

Reciprocal Trade Agreements

HEARINGS
BEFORE
THE COMMITTEE ON FINANCE
UNITED STATES SENATE
SEVENTY-THIRD CONGRESS
SECOND SESSION
ON
H.R. 8687
AN ACT TO AMEND THE TARIFF ACT OF 1930

APRIL 26, 27, 30, AND MAY 1, 1934

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RECIPROCAL TRADE AGREEMENTS

THURSDAY, APRIL 26, 1934

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

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

Present: Senators Harrison (chairman), King, George, Walsh, Barkley, Connally, Gore, Costigan, Clark, Byrd, Lonergan, Reed, Couzens, Keyes, Metcalf, Hastings, and Walcott.

The committee had under consideration H.R. 8087, being an act to amend the Tariff Act of 1930, which is as follows:

[H.R. 8087, 73d Cong., 2d sess.]

AN ACT to amend the Tariff Act of 1930

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Tariff Act of 1930 is amended by adding at the end of Title III the following:

"PART III.—PROMOTION OF FOREIGN TRADE

"Sec. 350. (a) For the purpose of expanding foreign markets for the products of the United States (as a means of assisting in restoring the American standard of living, in overcoming domestic unemployment and the present economic depression, in increasing the purchasing power of the American public in the present emergency, and in establishing and maintaining a better relationship among various branches of American agriculture, industry, mining, and commerce) by regulating the admission of foreign goods into the United States in accordance with the characteristics and needs of various branches of American production, so that foreign markets will be made available to those branches of American production which require and are capable of developing such outlets by affording corresponding market opportunities for foreign products in the United States, the President, whenever he finds that any existing duties or other import restrictions are unduly burdening and restricting the foreign trade of the United States or that the purpose above declared will be promoted by the use of the powers herein conferred, is authorized from time to time—

"(1) To enter into foreign trade agreements with foreign governments or instrumentalities thereof; and

"(2) To proclaim such modifications of existing duties and other import restrictions, or such additional import restrictions, or such continuance, and for such minimum periods, of existing customs or excise treatment of any article covered by foreign trade agreements, as are required or appropriate to carry out any foreign trade agreement that the President has entered into hereunder. No proclamation shall be made increasing or decreasing by more than 50 per centum any existing rate of duty or transferring any article between the dutiable and free lists. The proclaimed duties and other import restrictions shall apply to articles the growth, produce, or manufacture of all foreign countries, whether imported directly or indirectly, except that nothing in this section shall be construed to prevent the granting of exclusive preferential treatment to articles the growth, produce, or manufacture of the Republic of Cuba: *Provided*, That the President may suspend the application to articles the growth, produce, or manufacture 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; and the proclaimed duties and other import restrictions shall be in effect from and after such time as is specified in the proclamation. The President may at any time terminate any such proclamation in whole or in part.

"(b) As used in this section, the term 'duties and other import restrictions', includes (1) rate and form of import duties and classification of articles, and (2) limitations, prohibitions, charges, and exactions other than duties, imposed on importation or imposed for the regulation of imports."

SEC. 2. (a) Subparagraph (d) of paragraph 369, the last sentence of paragraph 1402, and the provisos to paragraphs 371, 401, 1650, 1687, and 1803 (1) of the Tariff Act of 1930 are repealed. The provisions of section 336 of the Tariff Act of 1930 shall not apply to any article with respect to the importation of which into the United States a foreign trade agreement has been concluded pursuant to this Act. The third paragraph of section 311 of the Tariff Act of 1930 shall not apply to any agreement concluded pursuant to this Act with any country which does not grant exclusive preferential duties to the United States with respect to flour.

(b) Every foreign trade agreement concluded pursuant to this Act shall be subject to termination, upon due notice to the foreign government concerned, at the end of not more than three years from the date on which the agreement comes into force, and, if not then terminated, shall be subject to termination thereafter upon not more than six months' notice.

(c) The provisions of this Act shall terminate three years from the date of its enactment.

SEC. 3. Nothing in this Act shall be construed to give any authority to cancel or reduce, in any manner, any of the indebtedness of any foreign country to the United States.

Passed the House of Representatives March 29, 1934.

Attest:

SOUTH TRIMBLE, *Clerk.*

TARIFF PROVISIONS WHOSE REPEAL IS PROPOSED UNDER THE RECIPROCAL TARIFF BILL (H.R. 8687) AS PREPARED BY THE TARIFF COMMISSION

Section 2 (a) of H.R. 8687, as passed by the House of Representatives on March 29, 1934, proposes to repeal subparagraph (d) of paragraph 369, the last sentence of paragraph 1402, and the provisos to paragraphs 371, 401, 1650, 1687, and 1803 (1) of the Tariff Act of 1930. The full text of the paragraphs mentioned follows, with the parts to be repealed in brackets:

Par. 369. (a) Automobile trucks valued at \$1,000 or more each, automobile truck and motor bus chassis valued at \$750 or more each, automobile truck bodies valued at \$250 or more each, motor busses designed for the carriage of more than ten persons, and bodies for such busses, all the foregoing, whether finished or unfinished, 25 per centum ad valorem.

(b) All other automobiles, automobile chassis, and automobile bodies, and motor cycles, all the foregoing, whether finished or unfinished, 10 per centum ad valorem.

(c) Parts (except tires and except parts wholly or in chief value of glass) for any of the articles enumerated in subparagraph (a) or (b), finished or unfinished, not specially provided for, 25 per centum ad valorem.

[(d) If any country, dependency, province, or other subdivision of government imposes a duty on any article specified in this paragraph, when imported from the United States, in excess of the duty herein provided, there shall be imposed upon such article, when imported either directly or indirectly from such country, dependency, province, or other subdivision of government, a duty equal to that imposed by such country, dependency, province, or other subdivision of government on such article imported from the United States, but in no case shall such duty exceed 50 per centum ad valorem.]

Par. 1402. Paper board, wallboard, and pulphoard, including cardboard, and leather board or compress leather, not plate finished, supercalendered or friction calendered, laminated by means of an adhesive substance, coated, surface stained or dyed, lined or vat-lined, embossed, printed, decorated or ornamented in any manner, nor cut into shapes for boxes or other articles and not specially provided for, 10 per centum ad valorem: *Provided*, That for the purposes of this Act any of the foregoing less than twelve one-thousandths of one inch in thickness shall be deemed to be paper; sheathing paper, roofing paper, deadening felt, sheathing

felt, roofing felt or felt roofing, whether or not saturated or coated, 10 per centum ad valorem. [If any country, dependency, province, or other subdivision of government imposes a duty on any article specified in this paragraph, when imported from the United States, in excess of the duty herein provided, there shall be imposed upon such article, when imported either directly or indirectly from such country, dependency, province, or other subdivision of government, a duty equal to that imposed by such country, dependency, province, or other subdivision of government on such article imported from the United States.]

Par. 371. Bicycles, and parts thereof, not including tires, 30 per centum ad valorem. [Provided, That if any country, dependency, province, or other subdivision of government imposes a duty on any article specified in this paragraph, when imported from the United States, in excess of the duty herein provided, there shall be imposed upon such article, when imported either directly or indirectly from such country, dependency, province, or other subdivision of government, a duty equal to that imposed by such country, dependency, province, or other subdivision of government on such article imported from the United States, but in no case shall such duty exceed 50 per centum ad valorem].

Par. 401. Timber hewn, sided, or squared, otherwise than by sawing, and round timber used for spars or in building wharves; sawed lumber and timber not specially provided for; all the foregoing, if of fir, spruce, pine, hemlock, or larch, \$1 per thousand feet, board-measure, and in estimating board-measure for the purposes of this paragraph no deduction shall be made on account of planing, tonguing, and grooving. [Provided, That there shall be exempted from such duty boards, planks and deals of fir, spruce, pine, hemlock, or larch, in the rough or not further manufactured than planed or dressed on one side, when imported from a country contiguous to the Continental United States, which country admits free of duty similar lumber imported from the United States].

Par. 1650. Coal, anthracite, semianthracite, bituminous, semibituminous, culm, slack, and shale; coke; compositions used for fuel in which coal or coal dust is the component material of chief value, whether in briquets or other form. [Provided, That if any country, dependency, province, or other subdivision of government imposes a duty on any article specified in this paragraph, when imported from the United States, an equal duty shall be imposed upon such article coming into the United States from such country, dependency, province, or other subdivision of government].

Par. 1687. Gunpowder, sporting powder, and all other explosive substances, not specially provided for, and not wholly or in chief value of cellulose esters. [Provided, That if any country, dependency, province, or other subdivision of government imposes a duty on any article specified in this paragraph, when imported from the United States, an equal duty shall be imposed upon such article coming into the United States from such country, dependency, province, or other subdivision of government].

Par. 1803. Wood:

(1) Timber hewn, sided, or squared, otherwise than by sawing, and round timber used for spars or in building wharves; sawed lumber and timber, not further manufactured than planed, and tongued and grooved; all the foregoing not specially provided for: [Provided, That if there is imported into the United States any of the foregoing lumber, planed on one or more sides and tongued and grooved, manufactured in or exported from any country, dependency, province, or other subdivision of government which imposes a duty upon such lumber exported from the United States, the President may enter into negotiations with such country, dependency, province, or other subdivision of government to secure the removal of such duty, and if such duty is not removed he may by proclamation declare such failure of negotiations, and in such proclamation shall state the facts upon which his action is taken together with the rates imposed, and make declaration that like and equal rates shall be forthwith imposed as hereinafter provided; whereupon, and until such duty is removed, there shall be levied, collected, and paid upon such lumber, when imported directly or indirectly from such country, dependency, province, or other subdivision of government, a duty equal to the duty imposed by such country, dependency, province, or other subdivision of government upon such lumber imported from the United States].

(2) Logs; timber, round, unmanufactured; pulp woods; firewood, handle bolts, shingle bolts; gun blocks for gunstocks, rough hewn or sawed or planed on one side; and laths; all the foregoing not specially provided for.

The CHAIRMAN. The committee will come to order.

Mr. EDWIN A. KRAUTHOFF. May it please the committee, Congressman Lozier of Missouri, desires to file a written statement with the committee, and desires to be informed if it is proper to do so on Monday at 10 o'clock?

The CHAIRMAN. There will be no objection to the Congressman filing a written statement in the hearings.

Mr. KRAUTHOFF. Will the hearings continue until Monday?

The CHAIRMAN. We are going to decide today just how long the hearings will continue. He will have the privilege of filing a statement in the hearings.

Mr. KRAUTHOFF. Will he have until Monday at 10 o'clock?

The CHAIRMAN. He will have until Monday at 10 o'clock.

Mr. KRAUTHOFF. Thank you.

The CHAIRMAN. The committee has invited Secretary of State Hull to appear before the committee this morning to make such statement as he may with reference to this tariff act 8687, and after the Secretary has finished, I hope we may have a brief executive session of the committee so that we may decide on a definite plan for procedure, and as to how long this hearing will go along, how numerous the witnesses may be, etc.

Mr. Secretary, you may proceed.

STATEMENT OF HON. CORDELL HULL, SECRETARY OF STATE

Secretary HULL. Mr. Chairman and members of the committee: It always gives me especial personal satisfaction to appear before members of this committee.

The proposed bill, H.R. 8687, would authorize the President to enter into reciprocal commercial agreements with other governments for the purpose of promoting international trade. The bill frankly proposes an emergency remedy for emergency conditions. Most persons, at least, will agree that this and other parts of the world, notwithstanding substantial improvement, are still passing through a grave economic crisis. If there be those who question the seriousness of existing conditions, or who, unwilling to do so, profess to believe that only normal policies applicable to normal conditions are necessary to cure the panic, they would naturally hesitate to support this bill.

With respect to this opposing view, it is my judgment that extraordinary conditions call for extraordinary methods of treatment, and that the proposed measure of relief is urgently needed at this time.

When the processes of exchange and distribution collapsed in 1929 a world-wide decline of commodity prices and of values rapidly resulted in some localities and gradually in others. International trade collapsed, while production in our own country precipitately declined 45 percent and domestic trade substantially over 50 percent.

Commodities will not long be produced unless they can be distributed and sold at cost or more, with the result that the employment of labor and capital in industry is correspondingly diminished. If a nation is enterprising, as a limited number have been enterprising in the past, it will resolutely seek in the present situation to restore old markets and to establish new markets both at home and abroad

until a volume of production affording full employment to labor has been made possible.

The policy of the proposed bill is to supplement our almost impregnable domestic markets with a substantial and gradually expanding foreign market for our more burdensome surpluses. I know of no sounder or more effective method of promoting business recovery at this critical juncture than that embodied in this bill. More than a hundred similar reciprocity-trade agreements have already been entered into by other countries to restore production and trade by a mutually profitable exchange of surpluses. It is in the light of the almost universal adoption of this emergency policy of commercial reciprocity to curb and control the ravages of the panic that many of us feel strongly encouraged to give whole-hearted support to this bill and respectfully to urge others to do so.

There should, I repeat, be no misunderstanding as to the nature or the purpose of this measure. It is not an extraordinary plan to deal with ordinary or normal conditions, nor an ordinary plan to deal with extraordinary conditions. Its support is only urged as an emergency measure to deal with a dangerous and threatening emergency situation. I would venture in these circumstances to express the hope that the bill be considered and acted upon in this light. I am well aware of the controversial possibilities of any proposal that might in the least affect the most prohibitive or embargo features of customs and other trade barriers.

It would seem, on the other hand, that all nations, after the fullest try-out of the policy of extreme economic nationalism, accompanied by the strangulation of international trade and its deadly reaction upon domestic production and trade, would now recognize the necessity for more liberal commercial policy and for the proposed emergency relief measure. It is true that most countries have drifted so far afield in pursuit of a policy of economic extremism, which has almost become a disease, that many are disposed blindly to endure the losses of perpetual panic rather than abandon any part of the policy of economic isolation. They would shut their eyes to the fact that industry and business everywhere are carried on under almost wholly artificial conditions, with isolation as an outstanding cause. They would affirm that international trade is of little or no consequence; that it is not at all vital to business recovery. They would fly in the face of the universal experience of the past.

I strongly believe that it is an utter fallacy to say that the panic had no international relationships and did not spread from nation to nation, but that all countries just happened simultaneously to become subject to its ravages. The skyscraping trade obstructions that bristle on every frontier were helpless to prevent the universal spread of the depression, and it inevitably follows that such international remedy as the restoration of commerce between the nations is both sound and urgent.

Those who take the opposite view, preach the gospel of despair by proclaiming that since the entire world has drifted into unimaginable extremes of economic nationalism, it is futile for any one country or any small group of countries seriously to propose a return to economic sanity. The fact, I think, cannot be denied that this latter course would result in the gradual restoration of world commerce in

the huge amount of \$40,000,000,000 to \$50,000,000,000 above the present figures.

It is understood that the United States and the British Empire alone turn out within their borders more than 60 percent of the total production of the world. It is entirely reasonable, if restoration of this vast amount of production and trade is deemed wise and beneficial, as it must unquestionably be, that an appeal to the world by one great country like ours for the universal adoption of more liberal commercial policy would receive prompt consideration by every enlightened nation. Shall all peoples, including our own, sit supine and inert while the world drifts and declines to a lower level of existence? If we cannot offer leadership whom would we expect to do so? More than 4 years' experience undoubtedly has demonstrated that broader economic plans and remedies are absolutely necessary here and everywhere, not only for suitable business recovery, but for that full and stable measure of permanent prosperity required to satisfy the comfort and welfare of the people.

When we in this country realize that under the effects of the depression, domestic trade fell almost in proportion to international trade, and that our aggregate exports for the 4 years 1930-33 suffered a slump of over \$11,000,000,000 compared with the export level for 1929, it is manifest that but for this huge loss of markets, American industry and American labor would today be in a far different position. Reduction in world trade means reduction in world production, and this means reduction in the employment of labor. We need not blink the fact that an unprecedented industrial and business emergency continues, that we cannot afford to allow it to continue indefinitely, and that this remedial proposal is all-important. It is in these conditions, fraught with unquestioned possibilities of danger, that I venture to express the hope that the consideration of this bill may be facilitated in every consistent way.

A few other countries are already aroused and awake to the value of foreign trade. Their seamen and their vessels loaded with merchandise are finding their way into every harbor of an increasing number of countries. They are exhibiting remarkable initiative, enterprise, and pioneering spirit not unlike that of other nations in the past, when they set out determined upon their share of world commerce. A vast and ever-increasing foreign trade is easily within the grasp of this country, unless we fritter away the opportunity. It is a first step in such an undertaking that the proposed bill is offered.

All countries have been invoking every conceivable domestic policy, method, and device in desperate attempts to promote business recovery. Most of them still cherish the blind delusion that they can reemploy their labor without the restoration of the tens of billions of international commerce now destroyed. They overlook the fact that upon international trade the economic lives of scores of nations depend, and the economic well-being of all nations in important measure depends.

I recently stated before the Ways and Means Committee that, according to the available figures, the trade of the world, measured by total imports, fell from \$35,606,000,000 in 1929 to \$11,937,000,000 in 1933, whereas according to the normal ratio of increase these figures should have exceeded \$50,000,000,000 for the last year mentioned. The theory that to shut out international trade results in an increase

of the sum total of domestic trade is dispelled by all the facts and figures. Our own exports fell from \$5,241,000,000 in 1929 to \$1,675,000,000 in 1933. Would that we today had back this lost \$3,500,000,000 of exports.

It should be kept in mind that American labor at good wages produces the billions of commodities we export, while our imports in chief measure comprise commodities we either do not produce in this country at all or do not produce in sufficient quantities, with the result that American labor is helped rather than hurt by most of our imports.

In 1933, for instance, the United States exported merchandise of \$1,647,000,000 produced by American labor. For the same year it imported goods of \$1,449,000,000, of which \$878,000,000 chiefly comprised crude materials, crude foodstuffs, and other raw materials, not competitive but actually needed in this country to afford work to American labor. Of this amount finished dutiable manufactures comprised only \$189,031,000, while we exported \$616,623,000 of finished manufactures produced by American labor. While dutiable semimanufactures of \$114,054,000 were imported in 1933, we exported \$237,036,000 of semimanufactures produced by American labor. While we imported dutiable crude materials of \$119,914,000 in 1933, we exported crude materials of \$590,565,000 produced chiefly by American farmers.

Here is a brief but clear illustration of the advantages and benefits the American producer and American laborer derive from foreign trade. And yet people are told that foreign trade is only hurtful. The proposed reciprocity policy would, on the whole, enhance these benefits by increasing commerce, which would result in increased production and increased employment at home. We cannot increase employment without increasing production.

The entire policy of this bill would rest upon trade relationships which would be mutually and equally profitable both to our own and other countries. While naturally no detailed plans and methods relative to the proposed negotiations have been formulated, it can be stated with emphasis that each trade agreement undertaken would be considered with care and caution by fully competent Government agencies and only after the fullest consideration of all pertinent information. Nothing could be done blindly, hastily, or inconsiderately.

If the exigency requiring the proposed reciprocity trade agreements did not call for reasonably prompt action in many instances, the special and temporary authority asked for would naturally not be sought. Many nations devise quotas, tariff rates, exchange restrictions, and other obstructions with special reference to bargaining possibilities or reduction on the basis of concession for concession. These nations are not disposed to take the time and trouble to negotiate trade agreements with any country which is unable to place such agreements in operation without unreasonable or uncertain delay, or maybe not at all. Unless one is opposed to the entire commercial reciprocity policy here suggested for prompt operation to meet emergency conditions, it is difficult logically to object to the only method of carrying the policy into effect with enough flexibility to enable it to operate promptly and without unreasonable delay.

The Congress and the entire Government have never faced a graver economic crisis, and I have entire faith in the ability and disposition

of the members of your honorable body to meet the tremendous responsibilities involved.

The CHAIRMAN. Are there any questions of the Secretary?

Senator REED. Yes; I should like to ask the Secretary a few questions, with his permission. Mr. Secretary, at the present time the President has the power to modify the tariff to the same extent that is contemplated by this bill, if the Tariff Commission finds that such modification is warranted by differences in cost of production here and abroad. That is true, isn't it?

Secretary HULL. Well, it is true in a sense in theory but not so especially true in fact or in operation, because, as no one knows better than my former colleague from Pennsylvania, of the extreme difficulty in almost all instances and the absolute impossibility in many instances of ascertaining anything that even resembles the cost of production.

Senator REED. At the same time, there is that guiding rule established by Congress for the exercise of the power, is there not?

Secretary HULL. There is that principle; and I think we both recall, to show how rapidly it can be operated, that during the administration of President Coolidge there were somewhere around 15 items dealt with.

Senator REED. Yes.

Secretary HULL. Of course in a panic, when nations everywhere are making treaties with each other, overnight almost, and gathering up more than their share of international trade to our detriment, we would be in an unfortunate position if we could only operate this provision to the extent of 15 items in 6 years.

Senator REED. This power, however, would not be impeded by any such requirement? This would rest wholly in the discretion of the President, would it not?

Secretary HULL. No; it does not rest in his discretion, as I recall the present law. The present law provides that, the Tariff Commission having once made its findings, the President has the alternative of issuing his proclamation and putting it into effect or not doing so.

Senator REED. Quite so. But I am speaking of the bill that is pending before us.

Secretary HULL. I beg your pardon.

Senator REED. The bill pending before us would give the President power, in his discretion, to modify a tariff to the extent of 50 percent in either direction.

Secretary HULL. Well, it is a judicial discretion, which is of course very different from any capricious discretion. It is a judicial discretion involving the same authority to make changes that was written into section 317 of the Fordney Act and carried forward by general consent of this committee and of the Senate as section 338 of the Smoot-Hawley Act, which gives the President authority not only to exercise his own discretion but to make his own findings of fact on which he would rest that discretion.

Senator REED. Yes. And it establishes no rule to guide him in that, but in his sound discretion if the interests of the country seem to warrant it he may, without hearing, change a tariff upward or downward; is that correct?

Secretary HULL. That would be a strained and theoretical assumption; it is not the spirit of the bill, and it is not the primary purpose of

it. The proposed law rests on two fundamental propositions. One is found in the McKinley Act (1890) and in the Dingley Act (1897) which give the President authority to make certain changes upon a finding of certain facts relative to unreasonable or unfair treatment of our commerce in given respects which were set out in the respective acts. Then the second principle that underlies this bill is found in sections 315 and 317 of the Fordney Act and sections 336 and 338 of the Smoot-Hawley Act, which confer the same judicial authority after a finding of facts, to make these tariff rate adjustments.

Senator REED. Does either of those bills authorize the President to reduce tariffs without a finding of fact? The Fordney or the Smoot-Hawley bills?

Secretary HULL. I thought I stated that the procedure is set out on which the President will base his action in these two respects that I have described, whereas the similar procedure in the bill before us, if I may call the Senator's attention to the beginning of the section under the heading "Promotion of foreign trade", is "for the purpose of expanding foreign markets for the products of the United States." And then on page 2, line 8, is another objective:

The President, whenever he finds that any existing duties or other import restrictions are unduly burdening and restricting the foreign trade of the United States or—

The word "or" here should be "and"—

and that the purpose above declared will be promoted by the use of the powers herein conferred—

thus is carried out the entire spirit and doctrine of former laws to which I have made reference.

Senator REED. Yes. Now, all that is necessary for the President to find before reducing a duty—

Senator KING (interposing). Or adding to the duty.

Senator REED. This applies only to reductions. When he finds that any existing duties are unduly burdening and restricting the foreign trade of the United States, he is not required to hold any hearing for finding that they do unduly burden the foreign trade.

Secretary HULL. Of course, you can take any kind of a legal provision and speculate on possibilities; in other words, almost any law to be found on the statute books can be made wholesome or obnoxious according to the manner in which it might in one respect or another be enforced.

