tariff was only partly effective upon farm products and now if in the process of reduction of these tariffs you reduce the farm schedules restricting our American farm market to enlarge foreign markets for manufactures you are again discriminating against the farmer and I beleive it will eventually adversely effect all business industry and labor in this country. Surely the vast majority of the people in this country would not want such a condition brought about.

It was Woodrow Wilson, I believe, who "advocated open covenants openly arrived at." And this, gentlemen of the committee, it seems to me should be sound democratic doctrine as applied to these trade agreements. Certainly we farmers do not want to be placed in a position where our American market for our American farm products would be traded off to foreign countries without our knowledge and without being given due notice and an opportunity to be heard on the proposition.

I know it is being contended that the amount of these imports is small as compared to our domestic production, but let me remind you that even a small amount thrown upon our markets in excess of what there is an effective demand for, can have the effect of reducing the price materially.

In conclusion I wish to state that our organization is quite generally in accord with the position of the Grange as expressed by Mr. Brenckman of the Grange and Mr. Holman of the milk producers.

I thank you.

MEMORANDUM SUBMITTED BY ROBIN HOOD, SECRETARY-TREASURER OF THE NATIONAL COOPERATIVE COUNCIL

The position of the National Cooperative Council with respect to extension of the act authorizing reciprocal trade treaties is defined by terms of the resolution at the end of this memorandum.

The council is the national federation of farmers cooperative business organizations. Its member units last year handled $1,200,000,000 worth of farm products and farm supplies for their 1,600,000 members. More than 4,000 separately incorporated cooperatives are represented in the Council through their commodity federations as follows:

MEMBERSHIP OF NATIONAL COOPERATION COUNCIL

Citrus and subtropical fruit division.—Calavo Growers of California, Los Angeles, Calif.; California Date Growers Association, Los Angeles, Calif.; California Fruit Growers Exchange, Los Angeles, Calif.; Mutual Orange Distributors, Redlands, Calif.

Cotton division.—American Cotton Cooperative Association, New Orleans, La.

Dairy division.—National Cooperative Milk Producers Federation, Washington, D. C.

Deciduous fruits division.—California Fruit Exchange, Sacramento, Calif.; American Cranberry Exchange, New York City.

Grain and seed division.—American Rice Growers Cooperative Association, Lake Charles, La.; Arkansas Rice Growers Cooperative Association, Stuttgart, Ark.; Egyptian Seed Growers Exchange, Flora, Ill.

Livestock division.—National Livestock Marketing Association, Chicago, Ill.

Nut division.—California Walnut Growers Association, Los Angeles, Calif.; National Pecan Growers Exchange, Albany, Ga.; National Pecan Marketing Association, Macon, Ga.

Poultry division.—Idaho Egg Producers, Caldwell, Idaho, Northwestern Turkey Growers Association, Salt Lake City, Utah; Pacific Egg Producers Cooperative, Inc., New York City; Utah Poultry Producers Cooperative Association, Salt Lake City, Utah.

Processed fruits and vegetables division.—California Prune and Apricot Growers Association, San Jose, Calif.; Hillsboro-Queen Anne Cooperative Corporation, Baltimore, Md.; North Pacific Canners and Packers, Inc., Portland, Oreg.; Sun-Maid Raisin Growers of California, Fresno, Calif.

Purchasing division.—Consumers Cooperative Association, North Kansas City, Mo.; Cooperative Farm Services, Clarksburg, W. Va.; Cooperative G. L. F. Exchange, Inc., Ithaca, N. Y.; Eastern States Farmers Exchange, Springfield, Mass.; Farm Bureau Cooperative Association, Inc., Columbus, Ohio; Farm Bureau Services, Inc., Lansing, Mich.; Farmers Cooperative Exchange, Raleigh, N. C.; Fruit Growers Supply Company, Los Angeles, Calif.; Indiana Farm Bureau Cooperative Association, Indianapolis, Ind.; Mississippi

Federated Cooperatives, Jackson, Miss.; Producers Cooperative Exchange, Atlanta, Ga.; Southern States Cooperative, Inc., Richmond, Va.

Tobacco division.—Eastern Dark Fired Tobacco Growers Association, Springfield, Tenn.; Maryland Tobacco Growers Association, Baltimore, Md.; Northern Wisconsin Cooperative Tobacco Pool, Madison, Wis.; Virginia Dark-Fired Tobacco Growers Marketing Association, Farmville, Va.; Western Dark Fired Tobacco Growers Association, Murray, Ky.