Senator REED. Yes; but I am trying to contrast this with the flexible tariff power which the President now has. That requires a hearing before the Tariff Commission, doesn't it?

Secretary HULL. Yes; section 336 of the present law requires a hearing.

Senator REED. With notice to those affected. And this does not.

Secretary HULL. No. There is a panic on hand now.

Senator REED. Mr. Secretary, do you remember when the flexible tariff provision was under consideration in 1929 and you were then a member of the House?

Secretary HULL. Yes; there was not any panic then.

Senator REED. There was not any panic, but you said at that time that that was too much power for a bad man to have or for a good man to want.

Secretary HULL. I wish the Senator would always agree with me on that, during normal times as well as during panics. That was an occurrence in normal times and not during a panic or emergency.

Senator REED. Do you still feel that it is too much power for a good man to want?

Secretary HULL. The Senator realizes perhaps more acutely than I can feel, that I was referring to normal peace time, and frankly I regret that the Senator is not viewing this panic situation in a little broader spirit.

Senator BARKLEY. Whatever your views were as expressed at that time, the Senator from Pennsylvania did not agree with them.

Secretary HULL. He did not agree with them then, and I fear that he does not agree with them now.

Senator REED. I am afraid your fears are justified, Mr. Secretary. I see on page 4 that the provisions of this bill are to terminate 3 years from the date of its enactment. That is to prevent any possible Republican successor from enjoying the same power, isn't it?

Secretary HULL. This is an emergency measure. I think the Senator had not arrived when I undertook to refer to the chief features of the bill. This is an emergency measure to deal with emergency panic conditions.

Senator REED. The assumption is then that the emergency will end when the next administration comes in.

The CHAIRMAN. That would be a violent assumption, wouldn't it, Mr. Secretary?

Secretary HULL. I think the country has indulged in too many assumptions in the past, otherwise we would not be in such a critical condition as we are.

Senator REED. Mr. Secretary, quite seriously, has it occurred to you that the political power which would accompany any such authority as this is possibly dangerous?

Secretary HULL. I think it would be far more dangerous if we sit still and let this business depression carry us on to still worse experiences than the almost unimaginable experience we have already gone through.

Senator REED. Of course, we all would like to see the country come out of this.

Secretary HULL. I am glad to hear the Senator say that.

Senator REED. Yes. I am extremely anxious to see us recover to the same extent that Great Britain has recovered.

Secretary HULL. I am delighted to hear the Senator say that.

Senator REED. I see that they have recovered some 84 percent from the bottom of the depression in 1932, while we have only recovered 30 percent.

Secretary HULL. Yes; but they had only gone down 14 percent, and we had gone down 45 percent.

Senator REED. And even at that, they have come back 84 percent.

Secretary HULL. And they have been on a 14-year depression, and we jumped over the precipice in 1929 with a much wider inflation of credit and securities than the remainder of the world.

Senator REED. Has it ever occurred to you that greater recovery has been possible because of the absence of this system of planned economy that we are undertaking?

Secretary HULL. The British have an entirely different situation in many fundamental respects than we have. I have just stated one of them. Another was that we had inflated every stock and every bond and every other security out of all reason and they had been palmed off on the American people at par. Every phase of our banking system had been wrecked and dislocated, and our whole financial and economic structure contained unfortunate features that were not present in Great Britain. They had their solid banking structure. They had their levy of taxes far greater and far heavier than ours. They had all of these and other phases. I will be glad sometime to undertake to rehearse 12 to 15 points of difference between their situation and ours. Of course it is not to our credit that we have to admit all this. We were boasting that we had run into a period of perpetual prosperity, that the wheels of industry were revolving in as perfect a manner as a Corliss engine, and that perpetual happiness and joy were ahead; that our banks were in perfect condition; that all phases of our economic and financial structure were solid as Gibraltar—and it was in those circumstances that we rushed headlong over the precipice.

The British, with their characteristic steady and careful management of their finances and of all phases of their economic affairs, although as the result of the war they were on a 14 percent decline during the entire post-war period, have avoided our extremes, while we went up in that mushroom period and jumped over the falls to the extent of 45 to 50 percent.

Senator REED. Yes; we speculated too much. Everybody knows that.

Secretary HULL. And now it is highly important, I think, that we should all work together to try to get out of it.

Senator BARKLEY. May I interject there? If it be true, which I do not doubt, that the British had a decline of 14 percent and have recovered 80 percent of that, while we had a decline of say 45 percent and have recovered 30 percent, we are still ahead of them based upon a hundred percent in recovery.

Senator REED. The mathematics of that are too deep for me.

Senator BARKLEY. I think I could demonstrate it to you on a blackboard.

Senator REED. Mr. Secretary, I do not want to detain you too long. Have you any administrative committee known as the "commercial policy committee"?

Secretary HULL. We have every necessary agency to coordinate the information that comes into each department of the Government on any phase of our economic, commercial, or industrial affairs, and at times we have representatives from each department meeting twice a week or as often as may be desired.

Senator REED. Is that known as the "commercial policy committee"?

Secretary HULL. The executive committee on commercial policy is one of those committees.

Senator REED. Who constitute it? What are the names of the members of the commercial policy committee?

Secretary HULL. I am sure I could not inform the Senator, because I had not attributed that much importance to it.

Senator REED. Can you tell us whether that committee has proceeded to select certain commodities on which rates may be reduced in order to bring about reciprocal tariff agreements?

Secretary HULL. On the contrary, I have no impression that any step has been taken looking towards negotiation of reciprocal commercial arrangements.

Senator REED. Have your studies indicated to you yet what industries might have tariff rates reduced or tariff protection reduced?

Secretary HULL. I have not, as I formerly said, undertaken, nor have I suggested that any of my associates undertake to go into any such detailed phases with a view to entering upon negotiations, pending the action of Congress on this bill.

Senator REED. I saw Secretary Wallace quoted—I presume accurately—saying that among the inefficient industries in America which should not be protected were the production of beet sugar and the manufacture of laces. Do you concur with him in those views?

Secretary HULL. I have not considered those phases in any sense, and I have not conferred with Secretary Wallace on what he may or may not have said at any time about any item of the several thousand in the tariff law.

Senator REED. We have a considerable number of thousands of persons in Pennsylvania and in New England engaged in the manufacture of laces. Of course it is vitally interesting to them to know whether their industry is to be closed down. You cannot give us any information about that?

Senator CONNALLY. My I interrupt right there? I thought Secretary Wallace is the Secretary of Agriculture.

Senator REED. He is.

Senator CONNALLY. This is the Secretary of State.

Senator REED. Yes; I asked the Secretary of State whether his views coincided with those of the Secretary of Agriculture.

Senator CONNALLY. Secretary Wallace is not running the State Department, I am sure. And he won't run this if it is passed. I am sure of that too.

Secretary HULL. At any rate, the purpose of this proposal is to increase trade, to restore the processes of distribution so as to open factories and mines and workshops, rather than close them. Many are closed now.

Senator REED. Precisely. And as an inducement to other nations to enter into those reciprocity agreements, it is contemplated that certain import duties into the United States would be lowered, and I am wondering if the Secretary can give us an indication, any indication, of those duties which he would expect to lower in order to induce foreign countries to lower theirs?

Secretary HULL. I am sorry the Senator does not take what would seem to me to be a little broader perspective of the condition which confronts us. Since the war the nations have gradually drifted into this extreme policy of self-containment in which they have constructed tariffs and quotas and exchange restrictions and licenses, and half a dozen or more other obstructions to the admission of almost any sort of imports, no matter how profitable an exchange of goods might have been. They are changing these trade barriers overnight in many countries, and it would be folly for me to stand here and undertake to discuss some one item in that list of obstructions.

Senator REED. Quite so——

Senator BARKLEY (interrupting). Whatever Secretary Wallace said, if he did say that or did not say it, and admitting that he said it, although I don't know whether he said it or not, but if it is true that he said those things about lace and beet sugar, are his statements on that subject anything like as strong as the repeated statements that were made by Members of the Senate during the consideration of the last tariff bill, and in the reports from the Tariff Commission, with respect to many articles which were the subject of tariff consideration at that time?

Secretary HULL. I am going to assume that the distinguished Senator from Pennsylvania is capable of debating that question with Secretary Wallace, who will appear here soon, without calling me in to assist him.

Senator REED. I just want to know whether his views are the same as your own?

Senator HASTINGS. I would like to ask a question. I was wondering whether or not, Mr. Secretary, you could not give us one single illustration that you have in your mind which you believe might be worked out to advantage to the country under this particular power which is requested.

Senator CONNALLY. Aluminum would be a good one.

Senator HASTINGS. Let us see what would be done with one item.

Senator CONNALLY. The Senator from Delaware is opposed to the duty on aluminum?

Senator HASTINGS. If the Senator would allow the Secretary to answer my question——

Senator CONNALLY. The Senator has the right to ask as many questions as he wishes, but since this appears to be a partisan political heckling——

Senator HASTINGS (interposing). Mr. Chairman, I have asked a reasonable question. If the Secretary thinks it is not reasonable and cannot answer it, I am perfectly willing to withdraw it.

The CHAIRMAN. I am sure the Secretary is fully competent to answer.

Secretary HULL. The first thing we realize is that it would be very presumptuous to take up in any detail plans and items which would be the basis of reciprocity negotiations. We might do so, as I indicated a little while ago, before the bill is passed, but when we came to the negotiations, the exchange situation, the currency disorder, the changing of quotas, and the raising of other obstructions, might present an entirely different picture. Therefore, out of our respect for the Congress and so as not to count our chickens until they are not only hatched but walking around, we have not undertaken to go into those detailed phases. Some gentleman before the Ways and Means Committee inquired how it would be possible to bring in more goods at greater value than at present, and I sought to indicate what an awful situation, what an awful problem we have, by calling attention to the fact that in 1929 when we thought we were going along very well, we were importing over \$3,000,000,000 worth of goods more than we are now.

Senator REED. Mr. Secretary, do you consider the completion of tariff treaties or agreements feasible until we shall have accomplished a stabilization of international currency?

Secretary HULL. There is a network of difficulties and obstructions that lie ahead of us. The monetary side and the economic side of it, are interlocked. Permanent monetary arrangements and permanent exchange stabilization are, of course, agencies through which we would improve commerce. They are exceedingly important and adjustments are necessary. But if we attained permanent monetary arrangements and permanent exchange stability, before achieving economic rehabilitation, in 90 days the exchange and money situation would snap right back to where it is now.

Senator REED. Then I take it that you think that it is not necessary to achieve exchange stabilization before undertaking the consummation of some tariff treaties?

Secretary HULL. I do not say that in a technical sense. The proposition before us, I think, deals with the practical side of the situation. Much time will be required at best for this and other Nations gradually, in their own ways, to deal with the excesses of existing trade obstructions. It must be done gradually and cautiously and carefully over a considerable period of time; years will be required. In the meantime we will be coming along as gradually as may be practicable with the stabilization of money and exchange.

Senator REED. Now, to come back to this matter of hearings. You took exception to my construction of the language on page 2 of this bill, and in my presupposing that no notice to an industry affected and no hearing given to it, no chance for hearing, would be the procedure. If my construction is so unreasonable, would you have any objection to our writing into this bill a provision for notice to those whose protection would be reduced, and an opportunity to them to be heard on the subject before they were put out of business?

Secretary HULL. The Senator must not expect me to follow him in his rather rash supposition that they will be put out of business. The President has got the power utterly to destroy processes of many phases of our economic situation, as all Presidents have had. The Senator, or any person or any critic of this bill can assume that it would be arbitrarily or capriciously administered, although other nations, all the civilized nations of the world, are administering a similar law without abuse, without putting people out of business, without those extreme practices which we can visualize if we have sufficiently petrified our minds against the bill.

Senator REED. I am not ascribing bad intention to President Roosevelt, but he cannot be omniscient and he might work incredible injury to an industry with the best of intentions. Would you object, therefore, to our putting in the bill a provision giving an opportunity to be heard to those who were to be affected by the proposed action?

The CHAIRMAN. May I ask the Senator whether he would support the bill if that were put in?

Senator REED. I would have far less antipathy to it.

Senator COUZENS. I would like to have the Secretary answer that question.

Senator CONNALLY. I want to ask him something on the same question, and he may answer both at the same time.

Senator COUZENS. Can he answer that question now? I am very much interested in it.

Senator CONNALLY. I yield to the Senator from Michigan.

Secretary HULL. In the first place, as I stated, we have available every agency of the Government that has a fact or an idea or any information of value, such as the Tariff Commission, before which somebody appears every hour to present ideas, that is, before some members of it—the officials of the Department of Commerce; officials in the State Department, to whom somebody is presenting a case or sending memoranda every hour of the day, setting forth fully their business needs. Of course, we must not forget the fact that we are facing this very grave situation, with many millions of people unemployed and with the impossibility of the Government's indefinitely giving them a dole.

We are facing the fact that we must find outlets for our production so as to let them go back into regular employment. Some of us appear not to realize that we are face to face with that fact and that we have, as the other nations have, a chance in the most careful way to enter into arrangements for mutually profitable exchange of commodities between ours and other countries in order to improve these conditions. Of course, nothing is more impossible than to go through the equivalent of a long judicial procedure, hearings here and hearings there and hearings over yonder, hearings finally before the President, then perhaps hearings again before the Commission or in the Government departments. There are trainloads of up-to-date economic material on nearly every phase of our business situation, especially the commercial side of it. If we were outlining procedure as though we were sitting here under normal conditions and had nothing ahead to be concerned about in the way of restoring employment and restoring business, why of course I would welcome not only the writing in of something like what the Senator proposes, but I would suggest that we throw this bill out of the window and tell the country to do the best it can.

Senator REED. Under the circumstances, I gather that you would be opposed to any provision for notice to those affected by any provision for hearing from them?

Secretary HULL. I have stated very frankly to the Senator that they would be given the utmost courtesy and that every phase of these negotiations would receive the cooperation and help of each agency of the Government. It is easy, as I said, to assume that there would be abuses, and we could, for that matter, assume that there is no emergency. But at least we should suggest some better way out of it than to abandon these emergency measures which have been demonstrated in almost all of the nations of the world during the past 2 or 3 years to be a splendid agency for restoring commerce between the nations.

Senator COUZENS. Mr. Secretary, I would like to know specifically, and I think the committee is entitled to a specific answer with respect to—take as an illustration—the lace industry. If you contemplate a treaty which affected the lace industry, would you object to calling in the lace industry and having them express their views?

Secretary HULL. I think the Senator will probably agree with me about that. I have been around this Capitol for 24 years, and I have sat on the Ways and Means Committee for 18 years and on this committee for a while, if I may be pardoned for saying so, and I have not had to send out for anybody yet to come in and present

what they wanted me to know as a member of the Finance or the Ways and Means Committee.

Senator COUZENS. I understand that quite well. I am not talking about sending out for them. I am asking whether you would permit them a hearing should an illustration such as I have described arise? Such a case?

Secretary HULL. I will say this to the Senator: Over 100 commercial treaties have been negotiated. Many governments negotiate them exactly as this is proposed. Most governments negotiate them and put them into immediate operation, because the negotiator is a part of the parliamentary government that is in power, and that insures a favorable action. If we are to get anywhere in negotiating with these countries under the methods they have and are carrying out, free from objection so far as I have been able to learn, we cannot throw this wide open to every person that wants to come in and be heard. I will submit to the Senator's own judgment as to the extent to which we should go if we hope to make this practical in its operation.

Senator BARKLEY. As a practical matter of fact, if we write into the law a requirement that the President shall give a hearing to everybody who suspects that he is going to be affected by one of these trade agreements, adversely, he will of course have to give a hearing to any other industry that might be beneficially affected by the agreement, and therefore it would result in a joint debate between two or more industries as to who was going to get the most advantage or disadvantage out of any agreement that was entered into.

Secretary HULL. That is the appeal that I am submitting to Senator Couzens. It is an extremely difficult situation, and we are supposed to grapple with it as best we can. Of course, the President and anybody associated with him in administering this law would have every reason to help every business and to treat it fairly rather than to injure it in the slightest, and that is the sole objective of this measure.

Senator HASTINGS. Mr. Secretary, isn't it your position that it would be impracticable to write any such thing in the bill?

Secretary HULL. I know, as the Senator from Kentucky suggested, that you would need two or three new Commerce buildings to enable everybody to be heard. There would not be one fifth enough lawyers in Washington to represent them.

Senator HASTINGS. Then it is impracticable?

Secretary HULL. It is impracticable. That is the point I make about it, and the last thing that the President would want to do would be to injure business. For that matter, there have been ample opportunities to crucify business under the flexible clause if those administering it had seen fit.

Senator CONNALLY. That is the question that I was going to ask when I was interrupted before. If the President wanted to destroy an industry today he could do it under the flexible provision just as well as he could under this, couldn't he?

Secretary HULL. The flexible clause certainly contains ample opportunities.

Senator COUZENS. I want to go on record as disagreeing with the Senator from Texas.

Senator CONNALLY. I very much object to the Senator's disagreement. I do not object to his disagreement going on the record, however.

Senator REED. I am interested in the procedure under this. Of course, the negotiation of these treaties would be like all other treaties, it would be done in executive session, as we call it. It would be done without publication of the negotiations in any way. That is correct, is it not?

Secretary HULL. It would not be done in any way that would prevent the assembling of the fullest information from every source of Governmental information, or that would interfere with anything that might be sent in or presented by any person who might even suspect that he would be remotely affected.

Senator REED. Well, would it be left to the suspicion of those concerned? Suppose, for example, you were negotiating a tariff treaty with Denmark, and it was contemplated that the duties that now protect butter and dairy products should be reduced.

How would the people engaged in the dairy business in the United States know that that was under consideration at all?

Secretary HULL. They have some very alert representatives here in Washington. They know pretty accurately what is going on in every important Governmental agency.

Senator HASTINGS. The associations might be in Denmark.

Secretary HULL. But it gets down to this, Senator, that here is the whole world in an indescribable situation. Here are all the other nations, calling on, the executive branches of their governments to offer an important factor of relief. They have met that response in a competent, fair way, and have rendered valuable service in these other countries, for business recovery.

Now, if it is against the policy of the Congress for our Government to invoke that factor and that remedy, I think it would be far better just to say so, rather than to load the measure down with impossible requirements, so it could not be administered.

Senator REED. Well, to take that specific case, then, you would regard it as an impossible requirement to give any kind of notice to the dairy industry that its protection was under consideration with a view to a change?

Secretary HULL. Oh, there wouldn't be any disposition to be secret about anything. Of course, the Senator knows that even if there was a desire to crucify or hurt business, or do it an injustice, the chances are tremendously reduced, in many instances, on account of some of the extreme phases of the tariff obstructions. I haven't remotely in mind the question of butter, any more than I have any other single item; for that reason I will not undertake to discuss the trade side of it, or the tariff side of it.

Senator REED. Well, as I read the bill, Mr. Secretary, the first notice that the dairy industry would get, that its protection was withdrawn, would be the announcement of the accomplished fact, or the completion of the treaty with Denmark, let us say.

Secretary HULL. The Senator assumes that its protection benefits to use his language, would be "withdrawn." Of course, he is aware that with a rate of 14 cents a pound there has been an average of 5 cents a pound actual protection benefits for some time.

Now, I do not know whether he means that 5 cents would be withdrawn, or 1 or 2 cents of the 14 cents, in the event the matter should be taken up at all. I have no remote idea in mind about any item, that might be considered in the proposed negotiations, but I am

trying to see what the Senator has in mind when he uses such a term as "withdrawing of protection."

Senator REED. Well, Mr. Secretary, it is self-evident that if you are to make a treaty with another nation with regard to the removal of excessive duties, as they are called in the bill, that means the lowering of the duty on some commodities here, in order to be allowed to export some other commodities to the treaty country with whom we are treating?

Secretary HULL. On the contrary, it might mean a threat by our Government to raise the rate 50 percent unless the other country lowered its rate.

Senator REED. Yes; it might do it.

Secretary HULL. Yes.

Senator REED. But you do not contemplate proceeding on that ground alone, do you?

Secretary HULL. I am certain I had not said that much.

Senator REED. Well, in that case, might as well not take out the power to lower duties, if we are only going to threaten to raise them? Would the Secretary object to that?

Secretary HULL. If the Senator wants the panic to continue, then I would not object to anything he says.

Senator REED. Well, while we are on the subject of untenable hypotheses, I think we will have to include that.

Secretary HULL. The Senator well knows that the authority to raise or lower these obstructions 50 percent would not have been inserted there if it had not been the purpose to deal concretely with conditions as they may develop.

Senator REED. Precisely. Well, that is what I was driving at, that it is the purpose, in some cases, to reduce commodities, and that, where that is done, the first notice that will be received by the people who are adversely affected by the reduction of the duties will be the announcement of a completed treaty, and that they will not have had any notice that it is under consideration; they will not have had any chance to be heard on the subject at all.

Secretary HULL. On the contrary, whenever one person comes into the Department to even inquire when we might take up the question of negotiations, if he is from Country X, in 24 hours the representatives here in Washington of every industry that Country X has, which we also have, is at the Department to discuss the matter and all the phases in which our industries are interested.

Senator REED. Well, isn't that something new in government, that instead of giving notice to the people against whom judgment is to be passed, every industry in the country will be obliged to employ a sort of detective to keep it informed as to what is going on in the State Department?

Secretary HULL. I cannot agree with the Senator when he assumes that every time you make a readjustment of the rate that you are doing somebody an injury. I think that that is one of the prime factors, in many parts of the world, in the present dislocation.

They were made arbitrary and prohibitive in their nature. If an industry could produce and sell a substantially larger measure of its production by liberalization of commercial policy, generally, it would be rendered a service, and, with due respect, I must dissent from that

stock remark of the Senator's, about any touching of a rate meaning an injury.

Senator REED. Not necessarily. Rates may be touched with benefit to everybody concerned.

Secretary HULL. Well, that is the point I am trying to make.

Senator REED. But don't you think that the persons affected are entitled to be heard, to say whether that will or won't be the case?

Secretary HULL. The Senator, of course, is apparently seeking to load the bill up with an interminable set of machinery. I remember we commenced hearings on the Fordney Act in December 1920. It was enacted into a law in August 1922.

How far would we have gotten if we had been negotiating commercial trade agreements by that procedure? Of course, it is not practical. That is the situation.

Senator WALCOTT. Mr. Secretary, there does not seem to be anything in this bill that takes into consideration the difference in the wage scales and the protection of our American wages.

To illustrate, take New England, for instance, where they cannot afford to bring in large volumes of raw materials, but have to depend more or less on export industry to fabricate the raw materials that they have, so that the percentage of wages, that is, labor cost, on the items that are manufactured in New England, is very high as compared with other industrial sections.

New England is particularly susceptible, therefore, to any lowering of the tariff that would in any way militate against the wage scale of New England.

Now, then, in this bill, as I read it, I gather that there is no way of calling attention to the Government, for instance, by an aggrieved industry that might be partially wiped out by a lowering of the tariff, for the protection of the wage scale, which is pretty vital.

We have got seven or eight millions of people who are utterly dependent upon the small manufacturing; that is, the manufacturing of small items like hardware, clocks, watches, and that sort of thing, all highly skilled, all getting from three to six times as much per hour as any competing country pays, countries like Germany, Japan, Czechoslovakia, and Italy. Now, then, do you think that it is fair to pass a bill that gives to one man practically the power to even partially affect that entire wage scale without a hearing?

Secretary HULL. In the first place, I hope that the Senator will not think that the Roosevelt administration is unfriendly toward labor, or inconsiderate of labor.

Senator WALCOTT. Of course, I do not think that.

Secretary HULL. I think its record speaks.

Senator WALCOTT. There is no question about that. That is why I asked this question.

Secretary HULL. Its record, I think, is a guaranty that every imaginable, every possible, protection would be taken, on behalf of the wage earner. In fact, that is the primary purpose of this measure.

The CHAIRMAN. Well, isn't that so named in the very purpose clause of the bill, to raise the standard of American living, so called?

Secretary HULL. Yes; that is mentioned in the bill.

Now, in the Senator from Connecticut's country, we have seen tens of thousands of wage earners out of employment, during recent years. Our first objective is to get them back into employment, and then,

with a suitable wage, on an ever more beneficial scale; and, of course, the last thing I think that would be overlooked would be the welfare of the wage earner.

Senator WALCOTT. That I grant, of course, that there would be no intent to do anything else, but with an aggrieved factory why shouldn't they be able to get a hearing? In other words, we apparently, in this bill, set aside the Tariff Commission, so far as it relates to these reciprocal agreements, and, therefore, there is no court which can go into the facts, other than such as may be prescribed by, let us say, the President.

I am not in any sense ascribing political motives to this Administration, but look at the power, there, of destroying the industries of a congested section of the country, where the population is congested, like New England, and throwing the benefits over into the Middle West and West, which would virtually force people away from New England and into the Middle West. That is all possible.

I am perfectly certain, of course, that this Administration would not contemplate, deliberately, any such thing as that, but it might get into that jam, by its reciprocal proposals; and what I am objecting to is that the people aggrieved have no way of presenting their side of the case.

Secretary HULL. Senator, I don't think there is an abler or better-informed person in Congress on financial and economic questions than yourself. Of course, you know what an awful condition the world is in, economically and socially. We have had as high as 14 to 15 million unemployed persons in this country who were accustomed to employment and who with their families, would amount to 35,000,000 human souls, of our 120,000,000, living an utterly hopeless existence, out of employment.

Now, don't you think, if they were to choose, in this awful emergency, between continuing in their unemployed state on an increasing scale and trusting the Roosevelt administration to try to increase customers and increase demand for production and let them go back to work, don't you think they would be willing so to place their trust?

Senator WALCOTT. That might be true, that the people out of employment and in despair would say, "Let us go ahead; we will leave it to the people who have this business in hand, to Congress and the administration", but what of the aggrieved industry that is threatened with destruction?

Secretary HULL. Well maybe it is not threatened with destruction.

Senator WALCOTT. Well, perhaps. Take the clock industry, for instance.

Secretary HULL. Why assume it is threatened with destruction?

Secretary WALCOTT. Well, I don't assume that it is, but I am assuming that it might be; and, in that event, it seems to me only reasonable that that industry should be heard before some competent board. That is all I am suggesting.

Secretary HULL. Of course, as the Senator so well knows, every day or two somebody in the Senate or in the House, or over in the Departments, calls on the Tariff Commission for full factual information on a given article, and it is furnished.

Now, we will have not only the Tariff Commission at our elbows on all of those things, under instructions to ransack every crack and crevice that contains information on the commercial side of any

industry or business, but we will have the Department of Commerce and all of the other Departments, the Agriculture Department, and others, that can shed any least light on this business situation.

Now, we have that choice, or we have the choice, as I have said a while ago, of outlining procedure like that leading up to the enactment of the Fordney Law, extending from December 1920 until August 1922.

I think we commenced hearings on the Smoot-Hawley Act in the spring of 1929 and did not get through with it until about the 16th of June in 1930.

Well, now, how should we proceed? This is just an emergency measure and frankly I do not know what is ahead, with all these millions of unemployed, unless we redouble our efforts to fit them back into employment.

Senator COSTIGAN. Mr. Secretary, with reference to method, I am impressed by the fact that altogether too little attention has been paid to section 338 of the Tariff Act of 1930. Industries may be affected by restrictions on the imports they use, as well as by the enlargement of imports.

Under section 338, which was voted for by some of the Senators who have been interrogating you, the President is permitted, whenever he finds that it is in the public interest, by proclamation, to impose new duties. He may even exclude articles from importation into the United States, and thereafter, whenever he deems it in the public interest, "may suspend, revoke, supplement, or amend" prior proclamations.

Secretary HULL. Imitating some others, I might say that there must be something in there that would require the President to give notice to the intended victims.

Senator COSTIGAN. There is apparently no provision for public hearings in such cases. I speak of this section in order that its provisions and procedure, approved in the Tariff Act of 1930, may be considered in connection with your effort to adopt the plan provided in the pending bill.

Senator REED. That does not give the power to reduce a duty, though, does it?

Secretary HULL. Fifty percent.

Senator REED. Oh, not in section 338?

Senator COSTIGAN. It gives power to impose new or additional duties and to reduce duties after they have been increased, both before and after articles have been barred from importation.

The authority is left with the President.

Senator BARKLEY. You do not assume that those who wrote that section into the present law would ever consent for anybody to reduce a duty?

Secretary HULL. I would say to the Senator that I am not sure that he had come in when I referred to that section, at the outset.

Senator COSTIGAN. No; I heard no reference to it, and I trust I am not asking you to retrace familiar ground.

Secretary HULL. I think you are right in emphasizing it, because I think more emphasis of it is needed.

The CHAIRMAN. Well, it doesn't sound very good to some.

Senator REED. You do not mean to intimate, though, Mr. Secretary, that section 338 gives the President any power to reduce the duties imposed by Congress?

Secretary HULL. I would read it over, in order to be scrupulously accurate. The Senator, of course, is familiar with it.

Senator CONNALLY. It is all right for him to hoist it as high as he pleases, but unholy to reduce it.

Senator REED. I want to read you a word or two that was spoken by my friend from Kentucky in 1929, and ask you if you agree with it.

Secretary HULL. In what month?

Senator REED. October 11, 1929. I assume, if it was true in October, it was similarly true in September and November.

Senator HASTINGS. He might change his mind every month. That is what the Secretary has in mind. [Laughter.]

Senator REED. But what he said impressed me so greatly, I wondered if you had seen it. It was a radio address that he made on October 11, and in that Senator Barkley said:

Not only do we insist that Congress has no right to confer upon the President the power to tax the people, but we insist that it is unwise to do it, whoever the President may be or whatever party he may belong to. This fight is not a fight over personalities. It has no more reference to Mr. Hoover than to Mr. Coolidge or to Mr. Wilson, or to any President who may be elected in the future. It is no answer to our objection to say that the power will not be abused by any particular President. We think it has been abused in several instances in the past, and we have no assurance that it may not be abused at some time in the future.

Senator CLARK. It did not impress the Senator enough to get his vote for the Senator from Kentucky, did it?

Senator REED. And that was said about a bill that provided for notice, for hearing, and for a judicial finding by the Tariff Commission, and for a guiding rule to control the action of the President.

Senator GORE. That was voted the first Tuesday after the first Monday in November.

Secretary HULL. I expressly stated at the outset, when the Senator was asking questions, that the bill before us is not an ordinary measure to meet ordinary conditions.

Senator REED. Oh, I see.

Secretary HULL. It is not an ordinary measure to meet emergency conditions. It is an emergency measure, temporary in its nature, to meet emergency conditions.

Senator REED. I see.

Secretary HULL. And if the Senator must blend all the principles that underlie ordinary economic measures with a temporary extraordinary measure, of course that is a different proposition.

I want to say, if I may conclude, I hope that no member of this committee or of Congress will overlook the indescribable conditions of distress and suffering that exist in this and in all other countries.

Since Senator Barkley said what he did in 1929 there have been literally tens of millions of well-to-do people swept into bankruptcy. There have been tens of millions of other people thrown out on the highways and byways and back alleys, in a hopeless state of existence, with the result that they have not only suffered but some have actually starved, and thousands of them have gone hungry, notwithstanding the wonderful relief that has been attempted for them.

Senator REED. Well, we have contributed to that, by destroying and wasting 6,000,000 pigs.

Secretary HULL. Well, the Senator, I am afraid, does not see the human side of this thing. I am talking about humans and not pigs.

Senator REED. Well, I am talking about humans, who need the food that we destroyed.

Secretary HULL. I hope the Senator will keep that in mind.

Senator REED. I have. I have kept it in mind.

Secretary HULL. And I will simply say that we are desperately striving, here, to help the Congress and to help the country to relieve this situation.

Senator REED. We have had panics before, and I don't notice any exception made in these statements by the distinguished Senators.

Secretary HULL. We have never had one like this one, Senator—never had one like this, whether in peace or in war, in its destructive effects.

You won't live to see the time that we will recover from it fully.

Now, it is in these circumstances that we come, in the most humble and considerate way, and lay before you gentlemen the only possible factor in increasing trade by a method that has been tried out all over the world, and no serious objection offered to it, because the nations want to recover from the panic.

The responsibility is on you gentlemen. If you want to reject this proposal, on the speculative possibility that somebody will purposely injure another, why, of course, that is not for me to comment on.

Senator REED. It is because we are keenly aware of the number of people who are out of work in this country that we are anxious not to see a lot more thrown out of work by unwise use of this unrestrained power.

Secretary HULL. I think that the Senator will agree that after 4 years of every conceivable method and device to improve the situation, with unemployment getting worse, until recently—and it is not so awfully much better in certain parts of the country now—that it is high time that we were at least looking for some way to get people back into permanent employment.

Senator BARKLEY. Mr. Secretary, with reference to the quotation with which the Senator from Pennsylvania has honored me, which is the only time I ever recall that he has ever quoted me on any subject with approval—I hope it will become a habit of his—

Senator REED. I assure the Senator that it will be a habit throughout this discussion.

Senator BARKLEY. At the time of that speech we were dealing with a one-sided provision empowering the President to levy taxes on the American people without regard to any international trade agreements, and, under the same circumstances, I would make the same speech again.

We are dealing now with an effort not only that has connected with it the phase of taxation, which is not, as I understand it, the prime object of this resolution, but an effort to regulate commerce with foreign nations, which we have the power to do under the Constitution, and I regard this resolution and the effect of it to be more in the nature of a regulation of commerce than it is a levying of taxes, or even in the relation of taxes, and it is entirely a different proposition.

Not only the conditions are different, as you have already pointed out, but the philosophy of this resolution is different.

Secretary HULL. Entirely different.

Senator BARKLEY. I base this resolution and my support of it not only upon the power of Congress to levy and collect taxes but the

power of Congress to regulate commerce among the States and with foreign nations, and this is primarily the exercise of the power of Congress to regulate commerce, and not primarily a tax measure.

Secretary HULL. It might well rest on that.

Senator CONNALLY. Mr. Secretary, Senator Reed was asking you some questions about restorations of commerce, and so on. Do you remember that under the present tariff of 1930 the leader of the Senator from Pennsylvania, Senator Watson, predicted that the passage of the present tariff bill would, within 30 days, restore prosperity to the United States, and called upon all Senators to bear witness to his prediction?

Secretary HULL. I recall that.

Senator CONNALLY. And following that act we have had the 3 years of conditions to which the Senator has referred.

Senator REED. There have been some predictions lately that did not come true, too, have there not?

Senator GORE. Mr. Secretary, I notice in the House report that 68 of these agreements have been negotiated among other countries.

Have you made any check to see whether or not the trade of the countries making those agreements is increasing more rapidly than ours?

Secretary HULL. My information is that it has appreciably increased among most of those countries making these agreements, and a substantial amount of this increase has been at our expense.

There have been a few instances where nations were so narrow in their views that they have, overnight, run up rates to get ready for bargains. While they were lowering one rate, they would run up others, with the result that the sum total of the obstructions established a higher level than at the beginning of the process, and the trade was decreased; but that has occurred only in a few exceptional instances. I want to be entirely frank with the Senator.

Senator GORE. I notice that our trade has declined a larger percent than world trade taken as a whole.

Secretary HULL. Yes; that is correct.

Senator CLARK. Well, Mr. Secretary, it is a fact, isn't it, that under section 338 of the existing law the President has authority to raise rates 50 percent without any finding of fact by the Tariff Commission or anybody else?

Secretary HULL. Without even giving notice to the person affected.

Senator COSTIGAN. Mr. Chairman, may I suggest that the section 338 of the tariff act be incorporated in the Secretary's remarks, at whatever point he deems appropriate?

The CHAIRMAN. Yes. That will be incorporated in the record.

Senator REED. Mr. Secretary, I have no other questions, but I hope that you won't take the questions I have asked as concealing or indicating any lack of the admiration and friendship I feel for you.

The CHAIRMAN. Nor as indicating any opposition to this proposed legislation. [Laughter.]

Secretary HULL. Not only the Senator from Pennsylvania, but no other Senator, could in the least disturb our friendly relations.

The CHAIRMAN. Well, are there any other questions of the Secretary.

If not, the committee will go into an executive session and determine its position with reference to this and some other matters.

Secretary HULL. Thank you very much, gentlemen.

(Section 338 of the Tariff Act of 1930 (H.R. 2667) is as follows:)

SEC. 338. DISCRIMINATION BY FOREIGN COUNTRIES.—(a) Additional duties: The President, when he finds that the public interest will be served thereby, shall by proclamation specify and declare new or additional duties as hereinafter provided upon articles wholly or in part the growth or product of, or imported in a vessel of, any foreign country whenever he shall find as a fact that such country—

(1) Imposes, directly or indirectly, upon the disposition in or transportation in transit through or reexportation from such country of any article wholly or in part the growth or product of the United States any unreasonable charge, exaction, regulation, or limitation which is not equally enforced upon the like articles of every foreign country; or

(2) Discriminates in fact against the commerce of the United States, directly or indirectly, by law or administrative regulation or practice, by or in respect to any customs, tonnage, or port duty, fee, charge, exaction, classification, regulation, condition, restriction, or prohibition, in such manner as to place the commerce of the United States at a disadvantage compared with the commerce of any foreign country.

(b) Exclusion from importation: If at any time the President shall find it to be a fact that any foreign country has not only discriminated against the commerce of the United States, as aforesaid, but has, after the issuance of a proclamation as authorized in subdivision (a) of this section, maintained or increased its said discriminations against the commerce of the United States, the President is hereby authorized, if he deems it consistent with the interests of the United States, to issue a further proclamation directing that such products of said country or such articles imported in its vessels as he shall deem consistent with the public interests shall be excluded from importation into the United States.

(c) Application of proclamation: Any proclamation issued by the President under the authority of this section shall, if he deems it consistent with the interests of the United States, extend to the whole of any foreign country or may be confined to any subdivision or subdivisions thereof; and the President shall, whenever he deems the public interests require, suspend, revoke, supplement, or amend any such proclamation.

(d) Duties to offset commercial disadvantages: Whenever the President shall find as a fact that any foreign country places any burden or disadvantage upon the commerce of the United States by any of the unequal impositions or discriminations aforesaid, he shall, when he finds that the public interest will be served thereby, by proclamation specify and declare such new or additional rate or rates of duty as he shall determine will offset such burden or disadvantage, not to exceed 50 per centum ad valorem or its equivalent, on any products of, or on articles imported in a vessel of, such foreign country; and thirty days after the date of such proclamation there shall be levied, collected, and paid upon the articles enumerated in such proclamation when imported into the United States from such foreign country such new or additional rate or rates of duty; or, in case of articles declared subject to exclusion from importation into the United States under the provisions of subdivision (b) of this section, such articles shall be excluded from importation.

(e) Duties to offset benefits to third country: Whenever the President shall find as a fact that any foreign country imposes any unequal imposition or discrimination as aforesaid upon the commerce of the United States, or that any benefits accrue or are likely to accrue to any industry in any foreign country by reason of any such imposition or discrimination imposed by any foreign country other than the foreign country in which such industry is located, and whenever the President shall determine that any new or additional rate or rates of duty or any prohibition hereinbefore provided for do not effectively remove such imposition or discrimination and that any benefits from any such imposition or discrimination accrue or are likely to accrue to any industry in any foreign country, he shall, when he finds that the public interest will be served thereby, by proclamation specify and declare such new or additional rate or rates of duty upon the articles wholly or in part the growth or product of any such industry as he shall determine will offset such benefits, not to exceed 50 per centum ad valorem or its equivalent, upon importation from any foreign country into the United States of such articles; and on and after thirty days after the date of any such proclamation such new or additional rate or rates of duty so specified and declared in such proclamation shall be levied, collected, and paid upon such articles.

(f) Forfeiture of articles: All articles imported contrary to the provisions of this section shall be forfeited to the United States and shall be liable to be seized, prosecuted, and condemned in like manner and under the same regulations, restrictions, and provisions as may from time to time be established for the recovery, collection, distribution, and remission of forfeitures to the United States by the several revenue laws. Whenever the provisions of this Act shall be applicable to importations into the United States of articles wholly or in part the growth or product of any foreign country, they shall be applicable thereto whether such articles are imported directly or indirectly.

(g) Ascertainment by Commission of discriminations: It shall be the duty of the commission to ascertain and at all times to be informed whether any of the discriminations against the commerce of the United States enumerated in subdivisions (a), (b), and (c) of this section are practiced by any country; and if and when such discriminatory acts are disclosed, it shall be the duty of the Commission to bring the matter to the attention of the President, together with recommendations.

(h) Rules and regulations of Secretary of Treasury: The Secretary of the Treasury, with the approval of the President, shall make such rules and regulations as are necessary for the execution of such proclamations as the President may issue in accordance with the provisions of this section.

(i) Definition: When used in this section the term "foreign country" shall mean any territory foreign to the United States within which separate tariff rates or separate regulations of commerce are enforced.

(Whereupon, at 11:30 a.m., Thursday, Apr. 26, 1934, the Committee on Finance went into executive session after the chairman having announced that the public hearings would be continued at 2 p.m. in the District of Columbia Committee room in the Capitol.)

AFTERNOON SESSION

The committee resumed hearings in the District of Columbia Committee room at 2 p.m., Senator Harrison presiding.

The CHAIRMAN. The committee went into executive session this morning following the appearance by the Honorable Secretary of State, and we now resume the open hearing on H.R. 8687. We will continue where we left off this morning. Secretary of Agriculture Wallace is present. The committee will be very glad to hear you on House bill 8687, Mr. Secretary.

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

Secretary WALLACE. After the presentation which Secretary Hull made this morning, I doubt if there is any great necessity for my presenting any carefully prepared statement. At any rate, I do not have one. The reactions to the recent discussions of our international trade policies, and to statements made in the hearings on this bill, have been very interesting. While I have indicated no hasty, ill-considered actions, in making desirable readjustments in our foreign trade policies, and while I have not indicated what should be the specific action with respect to an individual industry or commodity—we must depend on expert consideration—some of my remarks have already been misinterpreted, to the point of predicting what specific recommendation I might make on this or that commodity. Even recent changes in market conditions have been attributed to adjustments which will require many months of consideration, discussion, and association, before they have a definite bearing on the price of a given commodity.

These reactions indicate to me a degree of sensitivity which justifies our effort in promoting a general, honest, discussion and clearer thinking. The interest of agriculture in the bill under consideration arises out of the fact that the market for the product of some 50 million acres of crop land has been furnished by foreign purchasing power, and that foreign purchasing power has been seriously impaired during the past 3 years, by the fact that we no longer loaned money abroad, as we did from 1920 to 1930, and we had not made an adjustment in our tariff policy of such a nature as to bolster up foreign purchasing power in any other way.

Because of that situation, we have felt it essential in the department of agriculture, to engage in many direct activities, many crop-reduction programs, which most men would feel, under any ordinary conditions, to be highly artificial in nature, and unwarranted.

The situation, to my mind, is of such extreme seriousness that it should not be considered from the standpoint of partisan politics. On the contrary, it would seem to me that the right-thinking men in both parties should try to discover that policy having to do with the tariff and with the agricultural control, if you please, that may be necessary, pending the building up of a sufficient volume of foreign purchasing power. That policy should be of such a broad gaged nature that it could be continued, in its broad outlines, across the administrations.

As you all know, we changed from a debtor nation to a creditor nation with extraordinary speed. Ordinarily, when a debtor nation changes to a creditor nation, it is the result of long years of earnest striving to get out of debt, and then to invest the money, slowly and carefully accumulated, in the appropriate places in foreign lands. Due to the accident of war, we were changed to a creditor nation, without having really earned that position, and without having had an opportunity to change our psychology, so that it would enable us to live comfortably with that position.

Since the World War we have been a creditor nation, and we have not acted appropriately to that position. The matter came to a dramatic head in 1930, when we stopped loaning abroad, and we have found, as a result, that various emergency measures were necessary to tide us over. Our monetary policy, which for the time being is enabling foreign currencies to buy more dollars than hitherto, and therefore enables foreign currencies to buy either more exportable products, more cotton, more tobacco, more lard, or pay a higher price, either one or the other, or both, is giving us a breathing spell for the time being. How long that breathing spell will continue, no one can say with any certainty, but it would seem to be exceedingly unwise during the period when we have such a breathing spell, to prepare for an eventuality, which eventuality will be either the continuation of the acreage-control programs, which we are now using in the Agricultural Adjustment Administration, or the creation of foreign purchasing power by the acceptance of more goods from abroad, or a little of each.

You have under consideration here this afternoon the latter course. I should say, you have under consideration here this afternoon the problem of restoring foreign purchasing power, by accepting more goods from abroad, which policy, if completely successful, would enable us to do away with these acreage-control measures, a situation

which would make us, in the Agricultural Department, exceedingly happy.

Addressing myself more specifically to this bill, it does seem to me that under present conditions the Executive Branch of the Government is in a better position to formulate an all around policy than the Congress; that the President, by the setting up of suitable advisors, could determine those articles of which it would be wise for us to accept more from abroad, with the least possible damage to our domestic business structure. The bill does not seem to me to be so strikingly different in certain of its powers, the varying of the rates up and down, from the last tariff act, which had in it the cost of production feature. This bill gives a slightly different criterion by which to judge, and it seems to me a much sounder criterion. It has been assumed, by critics of this bill, that the President, if given this power, would set out at once to destroy certain industries. I know of no comment, no statement by the President, to indicate this is his purpose. I would suspect, in fact, that he would be inclined to treat most of the industries in very much the same way as the sugar business has been treated; that he would question, in all probability, further expansion of those industries which have exceedingly high tariffs, and which are unable to meet world competition, where it is obvious that we are not especially efficient in our methods of production, gaging efficiency by the ability to meet world competition. I would suspect that he would question the advisability of further expansion of such industry, just as he questioned the advisability of further expansion of the sugar-beet industry; but I would also suspect that he would see the difficulty, the injustice that might ensue to people employed in such an industry, if there should be imported strikingly larger quantities all at once. I do not think that anyone in Government at the present time is in position to say what the ideally sound approach should be.

I think, from the standpoint of the general public, it is exceedingly important that the vast numbers of our gainfully employed, employed in the export industries, and in those industries which are not affected by imports, comprising, I suspect, more than 80 percent of our population—it seems to me exceedingly important that those people realize that further expansion of highly protected inefficient industries is made directly at their expense.

There may be exceptions to that rough rule. There may be certain products of which we should produce our entire home consumption, in spite of the inefficiency, because of the desirability of having a full supply in case of war, or something of that sort. I cannot lay down any hard and fast rule. Because of that difficulty of laying down a hard and fast rule, it seems to me to be essential that these powers be exercised by the executive branch of the Government, where they can be given long and careful consideration, not from the point of view of regional representation or political expediency, but from the point of view of sound national policy; and again I say it would seem to me that this matter is of such extreme importance, running through our entire national fabric, that Republicans and Democrats alike should see if there cannot be some common ground on which they can meet. I think I have nothing further to offer, except these general observations.

The CHAIRMAN. Are there any questions?