Vegetables and melons division.—Eastern Shore of Virginia Produce Exchange, Onley, Va.; National Fruit and Vegetable Exchange, New York City.

Wool division.—National Wool Marketing Corporation, Boston, Mass.; Pacific Wool Growers, Portland, Oreg.

Associate members.—Agricultural Council of California; Arkansas Council for Agriculture; Farmers Cooperative Council (North Carolina); Idaho Cooperative Council; Oklahoma Agricultural Cooperative Council; Oregon Cooperative Council; Pennsylvania Association of Cooperative Organizations; Texas Cooperative Council; Washington State Cooperative Council.

Accredited delegates of these organizations in their annual meeting in Washington, January 7, 8, and 9, adopted the following resolution:

RESOLUTION ON FOREIGN TRADE

As stated in the resolutions of the National Cooperative Council of last year, the sound policy for agriculture in relation to our foreign trade is to maintain all of the domestic markets for American farmers with regard to products produced within the United States, and to encourage our farmers to produce products which will take the place of those now being imported whenever such a procedure is practicable. It is also essential to the continued prosperity of our people that every sound effort be made to regain and to expand our foreign trade outlets, particularly outlets for agricultural products.

The record of our foreign trade for the first 10 months of last year make it very questionable as to whether the present trade-agreement program of our Government is in the best interest of agriculture. The adverse balance of total trade as between the United States, and the first six nations with which we have signed trade agreements during this period, had increased to nearly 90 million dollars. Looking toward the end of developing foreign trade, if the policy of trade agreements is to be continued, the following changes should be made in the act of June 12, 1934: (1) The right of the Senate to ratify trade agreements should be restored; (2) general application of tariff benefits should be abandoned so that only the nations signatory to such agreements shall obtain their benefits; (3) public hearings should be held on trade agreements before they are completed, by whatever authority considers them.

The State Department should refrain from negotiating any further reductions in import duties on agricultural products, in binding agricultural products on the free list, and in binding the Federal Government not to increase nor levy internal taxes upon imported products which directly or indirectly compete with those produced on farms in the United States. The Congress should not shrink from abandoning the most-favored-nation clauses in most of the treaties which the United States has signed with other nations.

The Secretary of Agriculture is urged to limit importations of agricultural products which may be interfering with the price parity programs by exercising the powers vested in him in section 22 of the amended Agricultural Adjustment Act.

The Secretary of Agriculture is urged to enlarge upon the use of funds made available by section 32 of the same act to indemnify persons for losses sustained in undertakings to develop foreign-market outlets or otherwise dispose of domestic surpluses of agricultural products by methods approved by the Secretary of Agriculture.

We urge the Senate to oppose ratification of the Argentine Sanitary Convention which would permit the admission of livestock into this country from certain States of the Argentine because precautions to prevent the spread of hoof and mouth disease are not equal to the precautions taken in the United States.

We further urge the Congress to enact legislation establishing sanitary restrictions upon the importation of all products of plant and animal life, which are equal to those established in the United States by whatever authority. In this connection we urge the State Department to discontinue its present practice of incorporating in each of the trade agreements a provision which binds the governments signatory to trade agreements not to strengthen their respective sanitary requirements as to imported products without mutual consent, and the establishment in the case of disagreement of joint commissions of technical experts to discuss any proposed new sanitary restrictions.

The above seem to be the minimum requirements for maintaining a well rounded foreign-trade program designed to protect home markets for domestic producers and to develop additional outlets for domestic agricultural products in countries which can consume them.

Senator KING. Before we adjourn I desire to submit for the record a letter addressed to Senator Lonergan by Mr. C. L. Eyanson, assistant to the president, the Manufacturers Association of Connecticut, Inc., Hartford, Conn., a resolution presented by Mr. Harry Tipper, of New York City, on behalf of numerous foreign trade organizations, and a letter from Mr. Samuel A. Syme, of Washington, D. C., representing the Dried Fruit Association of California. We will adjourn then until 10 o'clock Monday morning, and the other witnesses will appear then.

THE MANUFACTURERS ASSOCIATION OF CONNECTICUT, INC.,
Hartford, February 8, 1937.

Reciprocal tariff agreement.

The Honorable AUGUSTINE LONERGAN,
Senate Office Building, Washington, D. C.

MY DEAR SENATOR LONERGAN: I want to thank you for your thoughtfulness in sending to us the copy of the Reciprocal Trade: A Current Bibliography, issued by the Tariff Commission.