Senator REED. I would like to ask a question or two. Mr. Secretary, would you regard it as a partisan contention to say that no one should be condemned unheard?

Secretary WALLACE. I do not understand your reference, Senator.

Senator REED. Well, would you oppose or approve an amendment to this bill that would provide that before a duty was reduced some notice should be given to those concerned in that particular industry, and some opportunity should be given them for a hearing?

Secretary WALLACE. I do not know what the stand of the administration would be on that. It would seem to me that it would be a wise thing to give them an opportunity for a hearing. I would assume that, as a matter of just common sense executive procedure, that that would be granted, as a matter of routine. I would assume that would be the case.

Senator REED. Well, assuming that, as a matter of common sense executive procedure, there should not be any objection to specifying it in the bill itself, should there?

Secretary WALLACE. I would not suppose so.

Senator REED. Well, I am glad to hear you say that, because it does not seem to me that that is a partisan matter.

Secretary WALLACE. Oh, it would seem to me that that would follow automatically.

Senator REED. For centuries, it has been a part of the law of the people whose language we speak, that no one should be condemned unheard, and it does condemn a man unheard, to take away his tariff protection without notice, without warning, without hearing.

Secretary WALLACE. The situation that might work out there, of course, would be that you would develop one of these typical drives on Washington. I can see how that kind of situation could easily result.

Senator REED. Well, that is a nuisance to the object of the drive, as we in Congress know. Nevertheless, it is every American's right to be heard in his own behalf.

Senator CLARK. Mr. Secretary, will you permit me to interrupt for just a moment, to say that if the Senator from Pennsylvania means to intimate by these questions that these tariff barons who have been profiting by privilege for many years, have a vested right to plunder the rest of the people of the United States, and that taking away that privilege is a criminal proceeding, which he seems to intimate, I desire to dissent very decidedly from that view.

Senator REED. Oh, I am not thinking about tariff barons at all. I am thinking about men and women who are engaged as laborers in these various industries, who might, as the bill stands, find themselves deprived of a livelihood, reading in the paper some morning that the tariff on their product had been taken away. I want to ask you, Mr. Secretary, whether it is correct, as it has been reported in the newspapers, that you gave, as instances of inefficient industries, the beet-sugar industry in America, and the lace industry? Was that a correct report of what you had said?

Secretary WALLACE. I probably have said it. I do not remember the exact wording. The reference to the lace industry appears in the hearing before the House Ways and Means Committee, and the record has been made of that.

Senator REED. Well, do you regard that as inefficient industry?

Secretary WALLACE. Why, it seems to me that, from the standpoint of my definition, they are both decidedly inefficient industries.

Senator REED. What other instances can you give us of inefficient American industries?

Secretary WALLACE. That would take a great deal of study, Senator. These two happen to be rather obvious cases. I mean to say the tariff protection is very great, and they could not survive without tariff protection.

Senator REED. Well, do you think of any others?

Secretary WALLACE. Take the tariff act. I think you could find a good many.

The CHAIRMAN. Well, let me ask you about mushrooms. Don't you think that is a very efficient industry in America?

Secretary WALLACE. I am not fully posted on mushrooms. I came through Coatesville, Pa., yesterday, and I noticed a lot of mushroom plants there.

Senator REED. There a a lot of very good people engaged in the mushroom growth there. What do you think of the policy of delegating taxing power, in this fashion, to the administration? Is it not apt to lead to sudden decisions, to imposing taxes without any chance for the victim to be heard?

Secretary WALLACE. I would think that it would be a much fairer case for the victims, than those cases where representatives of certain industries sat with relatively few Congressmen behind closed doors, in the log-rolling making of tariffs. I would say that this would be a far fairer approach, infinitely better.

Senator REED. Yes; we all agree that the imposition of taxes by Congress has been influenced by lobbying to a very considerable extent. We are all familiar with that, and we all dislike it, but I am wondering, Mr. Secretary, about the exercise of the taxing power that was given you under the agricultural act. Did you give notice to the paper-bag people, and the paper-napkin people, before you put the processing tax on paper?

Secretary WALLACE. We had hearings that we are supposed to have; yes. I do not know whether those particular people were at the hearing or not. I did not happen to attend the hearing myself, but we had —

Senator REED. You put the tax on, didn't you?

Secretary WALLACE. Oh, yes; but we had very extended hearings.

Senator REED. You put the tax on, but you don't know whether those people were represented or not, in regard to it?

Secretary WALLACE. Why, of course, I don't know just who was there. Of course, I don't.

Senator REED. How about jute bags? Did you hear from the jute bag manufacturers, or from the farmers of the West, before you put this processing tax on jute bag

Secretary WALLACE. We gave notice of hearings, and those who were interested came in and testified.

Senator REED. And did you hear that?

Secretary WALLACE. No, sir; I did not hear that.

Senator REED. Personally?

Secretary WALLACE. No; I did not hear them personally.

Senator REED. The decision was this, wasn't it, to put the tax on? Is that right?

Secretary WALLACE. Senator, I wonder if you happen to know how many hearings are being held in Government nowadays?

Senator REED. I don't know, Mr. Secretary, and I am wondering, therefore, if it is wise to give these wide powers to human beings who are physically unable to keep up with the work of their departments. I am not blaming you in the least, but I don't believe that the genius exists who could have personal knowledge of all that is going on in the Department of Agriculture today. With all our dissension in Congress, at least, we are compelled to hear interesting people personally, before we act, but I gathered that you did not hear either the paper people or the jute people, before you put those taxes on.

You had to delegate that authority to somebody else, so, when we gave you the taxing power, really, we were delegating it to some unnamed person in your Department. Now, that is the way this would work out, if we gave this power to the President, isn't it?

Secretary WALLACE. Oh, undoubtedly, the President would have to delegate it to competent people.

Senator REED. Yes.

Secretary WALLACE. That is what executive government consists in.

Senator REED. Yes.

Secretary WALLACE. It happens to be a slightly different thing in the legislative branch.

Senator REED. So that, instead of Congress, which is elected and which is accountable to the people who elected it, putting these taxes on, this would be put on, not even by the President, but by some official to whom the President delegated it?

Secretary WALLACE. Why, undoubtedly.

Senator REED. Undoubtedly?

Senator CONNALLY. Well, Mr. Secretary, the responsibility, though, is yours, in the case of the Department of Agriculture?

Secretary WALLACE. Yes.

Senator CONNALLY. And the responsibility would be the President's?

Secretary WALLACE. Undoubtedly, sir.

Senator CONNALLY. And he is an elective officer.

Secretary WALLACE. For instance, on the jute-bag thing, and the paper thing, I found it necessary to read over the findings, because the responsibility was mine.

Senator BARKLEY. We have to do that, even with legislation. Did committees refer important matters to subcommittees, made up of a very few men, and they, in turn, report to the full committee, and the full committee must accept judgment, usually, of the smaller body, which has held the investigation and made a report. There isn't any very great difference between that and delegating to some small group of experts in any department, the matter of collecting evidence upon which the head of the department will act.

Senator REED. Mr. Secretary, is it your idea that the administration would lay down some sort of a formula for the revision of tariff duties, or a formula for the foundation of the proposed trade agreements?

Secretary WALLACE. I don't see how the administration could lay down a formula. The thing is too complex for that.

Senator REED. Well, wouldn't it be right to have some sort of a formula, so that each industry would be treated impartially?

Secretary WALLACE. I think you have the general formula written into the bill.

Senator REED. Well, the bill is pretty vague in its language. But take two industries in which the statistical case is similar, the same amount of import relative to the domestic consumption and domestic production; ought they to be treated alike, in your judgment?

Secretary WALLACE. Not necessarily.

Senator REED. No? Well, suppose you found an industry in which the imports were less than 5 percent of the domestic consumption, would you say that a higher tariff was warranted there?

Secretary WALLACE. Not necessarily.

Senator REED. Not necessarily. But if the imports were so small, would that, under your idea, necessarily lead to a reduction of the duty?

Secretary WALLACE. Oh, I think that you would have to study the particular industry. I don't see how you can arrive at an off-hand formula.

Senator REED. If you found that the imports were not one twentieth of the domestic consumption, that might, in the case of steel, lead to the conclusion the duty should be reduced, or it might, in the case of onions, lead to the conclusion that it should not. Don't you think all industries ought to be treated impartially?

Secretary WALLACE. I think that all industries ought to be treated impartially, but I don't think that you can arrive at impartial treatment by the application of any hard and fast formula based on a single criterion of that sort.

Senator BARKLEY. Even Congress hasn't treated them all impartially, because there are many items where the imports are less than 5 percent, that bear an entirely different rate, under the act of Congress, some of them less than 1 percent.

Senator REED. Would you consider an industry inefficient if the tariff amounted to about 100 percent of the American price?

Senator CLARK. Say the woolen-goods industry, for instance.

Secretary WALLACE. Why, a tariff of 100 percent would suggest that, according to my definition of ability to meet foreign competition, it would suggest undoubtedly that that was an inefficient industry.

Senator REED. What is the present tariff on wheat?

Secretary WALLACE. Forty-two cents a bushel, as I remember it.

Senator REED. And to that is added a processing tax, isn't there?

Secretary WALLACE. No.

Senator REED. Which must be paid by foreign wheat?

Secretary WALLACE. No; the 42 cents has nothing to do with the processing tax.

Senator REED. Well, there is a processing tax?

Secretary WALLACE. There is a processing tax of 30 cents a bushel.

Senator REED. Yes; so that the aggregate tax to be borne by imported wheat is now 72 cents, isn't it?

Secretary WALLACE. No; that is incorrect, Senator.

Senator REED. What is the aggregate amount?

Secretary WALLACE. The aggregate amount is the 30 cents, I would say, although it might be that a part of that 42 cents is effective as a tariff. You see, the present farm price of wheat—let's see, the

present Chicago price of wheat is about 75 cents. That means, adding in the 30 cents processing tax, \$1.15. I don't know at what point the importer's wheat would come in, but I would suspect that it would have to be about \$1.05 Chicago, before imported wheat would come in. That is just a rough guess.

Senator REED. What is the present farm price for wheat?

Secretary WALLACE. As I remember it, it is about 60 cents a bushel.

Senator REED. The processing tax brings that to 95?

Secretary WALLACE. Something like that.

Senator REED. And, on imported wheat, there is an additional burden of 42 cents tariff?

Secretary WALLACE. No; not additional, Senator. You have to consider those two factors separately.

Senator REED. Would you regard the raising of wheat as an inefficient industry?

Secretary WALLACE. Of course, the tariff is not 100 percent, and in the case of a product which is on an export basis, the tariff is a paper tariff, as a rule. Normally, in the case of wheat, the tariff is a paper tariff, and these tariffs which the Republican party—if you will allow me to become partisan for a moment, Senator—

Senator REED. I had forgotten party.

Senator CONNALLY. Nearly everybody else has. [Laughter.]

Secretary WALLACE. I would suggest that out in the Middle West, we feel very much aggrieved that we should have been so freely offered paper tariffs for so many years.

Senator GORE. Isn't it a fact that at one time during the Hoover Administration, the price of wheat was actually less than the tariff on wheat?

Secretary WALLACE. Yes; that is true.

Senator GORE. A great deal less. It sold as low as 20 cents, in Oklahoma.

Secretary WALLACE. There is very little importation of wheat, and as a matter of fact, this coming year, we will be on the export basis to the tune—of course, it depends on just how the weather turns out in the Dakotas—but we will be on the export basis to the tune of probably 100 million bushels.

Senator REED. Mr. Secretary, measured in real dollars, the price of wheat at Chicago today is only 45 cents, isn't it?

Secretary WALLACE. What do you mean by "real dollars", Senator?

Senator REED. I mean 100 cents dollars, pre-Roosevelt dollars.

Secretary WALLACE. Why, our dollars still have 100 cents in them.

Senator CLARK. You mean Mellon dollars.

Senator GORE. He is talking about dinky dollars.

Senator BARKLEY. As a matter of fact, neither in 1930, 1931, or 1932, was this tariff on wheat effective to any appreciable extent, was it, in the price to the farmer?

Secretary WALLACE. Well, of course, during that particular period, the Farm Board, by holding wheat off the market, caused our wheat to be above the world price, and that created an artificial condition, but during the greater part of the time, during the average of the past 10 years, we have been exporting an average of about 160,000,000 bushels of wheat, and to think that a tariff whether it is 10 cents or

a hundred dollars a bushel, is doing the wheat farmer any particular benefit, is just foolishness.

Senator BARKLEY. Isn't it a fact that the processing tax, 30 cents a bushel, was made necessary in part because the 42-cent tariff was not effective, and did not bring the price to the farmer up to a point where—

Secretary WALLACE. Of course, many of the farm acts, including to some extent the present farm act, are an effort to make effective these paper tariffs which have been given the farmer in the past, and to make them work for the farmer. That has been the theory that has governed a great many of these farm acts. It was the theory of several versions of the old McNary-Haugen bill, as well as many of the successors to that bill.

Senator REED. Well, would you, in case this bill should be passed, advocate a reduction in the tariff on wheat?

Secretary WALLACE. I am Secretary of Agriculture, Senator.

Senator REED. And therefore you are sure to be consulted on that subject.

Secretary WALLACE. I believe, Senator, that agriculture is entitled to as much protection and as efficient protection as industry.

Senator REED. Yes; that being so—and we all agree with that—would you advocate a reduction in the 42-cent tariff?

Secretary WALLACE. When industry had taken a corresponding reduction on the average, I would say I would think that it might be fair to advocate such a reduction.

Senator GORE. That is a very good answer, I will say. Mr. Secretary, isn't it a fact that a great deal of the difficulty in agriculture, in the United States, has been caused by the fact that over a long period of years the American farmer has been compelled to buy everything that he had to buy, on a protective market, and to sell everything that he had to sell, in a free market, at prices regulated by world conditions?

Secretary WALLACE. Well, there are some agricultural products, Senator, which have benefited from the tariff.

Senator CLARK. I agree with that, but I am speaking broadly.

Sen. or GORE. Wool, for instance?

Senator CLARK. Industry, and agriculture, as a whole.

Secretary WALLACE. Wool, and beets, and dairy products. Dairy products, until recently, have benefited. I wouldn't care to say everything.

Senator CLARK. But I am using the term "agricultural" broadly, and the term "industry" broadly.

Secretary WALLACE. Yes; I would say that was true, in a broad sense.

Senator BARKLEY. Mr. Secretary, getting back to this question of writing into this bill a mandatory provision that the President shall give public hearings to somebody who suspects that he is going to be affected by a proposed trade agreement, if I understand that, the theory of this bill, it is intended, on the whole, to bring about some advantage to our own country, and that, in dealing with any commodity upon which there is a tariff, which might be the subject of an international agreement, it is to be supposed that whatever that agreement might be, affecting that product, that the net result will be some advantage to us, as a commercial nation, with reference to

either that or some other product, so that if the President were required to give notice to everybody that felt he might be affected, and they should come swooping down on Washington——

Senator CLARK. On London, on Paris, or any place else where the agreement might be in the process of negotiation.

Senator BARKLEY. Well, we will say Washington, and argue that such an agreement ought not to be entered into, because he felt it might or feared it might affect him adversely, it would require that he also hear the proponents of some other commodity that might be the subject of this international agreement, and give them a chance to show that the agreement would inure to their benefit, and the result would be, if he had to hold public hearings on all these matters, the prolongation of the negotiations until any benefits growing out of the agreement might be entirely dissipated. Isn't that possible?

Secretary WALLACE. Yes; I can see that that would be possible. I would like to return, at that point, to my earlier thought, that it would seem to me that it might be wise for responsible men in both parties, and representing the various elements in our national life, labor, industry, and agriculture, to try and work out the broad scheme of our national balance of industry and agriculture, so that there would be a rough guide, and there wouldn't be done suddenly that thing which Senator Reed fears. It would seem to me that the Executive's position could be bolstered up by some broad outline of that sort.

Senator BARKLEY. It is inconceivable, of course, that the President would negotiate any treaty with any nation, involving our commerce, without gathering from some source, through those who are in position to make detailed investigation, all the facts with relation to it and the probable effect of the agreement on our net result, and then, if we put in a mandatory provision that in all these matters everybody who suspects that he may be interested has got a right to come down here, and be heard, it would be just like holding an open hearing here in the Committee on Finance on every tariff bill or on every item of the tariff.

Senator CLARK. It is equally inconceivable that any amount of hearing would convince the Senator from Pennsylvania that there ought to be a reduction in any tariff rate.

Senator COUZENS. Well, that does not apply to the Senator from Michigan, although I do not believe in secret government. I could be convinced, even though the Senator from Pennsylvania could not be convinced.

Senator CLARK. I think the Senator from Michigan might.

Senator COUZENS. At the same time, I would object very seriously to having these things done in secret, without the proper hearings on them, by the interested parties.

The CHAIRMAN. Are there any other questions of the Secretary?

Senator REED. I have no more.

The CHAIRMAN. Thank you very much, Mr. Secretary. Mr. Dickinson, I understood you were to appear this afternoon.

Mr. DICKINSON. That is right.

The CHAIRMAN. Is Dr. Sayre here, the Assistant Secretary of State.

Mr. SAYRE. Yes, Mr. Chairman.

The CHAIRMAN. Doctor, just go ahead and make an explanation in detail, if you will, of this bill. I think you had as much to do with it as anybody else.

STATEMENT OF HON. FRANCIS B. SAYRE, ASSISTANT SECRETARY OF STATE

Senator COUZENS. As the Chairman has said, Dr. Sayre, that you had a lot to do with making this bill, may I ask if you are a free-trader?

Mr. SAYRE. I do not know what a "free-trader" is, sir, in these days.

Senator COUZENS. Well, in any days, regardless of these days, have you ever been a free-trader, or are you now?

Mr. SAYRE. I certainly do not believe it would be fair to eliminate tariffs overnight, if that is what you mean, sir.

Senator COUZENS. Well, in how long a period, or over how long a period of time do you believe that we might eliminate tariffs?

Mr. SAYRE. I do not know. It depends on developments—in the next 200 years, shall we say, sir? I think we must be guided by experience. I do not think it would be fair suddenly to strip away protection from industries and groups of people who have invested their money in them. I think we have got to consider their interests, as well as other people's interests.

Senator COUZENS. But you would like to drift toward that end, is that it?

Mr. SAYRE. I do not think I should say that. I think much depends on what the experience of the next decades will be. I think we must be guided by experience, and for my part—

The CHAIRMAN. Doctor, may I ask if you have at some time voted the Republican ticket?

Mr. SAYRE. You say, have I ever voted that ticket?

Senator BARKLEY. Don't require a man to admit that, here in public.

Senator CLARK. Doctor, you can refuse to answer, on the advice of counsel.

Mr. SAYRE. I have no objection whatsoever to answering that.

Senator CONNALLY. You have a constitutional guarantee of protection along that line.

Senator CLARK. Against incriminating himself.

Senator CONNALLY. You are not required to incriminate yourself.

The CHAIRMAN. Well, I know, if you have, of course you are ashamed of it. [Laughter.]

Mr. SAYRE. Let me say this, sir. I was born in Pennsylvania, in a steel town. I was brought up in a dyed-in-the-wool Republican family. I imbibed Republicanism with my earliest breath, I suppose. Until I went to college, I always believed in the Republican Party.

Senator GORE. The more you learned, the less Republican you were?

Mr. SAYRE. As the result of my college course, I changed and became a Democrat, sir, and since then I have never been able to follow the Republican Party.

Senator CLARK. I have always maintained that if you educate a Republican, you make a Democrat out of him.

The CHAIRMAN. Doctor, I want to congratulate you on the reformation. Now, you may proceed.

Senator KEYES. May I ask what college you went to?

Mr. SAYRE. Williams College, Williamstown, Mass.

Senator CONNALLY. New England.

Senator GORE. Any college would bring about that result.

Senator CONNALLY. Did leaving Pennsylvania have anything to do with your change of mind?

Mr. SAYRE. No, sir.

The CHAIRMAN. Well, that is aside from the question. We have asked you about politics, and so forth. Just forget it, because there is no politics in this tariff question. [Laughter.]

Senator GORE. Just a local question.

Mr. SAYRE. I want to open my remarks, if I may, by reading the last utterance of a Republican President, his last public utterance, which I think does lift this whole question out of politics.

Senator GORE. Yes; and he made it when the light of another world was breaking in his face.

Mr. SAYRE. President McKinley, in Buffalo, in 1901, in his last public utterance, said this:

The period of exclusiveness is past. The expansion of our trade and commerce is the pressing problem. Commercial wars are unprofitable. A policy of good will and friendly trade relations will prevent reprisals. Reciprocity treaties are in harmony with the spirit of the times; measures of retaliation are not. If perchance some of our tariffs are no longer needed for revenue, or to encourage and protect our industries at home, why should they not be employed to extend and promote our markets abroad?

In that last public utterance of a Republican President it seems to me he did lift this subject out of politics and did point the way toward an impartial consideration of the best interests of the country, irrespective of party politics, and that, sir, is the light in which it seems to me we ought to look at this question this afternoon.

I want to suggest, first, something which Secretary Hull was bringing out far better than I can. I simply want to refresh your minds, this afternoon, regarding the shrinkage in world trade, which has been going on the last few years. I have before me the figures of the last few years. They show, for instance, that the total exports of the United States fell from \$5,241,000,000 in 1929 to \$1,675,000,000 in 1933; and the imports correspondingly fell from \$4,399,000,000 in 1929 to \$1,449,000,000 in 1933. That is, roughly, from 5½ billion of exports to 1½ billion.

The CHAIRMAN. What was our balance of trade last year, if you have the figures?

Mr. SAYRE. Last year, sir, 1933, our exports were \$1,675,000,000. Our imports were \$1,449,000,000. As these figures show, there has been a terrific slump in foreign trade.

Senator CLARK. Well, in other words, Doctor, if I understand these figures correctly, our favorable trade balance has fallen from a little less than a billion to about two hundred million, in that period?

Mr. SAYRE. Yes, sir. According to figures which I have secured from the Department of Commerce, when our trade is reduced to index numbers and the average of the years 1923-25 is taken as 100, our quantity index of exports dropped to 69 in 1933. At the same time, measured in terms of value, our export trade dropped to 37. Again, you see what a terrific drop this is. I have some detailed figures which I will be glad to submit as part of my statement.

The CHAIRMAN. I think it ought to be put in the record.

Mr. SAYRE. I will be glad to put all these tables to which I refer in the record, sir.

The CHAIRMAN. I wish you would.

(The tables referred to are as follows:)

Indexes of quantity, unit value (price), and total value of exports of United States merchandise and general imports

[1923-25 average=100]

Year	Exports of United States merchandise								
	Quantity index	Unit value index	Value index	Quantity index	Unit value index	Value index	Quantity index	Unit value index	Value index
	Total			Crude materials			Crude foodstuffs		
1913.....	84	65	55	123	47	59	81	65	53
1919.....	120	144	173	104	117	123	134	156	210
1920.....	116	156	191	106	133	142	163	174	294
1921.....	96	102	96	106	98	74	206	101	209
1922.....	89	94	84	97	85	75	167	85	142
1923.....	91	101	92	84	106	91	93	85	80
1924.....	102	99	101	99	101	101	122	100	122
1925.....	107	100	108	118	91	108	85	115	99
1926.....	115	92	105	134	70	95	105	99	104
1927.....	124	86	106	130	69	90	131	99	130
1928.....	128	88	113	124	78	96	98	93	91
1929.....	132	87	115	113	76	86	94	89	84
1930.....	109	78	85	106	59	63	69	80	55
1931.....	89	60	53	107	40	48	71	55	39
1932.....	69	51	35	115	34	39	59	47	28
1933.....	69	54	37	113	39	45	32	46	15
	Manufactured foodstuffs			Semimanufactures			Finished manufactures		
1913.....	73	76	66	91	72	65	65	73	48
1919.....	183	184	340	106	142	151	110	143	167
1920.....	114	169	194	103	152	157	121	162	195
1921.....	114	104	119	64	105	67	78	128	99
1922.....	110	92	102	77	95	72	75	105	79
1923.....	107	94	101	91	101	92	90	101	90
1924.....	105	94	99	103	97	100	98	99	97
1925.....	88	112	99	106	102	108	113	100	113
1926.....	81	107	87	106	101	107	119	101	120
1927.....	81	99	80	121	95	114	133	91	121
1928.....	84	96	81	124	94	117	154	90	138
1929.....	87	96	84	119	100	119	174	89	155
1930.....	71	88	63	97	87	84	137	85	116
1931.....	62	68	43	73	71	62	100	68	68
1932.....	50	52	26	55	58	32	61	62	38
1933.....	49	55	27	64	60	39	64	59	35

Indexes of quantity, unit value (price), and total value of general imports

[1923-25 average=100]

Year	General imports								
	Quantity index	Unit value index	Value index	Quantity index	Unit value index	Value index	Quantity index	Unit value index	Value index
	Total			Crude materials			Crude foodstuffs		
1913.....	66	70	46	58	72	42	67	77	52
1919.....	81	125	101	98	118	116	106	121	128
1920.....	88	155	136	93	130	121	109	124	135
1921.....	74	85	65	81	72	58	95	74	70
1922.....	96	84	80	101	80	80	94	82	77
1923.....	99	99	98	101	95	98	103	82	85
1924.....	97	96	93	98	92	86	102	98	99
1925.....	104	106	109	105	113	119	97	120	116
1926.....	112	102	114	109	112	122	107	119	126
1927.....	113	95	108	116	94	109	107	111	118
1928.....	115	92	106	116	86	100	108	120	129
1929.....	131	87	114	133	80	106	112	113	126
1930.....	111	71	79	106	63	68	113	83	94
1931.....	98	55	64	102	43	44	109	65	71
1932.....	79	43	34	81	30	24	99	55	54
1933.....	86	43	37	91	31	28	99	50	50

Indexes of quantity, unit value (price), and total value of general imports—Continued
 (1923-25 average=100)

Year	General imports								
	Quantity index	Unit value index	Value index	Quantity index	Unit value index	Value index	Quantity index	Unit value index	Value index
	Manufactured foodstuffs			Semimanufactures			Finished manufactures		
1913.....	74	54	40	64	75	48	84	64	54
1919.....	80	140	112	66	129	86	52	122	64
1920.....	86	291	250	76	149	118	81	140	114
1921.....	74	101	74	51	101	51	75	107	80
1922.....	110	71	78	85	92	78	90	98	85
1923.....	90	119	107	100	101	101	100	99	100
1924.....	98	107	105	95	97	92	101	98	97
1925.....	118	74	87	105	101	105	99	104	108
1926.....	122	60	84	112	101	113	114	99	114
1927.....	111	82	91	105	100	105	120	95	114
1928.....	112	73	82	118	95	107	118	100	117
1929.....	137	63	86	127	98	125	141	91	129
1930.....	114	52	59	102	84	86	121	81	96
1931.....	97	46	45	79	67	52	103	69	71
1932.....	92	38	35	67	53	31	79	56	44
1933.....	104	40	41	73	57	41	79	53	42

Mr. SAYRE. Taking the average of the years 1923-25 as 100, the 1933 figure for crude foodstuffs is 32, in quantity; in value 15. In other words, we were exporting only 15 percent as much crude foodstuffs in 1933 as we were exporting annually in the 1923-25 period.

Senator REED. In money value?

Mr. SAYRE. Yes, sir, in money value; but of course prices had fallen, accordingly, the money value index figure is lower than the quantity index figure, which was 32. In finished manufactures, moreover, there was a tremendous drop; quantity index figure, 64; money value index figure, 38. We have thus to face the fact of an unprecedented and sudden drop in the foreign trade of the United States.

Now, what does that mean? It means that our domestic factories and producers cannot sell their goods, and it means, of course, inescapably, unemployment.

Various estimates have been made as to how many American workers are engaged in industries depending upon exports. Mr. Farrell, of the United States Chamber of Commerce, testified for the Ways and Means Committee last March that the estimated number amounted to 7,000,000 persons. His testimony was to this effect:

The depression, since 1929, being one of drastic decline in buying power throughout the world, resulting in a serious curtailment of international trade, has affected the United States more acutely than most countries, and has created a serious problem of unemployment which has been a little more acute in this country than it has been in other countries.

Seven million persons, it is estimated, are dependent for their livelihood on our foreign trade. It is impossible, therefore, to deal effectively with the problem of unemployment without taking into account the vital importance of our overseas commerce as a means indispensable to the success of the National Recovery Act and as an aid to employment.

Senator BARKLEY. In that connection, Doctor, I think it might be well to put in here the statement that in 1930 or 1931, I have forgotten which, Secretary Lamont, of the Department of Commerce,

in an address, or in a magazine article, stated that a drop of \$2,000,-000,000 in our exportable commodities meant unemployment for 3,000,000 American working men.

Mr. SAYRE. Very interesting.

Senator GORE. I think President Hoover, in his Boston speech, said that 2½ million families were dependent on foreign trade.

Mr. SAYRE. Now, I think it is inescapable that reduction in world trade means reduction in production. We cannot escape that; and reduction in production means unemployment. There are some 30,000,000 unemployed in the world today, forced into lives of idleness. That means untold human suffering and misery.

Senator GORE. How many did you say?

Mr. SAYRE. Thirty million. That is estimated.

Senator BARKLEY. You mean workers?

Mr. SAYRE. Workers, and that does not include families, women, or children; most of the suffering is among the wives and the children.

Again, I would like to call your attention to another fact, that the export trade of this country is providing a diminishing outlet for this country's production of movable goods. During the years 1925 to 1929 exports provided an outlet for, roughly, about 10 percent of the movable goods produced in this country. In 1931 we did not have a 10 percent outlet any longer. It had dropped to 7.4 percent. Last year, 1933, that figure of 7.4 percent had dropped to 6 percent.

Senator GORE. What year was 7.4?

Mr. SAYRE. 1931, sir, was 7.4; 1933, 6 percent. In other words, we are facing a diminishing curve in relation to the outlet through foreign markets for the sale of goods produced in this country.

Senator CLARK. Does that include other commodities, as well as manufactured articles?

Mr. SAYRE. That includes movable goods, sir, and these figures I take from the Department of Commerce statement which I have before me.

Senator GORE. And we have diminished our exports of crude food stuffs, more, relatively, than other commercial products?

Mr. SAYRE. Yes, sir.

Senator REED. Doctor, those figures that you gave, are they in money value or in quantity?

Mr. HENRY CHALMERS of the Department of Commerce. The values in any given year are on the same price level, so it doesn't make any substantial difference. Since any one figure is a ratio of all production in any given year, prices of export commodities and domestic production would be on substantially the same level, accordingly the ratio is not to be regarded as affected by change in prices.

Senator REED. So that it indicates a drop from 10 percent to 6 percent—from 10 percent of our production, in quantity, to 6 percent of our production in quantity? That is to say, a loss of 4 percent from our total production in quantity?

Mr. SAYRE. Yes; the ratio is between goods produced and goods exported. But it must not be thought, sir, that by means of a tariff bargaining bill we will affect domestic production only to a very

minor extent; because there are certain commodities as to which the export runs far above 10 percent. Take, for instance, such an article as wheat: We normally export about 20 percent of our wheat. We are, I believe, dependent on the markets of other countries for the sale of about a quarter of our rice crop. The percentage of tobacco runs even higher—about 33½ percent.

Senator GORE. Forty to forty-one on some varieties.

Mr. SAYRE. I am lumping them all together. For packinghouse lard the figure runs up to as high as 50 percent. Cotton, I believe, runs up to from 50 to 60 percent. In other words, what I want to bring out is that there are large and important sections of the country engaged in the production of certain staples or basic commodities, and if our export markets for those commodities fall off, it means inevitably that those producing areas are glutted with surpluses. Those surpluses being unsalable, there is an excessive supply that forces down the prices, not only of the surpluses, but of the whole amount of commodities being produced. That means that those sections of the country, engaged in producing those commodities, cannot get the prices they are accustomed to get. Those producers cannot buy the manufactured goods they ordinarily buy. That spreads disaster not only in that community, but all through the country, because those consumers are unable to buy manufactured goods which they are accustomed to buy; and again, land values are depressed, mortgages are foreclosed, banks face failure; so that you have this difficulty, this trouble, this canker, spreading beyond those particular sections of the country, and working havoc with our whole economic fabric, among both agricultural and manufacturing communities.

Now, I want to hurry, because I know how valuable your time is. I want to suggest another thought, one that should not be lost sight of. I have spoken about the swiftly declining world trade. We must not forget the American share of world trade is diminishing more rapidly than world trade itself. That is to say, if we figure out the percentage of world trade, accruing to each of the 11 leading countries, according to the table which I have before me here, we find that the share of the United States is a diminishing share. In 1929, for instance, the United States enjoyed 12.19 percent of the imports of the world. In 1930 that dropped to 10.71 percent. By 1932, it had dropped to 9.58 percent. Similarly, on the export side of the picture, whereas in 1929 the United States enjoyed 15.61 percent, in 1930 the figure had dropped to 14.27; 1931, 12.57; 1932, 12.39.

The CHAIRMAN. Give us Great Britain, will you?

Mr. SAYRE. Yes, sir. Great Britain's share of import trade increased from 15.19 in 1929 to 16.43 in 1932. In respect of exports, sir, it's proportion remained fairly stationary: in 1929, 10.74, in 1931, to 9.36, in 1932, to 10.06. I have also before me here the combined imports and exports figures.

The CHAIRMAN. Would you put that in the record?

Mr. SAYRE. I will be glad to.

(The statistical information is as follows:)

Percentage of world trade accruing to each of the 11 leading countries

Country	Imports				Exports				Total	
	1929	1930	1931	1932	1929	1930	1931	1932	1929	1932
World total.....	100	100	100	100	100	100	100	100	100	100
United Kingdom.....	18.19	16.09	17.18	16.43	10.74	10.48	9.36	10.06	13.04	13.38
United States of America.....	12.19	10.71	10.02	9.58	15.01	14.27	12.57	12.39	13.83	10.92
Germany.....	9.00	8.50	7.68	7.96	9.72	10.82	12.08	10.70	9.34	9.29
France.....	6.41	7.08	7.93	6.44	5.95	6.34	6.30	6.08	6.19	7.31
Canada.....	3.55	3.47	2.92	2.87	3.71	3.42	3.28	3.88	3.08	3.33
Netherlands.....	5.11	3.34	3.65	3.77	2.43	2.81	2.79	2.68	2.78	3.25
Belgium.....	2.77	2.95	3.17	3.20	2.68	2.74	3.40	3.23	2.73	3.24
Japan.....	2.81	2.56	2.88	2.84	2.03	2.67	2.89	3.05	2.87	2.94
Italy.....	3.20	3.14	2.94	3.05	2.42	2.41	2.79	2.73	2.83	2.90
India.....	2.24	2.33	2.28	2.53	3.64	3.44	2.93	2.79	3.02	2.68
Russia.....	1.27	1.67	2.73	2.59	1.46	2.01	2.20	2.28	1.35	2.44

Mr. SAYRE. In respect of imports and exports combined, Great Britain's ratio increased from 13.04 in 1929, to 13.38, in 1932.

Senator CLARK. Was that exports?

Mr. SAYRE. That is imports and exports combined. The United States, meanwhile dropped from 13.83, to 10.92.

The CHAIRMAN. Did I understand you to say that of these 11 countries, the United States had shown the greatest decrease, both of imports and exports?

Mr. SAYRE. I did not say, sir, it shows the greatest decrease. I say that its proportion is a decreasing one. Whatever this country loses, other countries must gain.

Senator GORE. And, compared with the other 10, she lost more than they did, in the aggregate?

Mr. SAYRE. Yes, the percentage decrease, in respect of both exports and imports, is greater for the United States than that of any of the other ten countries.

Senator GORE. Yes, it is.

Senator WOLCOTT. That would not be necessarily true, would it, that what we lose, other countries pick up? For instance, take China. If you will look up the record of China, her imports of manufactured cotton goods declined very rapidly from 1929 to 1932, but her imports of raw cotton picked up almost the same amount.

Mr. SAYRE. Yes, sir; but may I make this clear?

Senator WOLCOTT. And she brought in machinery and built mills, and was manufacturing that raw material, so she didn't have to buy the manufactured cotton goods in England.

Mr. SAYRE. Yes.

Senator WOLCOTT. So there are a good many factors that enter into it, and you cannot generalize on it.

Mr. SAYRE. The point I want to make, is, that for the whole world trade was decreasing. Now, I have figures showing the percentage of world trade accruing to each country, of that diminished world trade. In 1929, the United States enjoyed 13.83 percent of such world trade as existed in 1929, whereas in 1932, the United States enjoyed only 10.92 percent of such world trade as existed in 1932, that last being much less, as I said a few moments ago, than 1929.

Senator GORE. China declined less than almost any country in the world?

Mr. SAYRE. I haven't China. China is not one of the 11 leading countries which is listed here.

Senator GORE. No, I know, but China declined almost less than any country in the world.

Senator WALCOTT. But, when you speak, for instance, of exports of Great Britain in 1929, 10.74, I don't quite understand what you mean. You mean that is the percentage of her total?

Mr. SAYRE. Great Britain's percentage of the total world trade.

Senator WALCOTT. Of the total world trade, not the total of Great Britain?

Mr. SAYRE. No. If you take the total world trade and figure out the percentage which each of the 11 countries enjoy of that world trade, you find that the United States suffered greater decline since 1929 than any other important trading country.

Senator BARKLEY. Those figures show that, even if other countries did not gain in world trade, they came nearer to holding their own than we did.

Mr. SAYRE. Since this is a proportion of the total, whatever we have lost, some other country or countries must have gained.

Senator BARKLEY. It may not gain it actually in the importation of unaccustomed goods, but it gained it in maintaining its status quo to a larger extent.

Mr. SAYRE. In absolute figures, let us not forget, the whole trade is declining.

Senator BARKLEY. Oh, yes.

Mr. SAYRE. There was much less international trade in 1932 than in 1929, but we enjoyed a smaller proportion of that smaller 1932 trade than we enjoyed of the larger 1929 trade.

The CHAIRMAN. During this time of declining world trade, has there been an increase in retaliatory tariff measures, formation of cartels, and every other kind of device or contrivance to isolate other countries?

Mr. SAYRE. Yes. I think there is a reason for this. I am baldly stating the facts. I do not think that this is contentious matter that I am stating now.

Senator REED. While our percentage of the total world exports were declining, which were the chief countries which showed an increase in percentage?

Mr. SAYRE. If you like, sir, I will read you the figures for the 11 countries, if it is not taking too much time.

Senator GORE. England, I think, showed the most increase.

Mr. SAYRE. No; England did not show the most.

Senator REED. Just give us two or three that showed the most.

Mr. SAYRE. Russia is one of them. Its share increased from 1.36 percent to 2.44 percent.

Senator WALCOTT. Are these exports or imports?

Mr. SAYRE. This is the total of exports and imports.

Senator WALCOTT. I understand.

The CHAIRMAN. How about Italy?

Mr. SAYRE. Belgium increased from 2.73 percent to 3.24 percent.

Netherlands from 2.78 percent to 3.25 percent. France from 6.19 percent to 7.31 percent. Those are the leading increases.

Senator BARKLEY. That is an increase in percentage. It does not mean an increase in the actual volume of goods.

Mr. SAYRE. No, the volume of goods went down.

Senator BARKLEY. So it is a comparative increase.

Mr. SAYRE. It is simply that the United States had a certain proportion, a certain share of the trade of 1929 and a smaller share as to the trade of 1932. In 1932 the total trade of the world was far less in volume and in value than in 1929.

Senator BARKLEY. In all of these countries?

Mr. SAYRE. In all of these countries, although in some the proportion increased, whereas, in the United States, the proportion decreased.

Senator BARKLEY. Both our percentage and our volume decreased, whereas their volume decreased, but by reason——

Mr. SAYRE (interposing). Both the volume and value of the trade decreased, absolutely.

Senator BARKLEY. The percentage in some countries increased while the volume was going down.

The CHAIRMAN. Can you give us, if you have it, how many of these reciprocal trade agreements have been formed by the various 11 countries?

Mr. SAYRE. Yes, sir; I am going to state them in just a moment.

May I complete what I am stating here? This fact of the declining share of the United States in the declining trade of the world is still more marked with regard to the South American countries. I have before me, for instance, the decrease of trade as between the United States and the Argentine. In 1926 the United States enjoyed 24.7 percent of the Argentine imports. In 1932 that figure of 24.7 had dropped to 13.6 percent. In 1933 it had dropped to 12.6 percent; whereas Great Britain had gone up from 19.3 percent to 21.4 percent, and various other countries had similarly gone up.

I have before me here the tables, which I won't weary you by reading, concerning other South American countries. Suffice it to say that they show our trade decreased with the Argentine, with Brazil, with Chile, with Colombia, with Mexico, when I say our trade decreased, again I am referring to our proportion of their import trade as compared with the proportion enjoyed by other countries. That is, we are losing our share of the foreign trade.

Senator CLARK. Doctor, have you any table to show who got the trade we lost in those South American countries, and will you put that in the record.

Mr. SAYRE. I will be glad to.

Proportion of imports, 1926-33 * into—

Argentina:

From United States—decreased.

From United Kingdom—increased.

Brazil:

From United States—decreased.

From United Kingdom—increased.

Chile:

From United States—decreased.

From United Kingdom—decreased.

From France—increased.

From Peru—increased.

Colombia:

From United States—decreased.

From United Kingdom—increased.

From Germany—increased.

Mexico:

From United States—decreased.

From Germany—increased.

Proportion of imports from principal countries
INTO ARGENTINA

	1926	1932	1933
	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>
United States.....	34.7	13.6	12.6
United Kingdom.....	19.3	20.3	21.4
Germany.....	11.4	9.7	10.7
Italy.....	8.0	6.2	9.1
Brazil.....	8.1	5.6	5.6
France.....	7.4	5.1	5.1
Japan.....	10.6	1.6	2.3

INTO BRAZIL

United States.....	29.3	30.1	30.2
United Kingdom.....	18.9	19.2	19.9
Germany.....	12.6	9.0	11.7
Argentina.....	0.8	7.4	13.0
France.....	6.4	5.1	5.6
Italy.....	3.8	4.1	4.1

INTO CHILE

United States.....	32.7	22.8	22.5
Germany.....	12.1	14.6	11.5
Great Britain.....	17.2	13.0	12.1
Peru.....	6.4	13.0	14.3
France.....	4.4	4.7	6.4

INTO COLOMBIA

United States.....	47.9	345.9	336.6
Great Britain.....	16.6	318.2	331.4
Germany.....	12.8	313.9	316.5
France.....	6.1	34.2	34.9

INTO MEXICO

United States.....	70.5	63.5	62.3
Germany.....	7.4	11.6	12.2
Great Britain.....	7.4	7.7	7.5
France.....	4.6	5.5	5.6

¹ 1927 (not shown separately in 1926).

² 9 months.

³ January-June.

* The figures are based on money value. They are taken from U.S. Commerce yearbooks.

Again, this same idea is illustrated in this last Department of Commerce release—

Senator GORE (interposing). What is that?

Mr. SAYRE. This, sir, is a release of the United States Bureau of Foreign and Domestic Commerce, Department of Commerce, issued at Washington, D.C., March 1934, entitled "Summary of the United States Trade with the World of 1933", prepared by the Division of Foreign Trade Statistics. I am reading from the table no. 15 on page 34, which I will be glad also to insert in the record if you choose.

The CHAIRMAN. Yes; we would like that in the record.

Foreign trade of leading countries and total international trade

(Values in millions of the unit specified)

Country	Imports				Exports			
	1929	1932	1933	Per- cent change 1933 from 1932	1929	1932	1933	Per- cent change 1933 from 1932
PAPER CURRENCY								
United States.....dollar..	4,399	1,323	1,449	+10	5,241	1,611	1,675	+4
United Kingdom.....& sterling..	1,321	703	676	-4	839	416	417	-----
Germany.....reichsmark..	13,447	4,667	4,204	-10	13,433	5,739	4,871	-15
France.....franc..	58,231	20,836	25,425	-5	50,139	19,698	18,433	-6
Index of volume: ¹								
United States (United States merchandise).....	100	60	66	+10	100	52	52	-----
United Kingdom (United King- dom produce).....	100	88	88	-----	100	63	64	+2
Germany.....	100	69	69	-----	100	61	58	-5
Unit value index: ¹								
United States (United States merchandise).....	100	50	50	-----	100	59	62	+5
United Kingdom (United King- dom produce).....	100	66	63	-5	100	80	78	-3
Germany.....	100	50	45	-10	100	70	63	-10
Gold basis: world, total.....dollar..	35,606	13,885	11,937	-14	33,035	12,726	11,119	-13
United States.....do.....	4,399	1,323	1,131	-15	5,241	1,611	1,301	-19
United Kingdom.....do.....	5,941	2,460	2,239	-9	4,083	1,459	1,380	-5
France.....do.....	2,262	1,179	1,114	-5	1,955	774	723	-7

Source: Official reports on foreign trade of the several countries and the League of Nations.

¹ 1929 average equals 100.

Mr. SAYRE. This shows that, if they are measured in terms of gold, in the year 1933, whereas English exports declined 5 percent from 1932, French exports declined 7 percent from 1932, and total world exports declined 13 percent since 1932, the United States exports declined 19 percent.

Those percentages are: England, 5; France, 7; the world average, 13; and the United States, 19 percent decline in this last year.

Senator COUZENS. Have you drawn any general conclusions as to the cause of that?

Mr. SAYRE. I did; yes, sir; but I want to lay the facts before you gentlemen and then let us talk about them.

Senator REED. Will you tell us what part in the causes of that is played in the increased costs required by the N.R.A.?

Mr. SAYRE. Very small, sir, comparatively. Very small.

The CHAIRMAN. Will you tell us what part the last tariff bill that was passed played in that?

Mr. SAYRE. You mean the Hawley-Smoot tariff?

Senator BARKLEY. The "Hoot-Smawley" Act. [Laughter.]

Senator CONNALLY. I would not bring that up. [Laughter.]

Mr. SAYRE. I think, myself, a large part.

I read again from this same report of the Department of Commerce, these words, and I am reading from page 12 of the report which I mentioned a moment ago:

In 1933 the exports from the United States were smaller in value than the exports from the United Kingdom for the first time since 1914.

So much, then, for this picture of declining share of the United States in the world trade.

Senator WALSH. Has there been an improvement in the last few months?

Mr. SAYRE. There has not been noticeable improvement; no, sir. There has been an increase in the exports according to value due to a slight increase in prices. If you figure by the volume basis, there has not been a noticeable increase in exports yet.

Senator WALSH. Comparing the first 3 months of this year with a year ago, has there been an increase?

Mr. SAYRE. That seems to be the conclusion drawn in this Department of Commerce report. Am I correct in that statement?

Mr. CHALMERS. Answering the specific question, the first 3 months of this year showed some improvement over the first 3 months of last year, which were just at the bottom.

Senator GORE. But that is not true when you convert values in terms of gold and compare the gold prices now.

Mr. CHALMERS. Even when mentioned in quantities, in certain commodities there has been a pick-up. By reason of the easier purchasing ability of certain other countries, because of the devaluation of the dollar.