I suppose that because of the complete backing of the administration the Reciprocal Tariff Treaty Act will be continued in its present form. Because of that conviction, we perhaps mistakenly did not appear when the proposal was being heard before the Ways and Means Committee.

We are particularly opposed to the continuance of the unconditional most-favored-nation provision of the present act. These provisions, as you know, extend the benefits of reciprocal-tariff agreements to all countries, even though they may not be a direct party thereto, unless by proclamation the President specifically excludes certain countries, as he has Germany and Australia.

We feel also that if the act is to be continued, advance notice and an opportunity to be heard should be granted. Under the present law and under the administration thereof we have no knowledge of the commodities involved until after the treaty has been signed, sealed, and delivered.

Connecticut has already suffered materially from the operation of this act and while there is good in it we believe that present wording and administration react greatly to our disadvantage. If it were necessary for the agreements to be ratified by the Senate, particularly in those cases where ratification is required by the legislative body of the other contracting party, we believe that a great deal of good would result.

Yours very truly,

C. L. EYANSON,
Assistant to the President.

RESOLUTION URGING RENEWAL OF RECIPROCAL TRADE AGREEMENTS ACT

On behalf of the following organizations concerned with the welfare of our foreign trade, we would like to urge upon you the importance of renewing the Reciprocal Trade Agreement Act promptly and without hampering amendments.

These associations represent every type of interest involved in our foreign trade. Geographically they include business organizations from every State, and industrially all types of product and service.

At the National Foreign Trade Convention held in Chicago, November 18, 19, and 20, 1936, the representatives of these organizations, numbering over 700 delegates, unanimously adopted the following resolution:

"This convention continues to support the reciprocal trade agreements program and the unconditional most-favored-nation principle on which it is based. It has proven to be the most effective means available for breaking down trade barriers which restrict world exchange of the products both of agriculture and industry.

"We recommend the renewal of the Reciprocal Trade Agreements Act.

"We urge that the procedure under which trade agreements are negotiated be reexamined and simplified where possible. It would make for greater efficiency, for instance, if briefs and appearances at public hearings were specifically invited from only those industries or commodity groups on whose products the granting of concessions is under consideration by our Government. Under present procedure all whose trade might be affected, even remotely, must file briefs or enter appearance. The present practice of allowing all parties to make presentation on any item, however, should be continued.

"We call attention to the fact that the reciprocal principle is vitiated when a country having a trade agreement with the United States permits uncontrolled entry from a third country of goods which have been subsidized in any form to a degree prejudicial to our ability to compete. We believe suitable steps should be taken to remedy this situation."

These associations wish at this time to reiterate their agreement with and support of the act which is having such a vitalizing effect upon our trade relations with the world. The outstanding value of this program is attested by the tributes paid it by the business leaders in many countries, the International Chamber of Commerce, and the representatives of the Latin American nations at the Pan-American Conference.

The progress made so far has contributed greatly to the future of our foreign trade. The beneficial effects already visible will be consolidated and greatly increased by continuation of the Reciprocal Trade Agreement Act.

Harry Tipper, New York City, on behalf of National Foreign Trade Council, Inc., National Foreign Trade Association, National Federation of Foreign Trade Associations, National Council of American Importers & Traders, Inc., American Exporters & Importers Association, American-Chinese Trade Council, American-Japanese Trade Council, South African Reciprocal Trade Committee, Joint Committee for Foreign Trade Action, Automobile Manufacturers Association, Foreign Credit Interchange Bureau of the National Association of Credit Men, Overseas Automotive Club, Inter-American Advisory Committee.

DRIED FRUIT ASSOCIATION OF CALIFORNIA,
San Francisco, February 12, 1937.

Hon. PAT HARRISON,
Chairman, Committee on Finance,
United States Senate, Washington, D. C.

DEAR SIR: The Dried Fruit Association of California desires to go on record with your committee as being very much in favor of the continuation of the reciprocal trade agreements, and to express the hope that the Senate will promptly pass the bill which has already been approved by the House of Representatives.

Normally 50 percent of the dried fruit produced in California goes into export trade and the industry has found that the trade agreements so far consummated have substantially improved the marketing situation in those countries.

As dried fruits constitute one of the basic agricultural commodities of the State of California, it is essential to the growers that foreign markets be protected and preserved to the greatest possible extent.

We wish to thank you for this opportunity of expressing our views on this matter.

Very truly yours,

SAMUEL A. SYME,
Representative, Dried Fruit Association of California,
Southern Building, Washington, D. C.

(Whereupon, at 5:10 p. m., an adjournment was taken until Monday, Feb. 15, 1937, at 10 a. m.)

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