Senator GORE. In terms of gold?

Mr. CHALMERS. Possibly the fairest basis would be quantity, and in quantity there are a number of lines where there has been some pick-up. It has not been general nor very substantial yet.

Senator GORE. A very material falling off, if you put it in terms of value?

Senator CONNALLY. Cotton, refrigerators, and things of that kind?

Mr. CHALMERS. Yes; things of that kind.

Senator WALSH. In the first 3 months there has been a marked increase in domestic consumption?

Mr. CHALMERS. In a number of those lines; automobiles, for instance.

Senator WALSH. How do those figures compare?

Mr. CHALMERS. In domestic consumption?

Senator WALSH. Yes.

Mr. CHALMERS. The figures are hardly available on domestic trade. Imports and exports are counted at the customs houses, but domestic trade is not.

The CHAIRMAN. All right.

Mr. SAYRE. Next I want to suggest that all countries are faced with this problem of diminishing world trade. There are many factors causing it. Some of the very evident factors are the high tariff barriers which different nations are building up; also the quota restrictions which various nations are imposing, and the exchange control or restrictions—

Senator CLARK (interposing). Nearly all of those tariff restrictions and quota restrictions—I mean the whole policy—started in retaliation for our tariff policy, did it not?

Mr. SAYRE. I think a good deal of it is in retaliation. I don't think that we can say all of it.

Senator CLARK. Nearly all of it.

Senator GORE. We set the pace, and it was rather a merry chase.

Senator REED. A good many of them acted before we did.

Mr. SAYRE. Some of them did.

Senator BARKLEY. Holland, Italy, France—it is a tariff war all over the world which has been going on for 3 years.

Senator CLARK. We started that war.

Mr. SAYRE. I am not speaking solely of the Hawley-Smoot tariff. It had a high-tariff predecessor. However, we are getting into the realm of contentious matters. I want to keep clear of discussing contentious matters. I want simply to lay the facts before you gentlemen.

Now, as I say, these trade restrictions are very evident factors making for this great reduction in world trade, some of them being very powerful ones which are strangling international trade. Almost every country of the world is facing this problem and wondering how to meet it and meet it effectively and practically.

The movement which is most apparent today throughout the countries of the world is a movement in the direction of cutting down some of these trade restrictions, finding a way to pierce them, or a way to eliminate them through the means of tariff or trade bargaining. The different countries, particularly in Europe, have engaged in a very noticeable movement in the direction of quick bargaining agreements. I have before me here a list of 77 such trade agreements concluded since January 1, 1933.

When I appeared before the committee of the House, the Ways and Means Committee, I could show a list of 68, and just since that that list has grown to 77. Almost every day we get dispatches in the State Department of new trade agreements being made or concluded or ratified. I should be glad also to insert this list in the record.

Commercial agreements concluded and reported since Jan. 1, 1933

[Not including renewals and extensions]

Country	Customs concession only	Most-favored nation only	Customs concession and most-favored nation	Total
Argentina.....	Chile (e10/21/33), ¹ United Kingdom.	Netherlands (34 C.R. 10/156), ² Belgium (34 C.R. 10/156).	Brazil.....	5
Australia.....	New Zealand (34 C.R. 5/76).			1
Austria.....	Hungary (e1/1/33), Sweden (34 C.R. 10/156).	Canada (34 C.R. 3/44).	Poland.....	4
Belgium.....	Poland.....	Argentina.....	New Zealand (34 C.R. 7/107).	3
Brazil.....		Turkey, Latvia, Greece, Yugoslavia, Portugal, Estonia, Syria, and Lebanon.	Argentina, Uruguay...	9
Bulgaria.....	Turkey (34 C.R. 13/205)...		Germany.....	2
Canada.....		Austria, Germany.....	France (restricted)....	3
Chile.....	Argentina, Cuba.....	Czechoslovakia.....	Germany (34 C.R. 8/124).	4
Colombia.....	Venezuela.....			1
Costa Rica.....	France.....	Germany, Italy (34 C.R. 7/106).	France (most-favored nation, by Costa Rica only).	4
Cuba.....	Chile.....			1
Czechoslovakia.....	Switzerland (34 C.R. 8/124), Germany (34 C.R. 4/58).	Chile.....	Poland (34 C.R. 16/253)	4
Denmark.....	Poland (34 C.R. 12/187)...		United Kingdom, Germany.	3
Estonia.....	United Kingdom, France.	Brazil.....	Spain (34 C.R. 7/108)...	4
Finland.....	France, United Kingdom.	United States (34 C.R. 8/126).		3

¹ e signifies date on which agreement became effective.

² C.R. refers to Commerce Reports; thus 34 C.R. 10/156 refers to Commerce Report (1934) no. 10, p. 156, where this agreement is reported.

Commercial agreements concluded and reported since Jan. 1, 1933—Continued

[Not including renewals and extensions]

Country	Customs concession only	Most-favored nation only	Customs concession and most-favored nation	Total
France.....	Switzerland, Costa Rica, Norway, Russia, Sweden, Estonia, Italy, Finland.	Turkey (restricted)...	Canada (restricted), Spain (restricted), (34 C.R. 14/219).	11
Germany.....	Netherlands, United Kingdom, Spain, Switzerland, Czechoslovakia, Poland, Italy.	Uruguay, Canda, Costa Rica.	Yugoslavia (9/8/1 and 9/24/33), Bulgaria, Chile, Denmark (34 C.R. 16/233).	14
Greece.....		Brazil.....		1
Hungary.....	Austria.....			1
Iceland.....			United Kingdom.....	1
India.....			Japan.....	1
Iraq.....		Norway.....		1
Italy.....	France, Germany (34 C.R. 6/89).	Russia, Costa Rica...	Rumania (34 C.R. 11/172).	6
Japan.....			India.....	1
Latvia.....	United Kingdom.....	Brazil, Russia.....	Lithuania (34 C.R. 13/206).	4
Lithuania.....			Latvia.....	1
Netherlands.....	Germany, Poland (34 C.R. 3/46).	Argentina, Yemen.....		4
New Zealand.....	Australia.....	Norway (34 C.R. 13/307).	Belgium.....	3
Norway.....	United Kingdom, France..	Iraq, New Zealand.....		4
Persia.....		Poland (34 C.R. 4/60)..		1
Poland.....	Belgium, Germany, Netherlands, Denmark, Switzerland.	Persia, United States..	Austria, Czechoslovakia.	9
Portugal.....		Brazil.....		1
Rumania.....	Switzerland.....		Italy.....	2
Russia.....	France (34 C.R. 9/142).....	Italy, United Kingdom, Latvia (34 C.R. 15/235).		4
Saudi Arabia.....		United States.....		1
Spain.....	Germany.....		Estonia, France.....	3
Sweden.....	United Kingdom, France, Austria.			3
Switzerland.....	France, Rumania, Germany, Czechoslovakia, Poland (34 C.R. 14/220).			5
Syria and Lebanon.....		Brazil.....		1
Turkey.....	Bulgaria.....	Brazil, France (restricted).		3
United Kingdom...	Finland, Latvia, Argentina, Estonia, Germany, Norway, Sweden.	Russia (34 C.R. 12/189).	Denmark, Iceland.....	9
United States.....		Poland, Saudi Arabia, Finland.		3
Uruguay.....		Germany.....	Brazil.....	2
Venezuela.....	Colombia (34 C.R. 16/263).			1
Yemen.....		Netherlands.....		1
Yugoslavia.....		Brazil.....	Germany.....	2

The CHAIRMAN. Do you know whether or not, in the making of those trade agreements under the laws of the respective countries they can do it quickly, or do they have to have hearings and so forth?

Mr. SAYRE. Essentially they can do it overnight, almost, in many countries. The procedure differs in different countries. In the majority of the European countries the executive can make an agreement reducing tariffs to come into effect at once. In many of the European countries that agreement, which comes into effect at once, requires some kind of parliamentary ratification; but, in the great majority, that parliamentary ratification is a matter of form.

In almost all cases you have the parliament ratifying as of course. In some countries the agreements come into force if the parliament takes no action. That matter differs in different countries. I have before me a list of the procedures in the different countries. I won't bother you to read it.

The CHAIRMAN. Would you put that into the record?
Mr. SAYRE. I shall be glad to.

REGULATION OF CUSTOMS TARIFFS IN FOREIGN COUNTRIES BY ADMINISTRATIVE ACTION

MEMORANDUM AND SUMMARY TABULATION CONCERNING "REGULATION OF CUSTOMS TARIFFS IN FOREIGN COUNTRIES BY ADMINISTRATIVE ACTION"

The attached table presents a summary and revision to date of a compilation published by the United States Tariff Commission under the above title in 1932. The table shows power over tariff rates delegated by the legislature to the executive branch of the Government or which are known to be exercised by administrative action in the different countries. No attempt has been made in this tabulation to interpret indefinite constitutional provisions (such as "general welfare" clauses, etc.), under which the Executive might assume authority to restrict or prohibit imports or exports, whether by tariff changes or other means.

RELATION BETWEEN THE EXECUTIVE AND LEGISLATIVE BRANCHES

When the executive power is mentioned in the accompanying tabulation, the reference is to one of the following types of administration:

1. Executive legally independent of the legislature as in the United States.
2. Executive independent of the legislature in actual practice.
3. Executive dependent upon the legislature, as in the British parliamentary form of government.

With regard to the second type of executive there has been a widespread tendency or practice in recent years to assume emergency powers over the tariff and other measures affecting foreign trade.

In countries with a parliamentary or cabinet form of government, where the ministry is an essential part of the legislature and its acknowledged leader in matters of policy, administrative tariff changes are virtually assured in advance of parliamentary approval. Accordingly, in comparing the practice in different countries with regard to the question whether legislative ratification is or is not required before executive tariff changes can take effect, it is important to note the distinction between parliamentary and congressional forms of procedure. Under the parliamentary or cabinet form of government, the Prime Minister necessarily commands a parliamentary majority. In such countries the requirement of legislative ratification manifestly does not impose a restriction upon executive action comparable with the same requirement under a congressional form of government, where the Chief Executive may or may not be supported by a majority of the Congress.

It must also be remembered that in countries where many or most of the effective tariff rates are fixed by commercial treaties, such rates cannot be changed, even by the legislature and executive combined, during the life of the treaties concerned, without agreement with the countries entitled to the treaty rates. A recent practice concerning such conventional duties has been the bargaining for mutual release from treaty-bound rates.

RESTRICTIVE MEASURES OTHER THAN TARIFFS

In addition to tariff duties import trade has been restricted or controlled by other measures, such as import quotas or prohibitions; import restrictions with or without a system of licenses; import monopolies; foreign exchange control; milling or mixing regulations; and increased fees and restrictive regulations of various kinds. Under present conditions import quotas and exchange control measures may be even more effective trade barriers than tariff rates as such.

Quotas or import permits are imposed in a number of countries by the executive, either under special legislative authorization, or under general executive powers. These permits may be used to control trade balances, or to apply retaliatory measures, and the apportionment of imports under quotas may also be used to conclude and enforce reciprocal trade arrangements. Among the countries where import quotas are used for one purpose or another are Austria, Belgium, Chile, Czechoslovakia, Estonia, France, Germany, Greece,

Hungary, Italy, Latvia, Netherlands, Poland, Rumania, Spain, Switzerland, Turkey, United Kingdom.

Restrictions on foreign exchange transactions are applied in many countries. In several European and Latin American countries control of foreign exchange transactions is officially exercised through the central banking system. Among the countries applying restrictions for control of foreign exchange are Argentina, Austria, Brazil, Bulgaria, Chile, Colombia, Czechoslovakia, Denmark, Estonia, Greece, Germany, Hungary, Italy, Latvia, Norway, Spain, Turkey, Uruguay, Yugoslavia.

To facilitate trade with countries exercising control over foreign exchange, other countries which do not restrict foreign exchange transactions follow the principal of compensation trade (paying for imports by exports) and have entered into clearing or compensation agreements with countries restricting cash payments for imports.

Regulation of customs tariffs in foreign countries by administrative action

In the countries listed below tariff rates may be changed by the executive branch of the Government as noted in columns A to F:

- A—Has the Executive power to change duties without reference to the legislature?
 B—Has the Executive power to change duties provisionally, pending approval by the legislature?
 C—Are treaty rates enforceable by the Executive without reference to the legislature?
 D—Are treaty rates enforceable by the Executive provisionally, pending ratification of the treaty?
 E—Can the Executive change tariff rates without limit as to amount?
 F—Is there a special commission or similar agency to advise on tariff changes?

Country	A	B	C	D	E	F	Remarks
Argentina	Yes		Yes ¹		No ²	Not specified	¹ Although duties may be reduced by as much as 50 percent under commercial agreements, apparently without legislative approval, the Argentine-United Kingdom treaty of 1933 was submitted for such approval before enforcement. ² To penalize discriminations, duties up to 15 percent ad valorem may be applied on duty-free imports, or duties increased up to 50 percent ad valorem.
Australia		Yes		Yes	No	Yes; a tariff board	
Austria	Yes ³			Yes	Yes	Not specified	³ Previous approval of the principal committee of the legislature is required and, upon demand by $\frac{1}{4}$ of the members of the committee, the proposal to change tariff rates must be submitted to the legislature for consideration in the regular order of business. However, this provision does not apply to the tariff (and other) decrees which the present "Government" has issued within the past year by invoking certain extraordinary war-time powers. But even such decrees should later be submitted to the legislature and be revoked if it so demands.
Belgium	No	Yes	No	Yes	No	No	
Bolivia	Yes ⁴		Not known	Not known	Yes	No	⁴ The Executive has power under the tariff to regulate or prohibit importations, reporting such action afterward to the legislature.
Brazil	Yes ⁵		Yes ⁶		Yes	Not specified	⁵ The post-revolutionary government assumed executive control of the tariff by decree no. 20290 of Sept. 8, 1931. ⁶ Commercial agreements involving tariff changes have been made by the Executive of the post-revolutionary government, and formerly such agreements were occasionally authorized by the legislature in the annual budget laws.
Bulgaria	Yes	No	No	Yes	Yes ⁷	Yes ⁸	⁷ Must preserve the fixed ratio between the duty and value of the article. These rates must be in effect 3 months before revised again. ⁸ A tariff committee, with Minister of Finance as chairman, and of which the chairman of Parliamentary Committees on Finance and on Commerce, Industry, and Labor, are members.
Canada	Yes		Yes		No ⁹	Yes	⁹ The executive government (centered in the governor-general and the cabinet) may reduce rates or put articles on free list. Increases rates are introduced into Parliament by Minister of Finance.
Chile	Yes		No ¹⁰		No ¹¹	Not specified	¹⁰ But a recent provisional agreement reducing certain rates was not submitted to the legislature before enforcement.

China	No	No	No	No	No	Yes ¹²
Colombia	Yes ¹³		(14)		No	Not specified
Costa Rica	Yes		(15)		Yes ¹⁵	No
Cuba ¹⁶	Yes ¹⁷			Yes	Yes	Yes ¹⁸
Czechoslovakia	No	Yes ¹⁹	No	Yes ²⁰	Yes ¹⁹	No
Denmark	No	No	No	No		
Ecuador	Yes ²¹		Not known		No ²²	No
England (see United Kingdom).						
Finland	Yes ²³		No	No	No ²⁴	No
France	No	Yes	No	Yes	Yes ²⁵	No
Germany ²⁶	Yes ²⁶		Yes ²⁷	Yes ²⁷	Yes	Not specified

¹¹ To penalize discriminations, duties up to 15 percent ad valorem may be applied on duty-free imports, and duties may be increased up to 50 percent; to protect national industries duties may be increased by 35 percent; on articles of first necessity duties may be reduced by 25 percent; these changes are authorized under the tariff of 1928, and so far as known have not been repealed through later tariff legislation.

¹² The National Tariff Commission, but the Chinese Central Political Council apparently advises on fundamental tariff matters.

¹³ To penalize discriminations.

¹⁴ In November 1932 the Executive was given authority by the legislature to conclude commercial agreements reducing rates, without the requirement of legislative approval; this authority apparently lapsed July 31, 1933, without having been exercised.

¹⁵ The Executive is authorized to increase or decrease rates, provided that articles of luxury shall be dutiable at higher rates than articles of first necessity or for use of national industries.

¹⁶ The powers indicated were granted to the Machado administration (since overthrown) to expire in May 1934.

¹⁷ Tariff changes must be reported to the legislature.

¹⁸ The Technical Tariff Commission, which apparently has ceased to function since the revolution.

¹⁹ During present emergency only, this power to expire June 30, 1934.

²⁰ But minimum bargaining rates are fixed by Parliament.

²¹ The Executive is also given authority to regulate and prohibit importations.

²² The Executive may increase or reduce rates by as much as 50 percent and 30 percent, respectively.

²³ The council of state may quadruple legislative rates on a legally specified list of (important) tariff numbers.

²⁴ By Law of Feb. 28, 1934, the French President was given authority, until Nov. 15, 1934, to change tariff rates subject to approval by Parliament.

²⁵ Although by the so-called "Enabling Act" of Mar. 24, 1933, the German legislature delegated general powers of legislation to the Government as an emergency measure, the latter continues to invoke particular authorizations previously granted to the cabinet either by the legislature or by the President. (See note 26.)

²⁶ The authorization indicated was delegated to the German "Government" by the President of the Reich, in the exercise of certain extraordinary powers granted him directly by the German constitution. The President's decree provided that executive decrees enacting tariff changes must be submitted to the Reichsrat (an upper chamber without legislative power) which can demand their repeal.

Regulation of customs tariffs in foreign countries by administrative action—Continued

Country	A	B	C	D	E	F	Remarks
Germany	Yes		Yes ²⁷	Yes ²⁷	Yes	Not specified	²² By provision of the emergency law of Mar. 24, 1933, treaties relating to subject matter of national legislation do not require the approval of the legislature. The Government itself authorized the Minister of Foreign Affairs provisionally to put into force commercial agreements, in case of urgent economic necessity.
Greece	No ²⁴	Yes	No	Yes	Yes generally ²⁸	Yes ²⁸	²³ The legislative maximum rates increased tenfold in 1931 may be reduced under certain conditions stated, but not below the minimum rates set by the legislature. Import quotas need not be approved by legislature. ²⁴ A permanent commission for study of tariffs and commercial treaties with Minister of Finance as chairman.
Haiti	Yes ²⁶		Not known		No	No	²⁵ The Executive is authorized to increase rates by as much as 50 percent in case of discriminations.
Hungary	Yes ²¹		Yes ²²		Yes ²²	Not specified	²⁶ Tariff changes and decrees enforcing commercial agreements and treaty rates must be reported to the legislature. ²⁷ The authority to put into force tariff changes contained in a treaty is contingent upon similar action by the other party to the treaty.
Italy	No	Yes	No	Yes	(²⁹)	Yes	²⁸ As regards increases in duty (to be made according to need whenever important branches of Hungarian production so require) the Government has the obligation subsequently to restore the statutory rates.
Japan ²⁵	No	No	No	No	No	Yes ²⁵	²⁹ Executive power is limited as regards tariff increases on goods from nontreaty States, and retaliatory surtaxes on goods from States discriminating against Italian products.
Mexico	Yes ²⁴		(³⁰)		Yes	Yes ²⁷	³⁰ There is a tariff investigation commission. According to recent press reports, a "trade defense bill" has been introduced in the Japanese legislature, proposing to grant the Japanese executive unlimited power over tariff rates, including import and export restrictions.
Netherlands	Yes ²³		No	No	(³¹)	No	³¹ Since 1917, the executive has been given unqualified authority by Congress to change rates, with the requirement that the exercise of such powers be reported to the legislature in matters relating to the public treasury.
New Zealand		Yes		Yes	No	Yes ²⁸	³² The Mexican Tariff Commission customarily recommends changes.
Norway	No	No	No	No			³³ The administration may exempt a few legally specified articles from all duties, and articles not produced in the Netherlands from the surtaxes effective Jan. 1, 1934.
Panama	Yes ⁴¹		Not known		Yes	(³²)	³⁴ There is a tariff commission.

⁴¹ In 1932, the executive readjusted a number of duties, for the declared purpose of protecting certain basic industries.

⁴² A tariff revision, to become effective in April 1934 has recently been completed by the executive with the advice of a congressional committee.

Paraguay	Yes ⁴³	do	do	Yes ⁴³	No ⁴⁴	No	⁴³ Changes are reported to the legislature after being made.
Poland	No	Yes ⁴⁴	No	Yes ⁴⁵	(⁴⁶)	No	⁴⁴ Increases or reductions are limited to 50 percent of the rate. ⁴⁵ The administration by ministerial decree may reduce or abolish duties on necessities and on products required by Polish industry, commerce, or agriculture, and raise rates under certain conditions.
Portugal	Yes			Yes ⁴⁶	No ⁴⁷	Yes ⁴⁸	⁴⁶ There is an interdepartmental commission. The provisional agreements are to be negotiated on the basis of the rates in the minimum column of the Portuguese tariff. (See also note 47.) Denunciation of existing agreements, if necessary, is included in the grant of authority. ⁴⁷ On Feb. 26, 1932, the Portuguese legislature enacted additional duties on imports generally of 20 percent of existing rates, and authorized the Government to increase the additional duties up to 100 percent, or decrease them to 5 percent with respect to raw material, machines, and apparatus for Portuguese industries. (See also note 46.)
Rumania	No ⁴⁹	Yes	No	Yes	No	No	⁴⁸ But duties may be increased in emergencies, under specified conditions. Import quotas do not require legislative approval. ⁴⁹ The administration has unlimited control of foreign trade.
Russia	(⁵⁰)			Yes	No	Yes, the Board of Trade and Industries.	
South African Union	Yes			Yes	No	Not specified	⁵⁰ Denunciation of existing agreements, if necessary, is included in the grant of authority.
Spain	Yes			Yes ⁵¹	Yes	Not specified	⁵¹ The administration, by royal ordinance, when Parliament is not in session, may triple legislative rates and impose duties of 25 percent ad valorem on free goods.
Sweden	No	Yes ⁵²	No	No	No ⁵³	No	
Switzerland	Yes			Yes	Yes	Not specified	⁵² The Council of Ministers is authorized to license and restrict importations; also to adopt countervailing measures and increase tariff rates in case of discriminations.
Turkey	Yes ⁵⁴		Yes	Yes	No	do	⁵³ Tariff changes must be ratified by Parliament within 28 days. ⁵⁴ There is an import-duties advisory committee, which conducts investigations and makes recommendations to the treasury. The treasury issues orders changing duties, after consulting the board of trade as to possible effect of the proposed change upon industry.
United Kingdom		Yes ⁵⁵		Yes ⁵⁶	No	Yes ⁵⁷	⁵⁵ Recently tariff changes have been made by executive decree, without submitting them to the legislature.
Uruguay	(⁵⁸)		(⁵⁹)		No	Not specified	⁵⁶ A recent commercial agreement with Brazil affecting tariff rates is understood to have been submitted to the legislature for approval, prior to execution. ⁵⁷ The executive may exempt from duty, prohibit importations, and increase or decrease rates of duty for reasons which he considers adequate.
Venezuela	Yes ⁶⁰		Yes		No ⁶¹	No	⁵⁸ Duties may be reduced 25 percent under commercial agreements. Penalty duties up to 25 percent ad valorem may be applied.
Yugoslavia	No	Yes	No	Yes	Yes	No	

Senator WALSH. The Chairman of the Tariff Commission sent me, today, and I assume to every member of the committee, a memorandum showing what the procedure was in every country of the world.

Mr. SAYRE. I think that is different from mine. May I insert that in the record, also?

Senator WALSH. Yes. May I ask you approximately the number of commodities that are dealt with in these 77 agreements?

Mr. SAYRE. I could not say off hand, but they are quite extensive. They cover a very large proportion of the trade of the world carried on by those countries.

Senator WALCOTT. That is, in this list that we got this morning.

Mr. SAYRE. It is a fact, then, that the prevailing and the common practice in Europe is to negotiate these trade agreements almost over night, that the executive has the power to put them into force at once, and they can, therefore, be accommodated to shifting channels and currents of foreign trade, for, let me say, never before in the history of the world has foreign trade been shifting its currents so rapidly as today. Never before has there been a time when we needed this power to make trade agreements as we need it today.

Senator CLARK. Of course, we are entirely excluded under the present situation.

Mr. SAYRE. Under the present situation we are powerless. We know that if we approach another country and talk about a trade involving any kind of a tariff change, we are told, "Well, it will take you 6 months or a year, perhaps, to get the matter up before the Senate and then what?" We cannot promise a thing.

The CHAIRMAN. Well, Doctor, I am not going to ask these questions, because there is no use of repetition, and the committee can read it, but before the House Ways and Means Committee you gave the committee a historical sketch of what we have done with reference to this matter throughout the years.

Mr. SAYRE. I would be glad to do it now.

The CHAIRMAN. I am not asking you to do it now. It is already in the record.

Senator CLARK. I think it might be well to put it into the record now as the doctor's testimony before the Senate, so that it won't be necessary to read the House Ways and Means Committee record.

Mr. SAYRE. The testimony before the House Ways and Means Committee can readily be inserted. [The matter referred to appears at the end of Mr. Sayre's testimony at today's session.]

Senator WALSH. To prevent your repeating it before this committee.

The CHAIRMAN. Doctor, have you finished? If you have, I want to ask you some questions with reference to this bill.

Mr. SAYRE. I have one important thing more, I should like to propose, before I am through, some amendments in the way of clarification of the language of the bill.

I think maybe you had better ask your questions, if you like, now, or I can offer those amendments now, whichever you choose.

The CHAIRMAN. What I wanted was to ask you to give us—you had a good deal to do with this—just exactly what this bill does. It gives the power to the President to raise or lower these rates 50 per cent, to make these reciprocal trade agreements, and so forth.

Mr. SAYRE. Yes.

The CHAIRMAN. They are based upon a certain principle, Mr. Sayre?

Mr. SAYRE. Yes, sir.

The CHAIRMAN. Won't you explain to the committee, then, what is the yardstick that you are going by?

Mr. SAYRE. I will be very glad to.

Senator WALCOTT. Mr. Chairman, why not let him state a concrete example of the way this might work, as an illustration, and then go on and explain from that?

Mr. SAYRE. Perhaps I had better do what the chairman suggested; and that is, just say, in a word, what this bill really does, what it is aimed to achieve in the light of what has been done before—

Senator WALCOTT. And then give us an example.

Mr. SAYRE. This bill combines two features, it seems to me, of former bills.

In the first place, it includes the feature of tariff bargaining by Executive agreement. That is something which was achieved in the McKinley tariff of 1890, a bill which, you remember, authorized the President to negotiate agreements with different countries, to agree on the maintenance of certain specified commodities on the free list. You remember the bill authorized the President to impose discriminatory specified tariffs on specified objects in the case of the countries which were charging, to quote the language of the bill, "unequal and unreasonable duties."

The CHAIRMAN. That was the McKinley Act.

Mr. SAYRE. Of 1890.

The CHAIRMAN. Did that bill provide at that time that those agreements must come back to Congress or that a hearing must be granted?

Mr. SAYRE. No, sir. That bill did not provide that the matter should be referred back to the Congress; it was limited to this: In the first place, it covered only specified commodities. In the second place, you will remember, it said that these specified commodities should be on the free list, but if the President should find that the foreign countries should charge, to quote the language of the act, "reciprocally unequal and unreasonable duties against the United States", then it authorized the President to impose duties, specified duties, on these specified products.

Senator REED. What were those specified products, Doctor?

Mr. SAYRE. Sugar, molasses, coffee, tea, hides, raw and uncured, or any of such articles.

Senator CLARK. Irrespective of what the particular commodities were, from the legal or constitutional standpoint, there is absolutely no difference between the power granted in the McKinley Act and the power granted in the pending act?

Mr. SAYRE. I would not go so far. I should say there is a difference. I want to bring out what the difference is in just a moment. This act is what we started with; we built on this, adding in H.R. 8687 additional features to what was already done in the McKinley Act.

Senator CLARK. That is perfectly true, but the essential feature of both is the power to impose duties.

Mr. SAYRE. Yes. Under the President's finding that a rate is unequal and unreasonable, whatever that may mean.

The CHAIRMAN. That was an act that gave the President the power to increase rates under certain conditions upon certain specified commodities.

Mr. SAYRE. With respect to countries that charged unequal and unreasonable duties.

The CHAIRMAN. What is being added here is to allow this administration to reduce by 50 percent or increase by 50 percent—

Senator CLARK (interposing). The power itself is essentially the same thing as in the McKinley bill.

Senator GORE. With this exception, that the McKinley bill gave the President the power and made it his duty to act.

Senator CONNALLY. Did the act of 1890 give the President any power after he once raised the rate, to lower it, in the event of these countries changing theirs?

Mr. SAYRE. He could withdraw it.

Senator CONNALLY. That is what I am talking about.

Mr. SAYRE. Yes, sir.

Senator CONNALLY. But that act essentially gave him the power to raise them or lower them under certain conditions?

Mr. SAYRE. Yes, sir. But they were on specific commodities and specified rates.

Senator GORE. That same act was discussed in the case of *Field v. Clark*, as to its constitutionality.

Mr. SAYRE. Yes.

The CHAIRMAN. Wasn't it easier in those days to deal with sugar than it is in these days?

Mr. SAYRE. It seems so. [Laughter.]

Senator BARKLEY. All of those powers, however, were to be exercised by the President.

Mr. SAYRE. Yes, sir.

Senator BARKLEY. Without agreement with any other country.

Mr. SAYRE. Yes, sir.

Senator BARKLEY. Whereas this presupposes an agreement.

Mr. SAYRE. Yes; but let me add to that statement this: Under the act of 1890 the President, in pursuance of authority given under the act, entered into reciprocity agreements with other nations, agreeing not to raise these duties, in return for agreements on the part of the other countries, the foreign countries, not to charge unequal and unreasonable rates against the United States. So that under the act of 1890 you have this process of various bargaining through Executive agreement.

Senator BARKLEY. The only difference is that in those cases the agreement imposed on the other country an obligation not to increase barriers, whereas these agreements may impose on it an obligation to decrease.

Senator COUZENS. But there was no power, as I understand it, in the President to reduce rates fixed by Congress.

Mr. SAYRE. These were free goods, you understand. The President did have the power to impose higher rates, that is, to impose tariffs.

Senator COUZENS. They were all on the free list, then?

Mr. SAYRE. They were free-list articles that were involved.

Senator GORE. And the duties were fixed, and they either went on that rate or came over to that rate? There was not any variation?

Mr. SAYRE. Exactly.

Senator CLARK. Did President Harrison submit any of these reciprocal agreements, of which you speak, to Congress?

Mr. SAYRE. No, sir. They were Executive agreements.

Senator GORE. Were there any cases?

Mr. SAYRE. Yes, sir. The act of 1890 went before the courts in the case of *Field v. Clark* (143 U.S. 649).

Senator GORE. That case did not involve the present point, did it?

Senator CONNALLY. That is the very point that it did involve.

Mr. SAYRE. One of these reciprocity agreements was challenged. The cry went up that this was an unconstitutional exercise of power. Here was the President delegated by Congress with treaty-making power; here was the President delegated by Congress to do rate fixing; and the cry went up, "This is unconstitutional. The President surely cannot be delegated with such power by Congress."

Senator GORE. In that case the point upon which it turned was that Congress had fixed the formula, and the President had to ascertain the fact and, after he had ascertained the fact, upon such ascertainment he was vested with power, and they make the point that this bill does not prescribe a formula.

Senator BARKLEY. That bill did not provide the formula of facts which the President had to find.

Mr. SAYRE. The President had to find as a fact that the foreign rate was reciprocally unequal and unreasonable. I have the language of the Court before me. If you like, I will read from it, although it is too long to read it in its entirety. Let me just read a sentence or two. I am quoting now from the opinion rendered by Justice Harlan, speaking for the Court:

The words "he may deem" in the third section, of course, implied that the President would examine the commercial regulations of other countries producing and exporting sugar, molasses, coffee, tea, and hides, and form a judgment as to whether they were reciprocally equal and reasonable, or the contrary, in their effect upon American products.

Senator BARKLEY. So he did have a discretion to determine.

Mr. SAYRE. He did.

Senator CLARK. May I insert the language appearing on page 2, lines 8 to 12, of this pending bill, the following:

The President, whenever he finds that any existing duties or other import restrictions are unduly burdening and restricting the foreign trade of the United States or that the principles above declared will be promoted by the use of the powers herein conferred, is authorized from time to time—

To do certain things.

Mr. SAYRE. Here again the President must make a finding of fact, and he had to make one there.

Senator CLARK. It does not seem to me that the finding of fact required here is any more vague or any broader than the finding in the McKinley bill or in section 338 of the existing law.

Mr. SAYRE. That was what I was going to suggest.

Senator CLARK. I am sorry to interrupt you.

Senator GORE. There is this further point—

The CHAIRMAN (interposing). We will have that opinion or decision in the record, if it is not too long.

Mr. SAYRE. Yes, sir.

Senator GORE. When the President had found the facts to exist, the Congress had prescribed and fixed the duty.

Senator BARKLEY. No.

Senator GORE. Yes.

Mr. SAYRE. Yes; Congress did, in 1890. I am going to come to some other cases where they did not.

Senator GORE. Read the part where the President—

Mr. SAYRE (interposing). That is, you wish me to read the language of the act?

Senator GORE. No. Read this case of *Field v. Clark*, where it involved the agreement as well as the other phases of it. I do not remember that it involved an agreement. I want to know if it did.

Mr. SAYRE. The case came up, if I am not mistaken, on one of these reciprocity agreements.

Senator GORE. No. You just read the other phase.

Mr. SAYRE. You mean to read what I read before?

Senator BARKLEY. Read that part of the decision holding that Congress had the power to delegate to the President the authority to make agreements.

Mr. SAYRE (reading):

What has been said is equally applicable to the objection that the third section of the act vests the President with treaty-making power.

And the Court found by its opinion that the third section of the act of October 1, 1890, is not liable to the objection that it transfers legislative and treaty-making power to the President.

That is on pages 693 and 694.

Senator GORE. That is what I was interested in hearing.

The CHAIRMAN. All right. Please proceed.

Mr. SAYRE. The act of 1890 was followed by the act of 1897, the Dingley Act. That is a very interesting act, compared with this present H.R. 8687, because it had this same feature of tariff bargaining by Executive agreement in one of its sections, section 3. Section 3 and section 4 are interesting, because section 3 provided that the President, through Executive agreement, might modify rates downward without referring those agreements back to Congress for ratification, whereas section 4 provided for the making of agreements which had to be referred back to the Senate for approval. Under section 3 the President was permitted to enter into negotiations for commercial agreements, for concessions, and to reduce duties. Again, however, there were specified duties.

The CHAIRMAN. What were they on?

Mr. SAYRE. I have the language right here, and I will be glad to read it to you [reading]:

Argols, or crude tartar, or wine lees * * *. Crude brandies or other spirits manufactured or distilled from grain or other materials * * * champagne and all other sparkling wines, * * * still wines, and vermouth * * *.

And certain paintings and statuary, or any of them. Those were the commodities which section 3 dealt with. Section 4—

Senator GORE (interposing). That is the one on which he could reduce the duties?

Mr. SAYRE. That is the one on which he was authorized to negotiate for the reduction of duties.

Senator CLARK. Doctor, you are an excellent lawyer. There is no difference in legal contemplation between the authority to reduce on one rate and on another rate.

Mr. SAYRE. I am simply laying the facts before the committee, and I hope the Senators will draw their own conclusions.

Senator WALSH. The only trouble with this question is that we Democrats did not appreciate these powers until we got a Democratic President.

Senator CONNALLY. It is only for 3 years, so it cannot be abused.

Senator REED. That will give a Republican President 6 months to work on it. [Laughter.]

Senator BARKLEY. You must be expecting to extend the time of this act for 15 or 20 years. [Laughter.]

Mr. SAYRE. Under section 3, which was limited to these specified commodities, the President was authorized to lower duties by making Executive bargaining agreements whenever—to quote the language of the act—“whenever the government of any country or colony producing and exporting to the United States the above-mentioned articles or any of them, shall enter into a commercial agreement with the United States and make concessions in favor of the products or manufactures thereof which”—and I ask you particularly to notice the following language, because it furnishes the yardstick which again gives to the President a wide discretion in his action, “which in the judgment of the President shall be reciprocal and equivalent.”

Now, you see what a wide discretion under that section 3 of the Dingley Act is conferred upon the President. Who can say when tariff treatment of one country to another shall be reciprocal and equivalent?

It gives the President the widest discretion and judgment.

Senator GEORGE. Was that also passed upon by the Courts?

Mr. SAYRE. The act was several times before the courts, but so far as I know the constitutionality was never directly passed upon.

Senator GEORGE. That is all right. I merely asked. You need not give the citation.

Mr. SAYRE. Under section 3 of the Dingley Act of 1897, in pursuance of the authority conferred thereby, the President negotiated bargaining agreements with many of the countries of the world, with France, with Germany, Great Britain, Italy, Spain, and so forth. None of these executive agreements was submitted to Congress or to the Senate for ratification. They were acted upon, in brief—

Senator CLARK (interposing). Do you know if any question was raised in the Senate about the constitutionality?

Mr. SAYRE. So far as I know, I believe not in the Senate. Do you mean after the passage of the Act?

Senator CLARK. After it was put into effect.

Mr. SAYRE. I think not, but the reciprocal agreements did come up for adjudication in the courts, and I have a list of court decisions upholding and enforcing these agreements. That is inserted in that brief of mine in the Ways and Means Committee, which I believe, as you just suggested, will be inserted into these hearings. These decisions will be included [the material referred to appears at the end of today's testimony].

Senator WALSH. What was the length of time in these agreements, on the average?

Mr. SAYRE. I cannot answer that offhand.

Senator WALSH. Did it vary?

Mr. SAYRE. It varied.

Senator WALSH. With the different countries?

Mr. SAYRE. Yes.

Senator BARKLEY. Was there any limitation in those acts upon the authority of the President?

Mr. SAYRE. No, sir.

Senator BARKLEY. They were indefinite, and existed until some future acts repealed or modified them?

Mr. SAYRE. Yes, sir.

Senator CLARK. None of those acts to which you have referred provided for any public hearings by the President?

Mr. SAYRE. Not one.

The CHAIRMAN. They must have been confronted with the same situation that we are now in with reference to high-priced wines, before the passage of that act.

Mr. SAYRE. Yes, sir. People drank wine even in those days [Laughter.] Now, I have suggested that one feature embodied in this bill, namely, tariff bargaining by executive agreement, is nothing new. It has been done before. It is practical and serviceable, and its constitutionality has been tested out by the courts:

No decision of the Supreme Court or of any highest court exists denying the constitutionality of those acts.

I may add also, because it is interesting, that under section 4 of that same Dingley Act, which provided that with regard to commodities in general, treaties might be made, which had to be referred to the Senate and to the Congress; treaties were made, important treaties, but not a single one of them was ratified.

Section 4 was a dead letter. It proved utterly impractical.

I have been suggesting, then, that one of the features which this bill embodies is the feature of tariff bargaining by Executive agreement.

There is another feature embodied in this bill, and that is tariff adjustment by the President within a 50 percent limit.

May I say just a word about this second feature? It, again, is nothing new. We have done it before. Even Republican administrations felt that that was a wise thing to do. In the Fordney-McCumber Act of 1922, section 315 contained the flexible tariff provision, of which we have heard so much discussion in connection with this bill, and section 315 was, in effect, reenacted, with some slight changes, in section 336 of the Smoot-Hawley Act of 1930.

The CHAIRMAN. That was started as a temporary measure, as I understand it, to last 1 year or 2 years.

Mr. SAYRE. And also, as originally drawn, it was not based upon the difference in the cost of production when it was first proposed in the Senate.

Senator WALSH. Wasn't it urged as an emergency measure, due to the plight of the agriculturalists of the country at that time?

Mr. SAYRE. I believe it was.

Senator GEORGE. Due to the depreciated condition of the exchanges.

Senator CONNALLY. We had an emergency tariff act before that.

Mr. SAYRE. In that act, and I speak now of section 315 of the Fordney-McCumber Act, though the same thing is true of section 336,

the flexible tariff provision of the Smoot-Hawley Tariff Act of 1930, the President is authorized to modify tariff rates within a 50 percent limit—and it is provided that an examination shall be made by the Tariff Commission, but note that the President is not compelled to act in accordance with the findings of that Tariff Commission. The President is free to reject that finding, the responsibility, the authority, resting upon the President and exclusively upon the President.

Senator GORE. Which act are you speaking of now?

Mr. SAYRE. Both the act of 1922, the Fordney-McCumber Act, and the existing Smoot-Hawley Act of 1930, the flexible tariff provision.

Again the cry of unconstitutionality was raised. It was said to be an unconstitutional delegation of power; the question was fought again through the courts, and carried up from one court to another until it finally came before the Supreme Court in the case of Hampton & Co. against the United States. In the Hampton case the Supreme Court held again as they had always held before whenever passing on acts like this that it was a constitutional delegation of power.

As Chief Justice Taft, said in rendering the opinion of the Court in the Hampton case, on page 406 of the opinion—

Senator CONNALLY. That was construing the act of 1922, not 1930.

Mr. SAYRE. Of 1922, yes, section 315. The Court said:

In determining what Congress may do in seeking assistance from another branch, the extent and character of that assistance must be fixed according to common sense and the inherent necessities of governmental coordination.

In view of the emergency situation which we are facing, in view of this terrific decline of foreign trade, in view of the tragic unemployment throughout the country, in view of the pictures which Secretary Hull and others have painted for you, it seems to be incontrovertible that if the Supreme Court is to follow the course of the decisions which it has handed down, it must hold constitutional the language of this bill, H.R. 8687.

Let me go one step further—

Senator GORE (interposing). Don't you think these economic conditions which you have described here have a bearing on the wisdom of this act? It could not possibly have any bearing on the constitutionality of it.

Mr. SAYRE. I think it might.

Senator GORE. You do?

Mr. SAYRE. I think if we read the language here—"must be fixed according to common sense and the inherent necessities of Governmental coordination"—if we remember that if we are going to meet the needs and the emergencies under present conditions, it is vital that we should increase our foreign trade, that in view of the former decisions where the Supreme Court has upheld similar acts containing similar provisions—it follows inescapably that the Supreme Court must uphold this provision.

Senator GORE. That puts it on a different footing.

Senator GEORGE. It might be noted that the Smoot-Hawley Act, I think, as it came from the House, and certainly as it was introduced, and I think also as it came from the House, gave this power to the President in order to equalize competitive conditions.

Mr. SAYRE. Certainly.

Senator REED. You don't mean to tell us that in your opinion the safeguards of the Constitution are suspended every time we have a slump in this country?

Mr. SAYRE. No, sir; I do not, but I do mean to say that the provisions in the Constitution may be interpreted in different ways at different times according to differing emergencies.

Senator GORE. Do you think that is a sound principle of constitutional law?

Mr. SAYRE. Yes, sir; take, for instance, the power which the Constitution gives to the Federal Government to exercise jurisdiction over navigable waters. In the early days, when there was not much commerce over our rivers, that was interpreted by the Supreme Court to mean only navigable waters up to tide level. Then, later, the Supreme Court reversed itself and extended that jurisdiction so as to reach far above tidewater.

I think many constitutional provisions have been given differing limits according to the emergencies and the needs and the conditions of the day—

Senator GORE (interposing). Can you imagine a set of circumstances that would justify Congress in suspending trial by jury in criminal cases?

Mr. SAYRE. No; because the Constitution very explicitly provides for it. The Constitution specifically provides that we shall be entitled to trial by jury in certain cases. You cannot fly in the face of express language. But the President in time of crisis may proclaim martial law.

Senator GORE. Or passing an act regulating religious establishments or the freedom of the press?

Do you think Congress could have done it if it were not in there? Do you think that Congress would have had any power to deny the freedom of the press and freedom of speech and denying trial by jury?

Mr. SAYRE. Had there not been that first amendment?

Senator GORE. Yes.

Mr. SAYRE. I hesitate to answer that. I do not know what the early courts would have done.

Senator CLARK. Senator Gore and I agree with you that there is no difference between the powers of Government under the Constitution in time of emergency or any other time, but there are a great many people over here in the Senate and in the Capitol who have a good deal more to say than we do about it.

Mr. SAYRE. I do not mean to say that any provision of the Constitution can or should be scrapped or eliminated or forgotten, because of existing or changing conditions. All I am suggesting is that the interpretation placed by the Supreme Court on various constitutional provisions has been colored at different times by differing conditions. The decisions of the Supreme Court today, concerning, let us say, due process of law, do not read in the same way as they did in the 70's, for instance.

Senator GORE. Let me interrupt you for a minute. One commentator upon the subject says that the Milligan case is the greatest opinion in the history of the United States, and yet another commentator says that if it had been rendered while the war was still in progress, a year later it would have been decided the other way.

Mr. SAYRE. We are getting off of our question. I am perfectly willing to rest the constitutionality of this bill, so far as I am concerned, upon the preceding decisions of the Supreme Court with regard to these other acts of which I have been speaking. I am perfectly content to do that, but, in view of the existing emergency, I think that there is a second reason for upholding the constitutionality of this bill. However, I certainly would not say that this bill would be unconstitutional if no emergency existed today.

Senator BARKLEY. Doctor, isn't it true that some of the early acts, in 1794, 1797, and along in the early 1800's, conferring upon the President a certain power with reference to commerce, were based as much on the power of Congress to regulate commerce under the Constitution, as upon the taxing power of Congress?

Mr. SAYRE. True.

Senator BARKLEY. So that we don't have to depend upon the question of the power of Congress to delegate to somebody the authority to levy or to relieve a commodity of taxation?

Mr. SAYRE. Quite true.

Senator BARKLEY. But we can designate the President as the agency of Congress for regulating international trade between us and other countries, as much as we can designate the Interstate Commerce Commission as the agency of Commerce to regulate commerce among the States.

Mr. SAYRE. Yes, sir.

Senator BARKLEY. Isn't that true?

Mr. SAYRE. Yes, sir.

Senator GORE. Doctor, in the light of prior decisions of the Court, and not in the light of the theory that you now advance as establishing the constitutionality of the act, of course, the question comes down to whether the things which the President is authorized to find, on which he is authorized to base his action, are matters of legislative powers, or they are certain administrative or executive powers, although they do involve certain discrimination?

Mr. SAYRE. Yes, sir.

Senator GEORGE. That is where it comes. Now, I thought that the Fordney-McCumber and the Smoot-Hawley Acts both really vested in the President legislative power, in that they do undoubtedly involve a matter of judgment and discretion.

Mr. SAYRE. No question about it in the world, sir.

Senator GEORGE. There is none in my mind, and I thought the Supreme Court would not go beyond that, but they evidently did, in the Hampton case, of course.

Mr. SAYRE. Yes. Now, let me call your attention also to section 338 of the Smoot-Hawley Act, which is a reenactment, in substantially unchanged form, of section 317 of the Fordney-McCumber Act of 1922. We have heard a great deal to this effect, that H.R. 8687 differs from the flexible tariff provision, in that, in the flexible tariff provision, you have a finding of fact by a tariff commission, and that the President then is supposed to act upon the basis of that recommendation, whereas, in H.R. 8687 there is no finding required by the Tariff Commission, but in section 338 of the Smoot-Hawley Act of 1930, there is no necessity of any finding by the Tariff Commission.

Senator CLARK. Or by anybody else.

Mr. SAYRE. By the President alone.

Senator GEORGE. By the President alone.

Mr. SAYRE. Under section 338, it is provided that the President, "when he finds that the public interest will be served thereby"—notice how broad that language is—"shall by proclamation specify and declare new or additional duties as hereinafter provided"—anything.

Senator GEORGE. It looks like, if there is any legislative function, that is one, doesn't it?

Mr. SAYRE. It does to me.

Senator GORE. Deciding this case on first impression.

Mr. SAYRE (continuing). "Shall by proclamation specify and declare new or additional duties as hereinafter provided, upon articles wholly or in part the growth", and so forth, and so on—"whenever he shall find as a fact that such country (1) imposes, directly or indirectly, * * * any unreasonable charge * * *" Any unreasonable charge—who can say what is an unreasonable charge? "Any unreasonable charge, exaction, regulation, or limitation, which is not equally enforced upon the like articles of every foreign country, or (2) discriminates in fact against the commerce of the United States." Who can say what constitutes discrimination in fact, against commerce of the United States?

Senator CLARK. The President.

Mr. SAYRE. Now, that is not finding upon a tariff commission recommendation, it is finding, by the President himself; and under that section 338, he is given authority to impose such duties as he pleases, only provided that the new duties shall not exceed 50 percent of the value of the commodities affected. Moreover, the President may, under certain circumstances, prohibit the importation of goods.

Senator CLARK. Well, Doctor, the essential difference between the provision there, as far as the ground of objection is concerned, and the pending bill, is that that provision in the existing law only authorizes the President to raise rates, and does not authorize him to lower them.

Mr. SAYRE. Yes.

Senator CLARK. While the pending act authorizes him either to raise or lower them.

Mr. SAYRE. Yes; and I ask you, sir, what is the constitutional difference between the raising of rates and the lowering of rates, so far as constitutional law is concerned? If the President may be given the power to raise rates, certainly, by the same token, he may be given the power to lower them.

Senator REED. The constitutionality of section 338 has never been decided by the courts, has it?

Mr. SAYRE. No; that is true.

Senator GORE. Section 338 was a feeble effort to hold to the formula. The court held a formula was necessary. It says, "When the President shall ascertain as a fact."

Mr. SAYRE. Yes; but "ascertain as a fact" what? That there is discrimination in fact, that a nation is making an unreasonable charge?

Senator GORE. Yes.

Mr. SAYRE. It is so very vague that it leaves it pretty much for the President to judge.

Senator GEORGE. It involves judgment and discretion, beyond doubt. He would be obliged to decide.

Mr. SAYRE. It seems to me, without any possibility—

Senator CLARK. Can't possibly do anything else.

Senator GORE. Can you imagine a case that would sin against the rule that Congress cannot delegate its power?

Mr. SAYRE. Yes; there have been cases of that kind.

Senator GORE. Now, have you any in mind?

Mr. SAYRE. But they are very different from anything I am talking about now. So far as cases arising under any of these acts that I have spoken of, are concerned, I have never heard of a decision holding them unconstitutional.

Senator CONNALLY. Well, Doctor, while this section 338 was not passed on by the court, very distinguished and eminent senators voted for it, who are constitutional lawyers.

Mr. SAYRE. The majority of the Senate, during a Republican administration, felt that that was a constitutional and proper exercise of the delegation of power.

Senator CLARK. Well, some of them who were among the Senators who voted for that provision are among the ablest constitutional lawyers in the United States, isn't that true?

Mr. SAYRE. That is true. I cannot deny it.

Senator BARKLEY. And some of them argued, in fact, many of them, in behalf of its constitutionality.

Mr. SAYRE. Yes, sir. I was really hoping that Senator Reed was going to ask me some questions about the difference between H.R. 8687 and these other acts, insofar as these aspects are concerned. That is to say, with respect to these other acts, I have heard it said on many sides that, for instance, in the act of 1890, you are discussing specified duties, and you are discussing specified action, the President after the exercise of considerable discretion, must do certain specified things; whereas, under H.R. 8687, the President is empowered not only to exercise discretion as to whether to act or not, but, having exercised that discretion, he still has a discretion as to how far to raise or lower duties; and it seems to me interesting to compare some of the preceding acts with H.R. 8687, with respect to that feature.

Senator REED. I think that is true, Dr. Sayre, but long experience in the Senate has taught me that there is nothing more futile than protracted arguments on the constitutionality of proposed laws. In all sincerity and nonpartisanship, we may differ, and the only effect on the country is to bore it to death. I am truly concerned with the constitutionality of this bill, but I think it is a waste of time for me to argue it at this stage of the proceedings.

Senator GORE. There is just one guiding principle Senator Reed, and that is, any party in power is liberal. The party out of power is narrow.

Senator REED. I am greatly concerned about the wisdom of the bill, and I hope you will address yourself to that point, about the wisdom of delegating this power back to the sovereign. We took it away from him with great trouble and expense in this country, you know, in the beginning; you remember the Boston Tea Party. Is it wise for us now to surrender to the Executive Office that same constitutional power that so closely affects the livelihood of every being in this country?

Mr. SAYRE. My answer to that is that we are already doing it. We are doing it under section 336. Now, I want to explain why we answer that way. Section 336 provides, of course, that the new duties shall be imposed with respect to the difference in cost of production. What does "difference in cost of production" mean?

Senator BARKLEY. Before we get into that, Doctor, will you put into the record the answer you intended to make to the question that Senator Reed did not ask, about something?

Mr. SAYRE. All right; I will.

Senator BARKLEY. There may be some others who will ask it, on the floor.

Mr. SAYRE. All right, I will. Will you pardon me, then, Senator, for just a moment, to resume what I was going to say concerning the possible differences in yardstick between former enactments and this new bill, H.R. 8687?

Senator GORE. They all resemble these, Doctor, but they are all rubber yardsticks.

Mr. SAYRE. I would like to call your attention to the act of 1794, which was passed while many of the framers of the Constitution were still active on the scene, when those who wrote the Constitution were still taking a hand in activities. Now, that act of 1794 was passed in order to meet the difficulties arising in that day over tonnage duties, over shipping, over charges for commodities carried in foreign ships. That act of 1794 empowered the President, that is, Congress thereby delegated to the President the power, not to regulate the rates of commerce, but to prevent any commerce whatsoever going out of American ports. In other words, it empowered the President to levy an embargo against commerce being carried out of American ports, and this was the yardstick of that act: "Whenever in his opinion the public safety shall so require." The language of the act is, "that the President of the United States be and he hereby is authorized and empowered, whenever in his opinion the public safety shall so require, to lay an embargo on all ships and vessels in the ports of the United States, or upon the ships and vessels of the United States, or the ships and vessels of any foreign nation." * * * And then, notice, this language: * * * "under such regulations as the circumstances of the case may require, and to continue or revoke the same whenever he shall think proper." That is a tremendous breadth of discretion.

Senator GORE. True; but isn't that in the nature of a military act?

Mr. SAYRE. No, sir. That was done to take care of the tonnage duties.

Senator GORE. I know, "When the public safety shall require."

Mr. SAYRE. Yes; but it was commerce which was being dealt with at that time. Now, again, so far as this yardstick is concerned, I said that there were two questions concerning Presidential discretion; one, his discretion as to when he may act; the other, his discretion as to what he may do if he does act. That act of 1794 allowed him the widest discretion as to the first of those two, as to when he may act. It was, "Whenever in his opinion the public safety shall so require." Again, it allowed him a large discretion as to what he should do, if he did act. He might levy an embargo, or he might relieve ships from the embargo, and so forth, and so on. Some of the later acts show, it seems to me, a still wider discretion, as to that second point of how wide may be the discretion of the President, in regard to his taking

action. That section 338, of which I was speaking a few moments ago, allows the President to impose any kind of an increase of duty, from a fraction of 1 percent increase up to 50 percent increase; allows him, in the words of the act, the widest kind of discretion, to impose "such new or additional rate or rates of duty as he shall determine will offset such burden or disadvantage, not to exceed 50 percent ad valorem, or its equivalent."

In other words, when we think of that act of 1794, when we think of section 336, when we think of section 338, it seems to me that this H.R. 8687 is a very modest proposal.

Senator CLARK. Well, Doctor, in connection with that section 338, will you just read again when the President has the right to exercise certain power?

Mr. SAYRE. "When he finds that the public interest will be served thereby."

Senator CLARK. That is what I want.

Mr. SAYRE. "And when he finds, as a fact, that a foreign country imposes any unreasonable charge"—whatever that may be—"or if he finds that such foreign country discriminates in fact against commerce of the United States." And who can say what that might mean?

Senator BARKLEY. Well, that might mean a good deal.

Mr. SAYRE. It might mean any one of innumerable things. Nobody can say what it means.

Senator BARKLEY. It might mean a discriminatory rate, or a good many things.

Mr. SAYRE. It leaves it practically, I was going to say, to the unrestricted discretion of the President, within the 50 percent limits; it leaves the widest power, in fact.

Senator REED. Dr. Sayre, as a lawyer, don't you still entertain some doubt about the constitutionality of section 338?

Mr. SAYRE. I think, in view of the Supreme Court decisions—Field, against Clark and the Hampton case; in view of other decisions, which I have not taken the time to recite—that section 338, if it went before the Supreme Court today, would be upheld, sir. That is simply my personal opinion.

Senator CLARK. And also including the great number of great constitutional lawyers who voted for it in the Senate and in the House of Representatives, when it was passed, the Senator from Pennsylvania, and his colleague in the House, Mr. Beck, and a great many other eminent constitutional authorities.

Senator WALSH. You might read some of the arguments of the Democratic constitutional lawyers.

Senator REED. I might say I was reduced almost to tears, when I read this statement.

The CHAIRMAN. Well, both of them have been on both sides, so that is all right.

Senator REED. You don't want me to read that?

The CHAIRMAN. I don't care, if you want to put it in the record.

Senator CLARK. If the Senator wants to put that in the record, I ask unanimous consent to put his speech in the record on the other side, immediately following.

Senator GORE. You don't mean in parallel columns?

Senator CLARK. Well, in either way.

Mr. SAYRE. Now, to return to your question——

Senator GORE. I am sorry, but I want to ask you one question. In this bill, where the word "excise" comes in, I see in the House report what I thought probably it meant, but it does not seem to me to make sense, the way it is written in the bill. It seems to me it is a very clumsy expression.

Mr. SAYRE. I am not quite sure to what you refer.

Senator GORE. The second provision.

Senator WALSH (reading): "For such minimum periods, of existing customs or excise treatment."

Mr. SAYRE. I think I can explain that. I am reading now on page 2 of the bill, lines 16 to 26 [reads]:

The President is authorized from time to time to proclaim such modifications of existing duties and other import restrictions, or such additional import restrictions—

and then comes the language to which you refer, Senator.

Senator GORE. Yes.

Mr. SAYRE (continuing).

or such continuance, and for such minimum periods, of existing customs or excise treatment of any article covered by foreign trade agreements.

Your question is, What do we mean by that "excise treatment", and why is it necessary to have that in the bill?

Senator GORE. Yes. That may make sense. I wouldn't want to say it didn't.

Mr. SAYRE. Let me explain it.

Senator GORE. Yes.

Mr. SAYRE. Suppose that the President makes a bargain agreement country X, providing the tariff shall be reduced, shall we say 25 percent on each side, on certain specific commodities?

Senator GORE. Yes.

Mr. SAYRE. Of what advantage will it be, if the foreign country, having reduced its tariff 25 percent on those certain products, proceeds forthwith to levy an excise tax, shall we say of 50 percent, on those same commodities?

Senator GORE. Now, I saw that in the House report, and that is why I say I thought I probably knew what it meant.

Mr. SAYRE. Now, you remember, for instance, the experience we had with France, in our wine bargain. We made a bargain with France, whereby we made a trade, France agreeing to enlarge its quota on American apples and pears, in return for the United States permitting entry to certain French wines. As soon as that agreement was made, France increased its internal tax on those apples and pears, to an extent which, if maintained, would have deprived us of the advantage secured by that trade agreement, and it was only because the State Department made vigorous protest that the French Foreign Office, when the matter was brought to its attention, reduced that rate.

Senator CLARK. In other words, they took off the tariff and jacked up the excise, is that it, Doctor, or reduced the tariff and jacked up the excise?

Mr. SAYRE. They eventually reduced the excise tax. My point is that it is futile to make tariff bargains and agreements, whereby you reduce tariffs, unless you can insert into those agreements a provision preventing the raising of excise taxes on those imported commodities.

Senator GORE. Well, I gathered from the House report that that is what is meant, but this language does not seem to express that. I don't know that the language is exactly important.

Mr. SAYRE (reads). "Existing customs or excise treatment of any article covered by foreign agreements."

Senator GORE. To me it doesn't quite make sense.

Mr. SAYRE. Well, excise treatment is usually used in contradistinction to "customs treatment"—"customs treatment", on the one hand, duties levied in connection with the importation of foreign goods; excise treatment, on the other hand, taxes levied irrespective and apart from importation.

Senator GORE. This does not give the President power to raise or lower excise taxes?

Mr. SAYRE. It does not give power to raise or lower, merely to provide in his trade agreement, that the excise taxes shall not be increased.

Senator GORE. During the life of the trade agreement?

Mr. SAYRE. During the life of the trade agreement, precisely, and only so far as commodities covered are concerned.

Senator GORE. That is what I thought it meant; hard to understand it, from the language itself.

Mr. SAYRE. Now, Senator Reed, to come back to what you were asking about, concerning section 336. My answer to that was that the President already has the power under section 336 to modify tariffs. Now, although we make believe, if we may use those words, that the President's discretion is restricted by a finding of the Tariff Commission, based on the difference in the cost of production, yet, as Mr. O'Brien, the chairman of the Tariff Commission, testified before the Ways and Means Committee, cost of production means little or nothing. It means pretty much what one chooses to make it; I say that, because cost of production varies so greatly in different sections of the country, because cost of production varies according to fluctuating currencies, as between this country and foreign countries, because cost of production may be impossible mathematically to determine, with respect to a commodity which is an incidental by-product, like casein, for instance. Cows may be kept, I believe, for 19 different purposes, for hides, for beef, for milk, for butter—for 19 different purposes. Casein is made out of skimmed milk, one of the byproducts. Now, what is the cost of casein? It is almost impossible to determine that cost.

I have here before me, sir, a letter from Mr. Thomas W. Page, Acting Chairman of the Tariff Commission, written today, with respect to this point, and I think it is very interesting. He says, in a letter referred to [reading]:

In response to your request for information as to the recent experience of the Commission with the cost-of-production formula, for purposes of section 336 of the Tariff Act of 1930, may I state that the ascertainment of costs of production for tariff purposes, at all times fraught with difficulties, becomes even more impracticable during abnormal periods such as have prevailed in recent years.

Senator REED. I think the Commission's experience within recent weeks, with regard to plate glass, illustrates that point very well.

Mr. SAYRE. The letter goes on [reading]:

The appropriateness of a rate of duty arrived at by the comparative cost method is largely dependent upon the continuance of similar conditions of com-

petition. For example, fluctuations in foreign exchange can quickly upset the whole scheme of cost-equalizing tariff rates—

And then he goes on to say this:

The Tariff Commission has been constantly advancing to a realization of the futility of relying upon differences in costs of production as the primary criterion for tariff rate adjustment. The recent experience of the Commission is of particular pertinency to this question. Of 15 reports submitted to the President in September 1933 on investigations instituted under section 336, only 7 were considered by the Tariff Commission sufficiently conclusive to be made the basis of changes in the rates of import duty.

In other words, there were eight investigations of the Tariff Commission, in which they came to the conclusion that they could not determine the cost of production.

Mr. Page goes on to say:

The eight inconclusive reports covered two types of cases. In four cases, the Tariff Commission made an investigation, but because of the difficulty of obtaining accurate costs under conditions then existing, because of wide variations in cost differences, and because of uncertainties in regard to currency, the Commission found that it was not warranted in reporting a change in duty. In the other four cases the Commission made a preliminary investigation which convinced it that no cost investigation was feasible.

It goes on to say:

I do not mean to imply that the above is indicative of normal conditions, but in my judgment for a considerable number of articles satisfactory cost differences cannot be found even in normal times; and in many cases, when found, the difference in cost of production cannot form a satisfactory basis for the determination of tariff rates.

Senator REED. Doctor, admitting that all that is true, nevertheless, the problem is more complicated at present, by the fact that our foreign exchanges are bouncing all around. That is true, isn't it?

Mr. SAYRE. Yes, sir; that is true. Then, again, I think it is true that cost of production is an elusive thing, when different parts of the country have such varying costs. Again, when you take for instance the cost of a crop, one year you will have a plentiful crop, another year a lean crop; what is the cost of production? It will go bouncing around, according to your crop conditions.

Again, I think that the economic basis of cost of production is thoroughly unsound, as a tariff-making proposition. You can imagine extreme cases. Suppose that New England should start out to grow grapefruit. It could do it in steam-heated greenhouses; but the costs would be so high that if you began figuring a tariff base on that extreme cost of production—I am, of course, using a case ad absurdum—you can have some idea of what the tariff would have to be. The more you begin to produce uneconomic goods, the more bases you would have for higher tariffs.

Senator REED. You make it very clear, but on the other hand, Doctor, when you find Czechoslovakian shoes landed in Boston with invoice prices less than the wage cost of making those shoes in America, obviously a tariff is indicated.

Mr. SAYRE. That is, we want protection; yes. Now, let me also make myself clear. I am not for eliminating tariffs, as I said at the very outset. We have got to stand on our feet here as reasonable men. I know it is not in the contemplation of the present President, nor of any member of the administration, to go out and wreck industries. I think it is perfectly chimerical to suppose that the President, or anyone with the responsibility of acting under the authority which

we hope you gentlemen will give us under this bill, is going to set out to wreck industries. Not for a moment.

Senator REED. I haven't heard anybody claim that it was his intention to do it.

Mr. SAYRE. But the claim has been made by some, sir, that it was intended to wreck certain specific industries. I have heard that complaint. Now, I am not intimating for a moment, sir, that you ever have made that complaint. I don't mean to intimate that for one moment, but I have heard it made.

Senator REED. I ascribe to the President the best of intentions, both in regard to action under this bill and to the choice of subordinates who will enforce it; but the President is not infallible.

Mr. SAYRE. Correct.

Senator REED. And he may choose unwisely in his selection of subordinates.

Mr. SAYRE. Yes.

Senator REED. Now, what I am concerned with is this: Practically speaking, there is no restriction on the Presidential power in this bill, excepting the single restriction that his action must be part of an agreement with some foreign country. Isn't that so?

Mr. SAYRE. That is not quite true, sir. I would make two limitations to that statement. First, the limitation that there is a yardstick set forth in this act, namely, that the President must find a certain fact—the fact as set forth in lines 9 to 12, on page 2:

Whenever he finds that any existing duties or other import restrictions are unduly unburdening and restricting the foreign trade of the United States.

Senator REED. Well, he must necessarily find that, because every duty restricts the foreign trade of the United States.

Senator CLARK. Well, that is closely analogous to the language of section 338 of the existing law, isn't it, Doctor?

Senator REED. Yes; but let us not quarrel about that. Let us assume that that finding is made.

Mr. SAYRE. Yes; that finding must be made.

Senator REED. Yes.

Mr. SAYRE. Then, a second qualification to your statement is this: The President is subject to just as much political pressure as Members of the Senate or Members of Congress. Political pressure exercises a very real restraining influence.

It is not as though we were going to take this power away from those who are prepared to listen to manufacturers and others and put it in some secret, dark closet where, after various machinations of one kind and another, a reciprocity agreement will suddenly be slung out. That is not contemplated for one moment.

Senator REED. Well, since you mention political pressure, that was the first point I was bringing out.

Suppose it were made plain to an administration, or to a bureau official, that our exports of cotton, in which so many millions of people are interested, could be increased, at the price of the very considerable reduction of the duty on shoes, in which far fewer people were engaged in manufacture. The political pressure in favor of sacrificing the few in the shoe-manufacturing business in favor of the many engaged in raising cotton would be rather considerable, especially just before election, wouldn't it?

Mr. SAYRE. Wouldn't it be just as considerable under the present law, sir, where Congress makes tariffs?

Senator REED. No; Congress has to act more slowly, and I have discovered, or I think I have, that Congress has been unduly generous to those industries in which large numbers of voters were engaged, and entirely careless of the interests of the small industries, by comparison.

That political pressure exists wherever any Government official acts.

Mr. SAYRE. Yes.

Senator REED. Now, if you couple that, the presence of a very great political pressure and political temptation, with the ability to act without notice to the shoe industry, without any hearing for the shoe industry, it seems to me that it would put them in great jeopardy.

Mr. SAYRE. I see what you mean, sir, and I have great sympathy with your viewpoint. Now, I, let me say, have spent practically all my life in Pennsylvania and in Massachusetts, two States which need protection. All the latter part of my life has been in Massachusetts, and I know something about the necessities of the shoe industry, of which you speak. I have personal friends engaged in the industry. I know something about that need.

Senator REED. I picked one, on purpose, in which Pennsylvania is not greatly interested.

Mr. SAYRE. Yes; and I know Massachusetts, and I know of what you speak. I have great sympathy, sir. The answer which I would like to make to your question is this, that manufacturers and producing industries will have a chance, and an abundant chance, to be heard, to make their views known.

Senator REED. Where is the assurance of that?

Mr. SAYRE. The assurance of that, sir, is the same as the assurance under section 338. There is no provision written into the law for a formal hearing, but the President is not going to act under 338, being a responsible official, without a careful study of the conditions, without a knowledge of what is going to ensue if he does this or does that. The President, being a responsible official, must have that knowledge before he can act. Now, if this bill becomes law, what happens? The President, before he makes a single agreement, has got to use every Government agency at his disposal for making investigations.

Senator REED. The act does not say so.

Mr. SAYRE. Not by law, no; but by the practical necessities of the situation.

Senator REED. Well, now, Dr. Sayre, not meaning to get into a political argument at all, I grant to President Roosevelt the purest intentions in the world—

Mr. SAYRE. Yes; but let us take a future Republican President, if you like.

Senator REED. All right. How, then, can we depend on any greater inquiry, any more notice, any more fairness in the action than the President is told to take by his subordinates, than we found in our air-mail investigation, for example?

Mr. SAYRE. I think the answer is this: I think that in a matter of this kind it involves the most careful kind of study, exhaustive, painstaking study. That is, it means nothing can be done overnight with

regard to such considerations. It means that a careful commodity study must be made, with an investigation of the resulting economic effects which would follow from a reduction in the tariff on each one of those commodities, and of the various results which would be effected in various geographical sections of the country. As I envisage it, sir, it would mean that the President would have to draw on all the knowledge and assistance of the Tariff Commission, on all the knowledge and assistance of the Department of Commerce, all the knowledge and assistance of the Department of Agriculture in every case where an agricultural commodity was concerned, and the knowledge and assistance of the Department of State.

As I envisage this, sir, it would mean the bringing into the picture of all of those Departments, and the examination of each commodity concerned, before any action was taken. It would mean naturally that the State Department, the Department of Agriculture, the Department of Commerce, the Tariff Commission would be seeking information from producers concerned. They would open their doors to producers and manufacturers. Already, in deed, they are coming in all the time today, into the Department of Commerce, for instance. We are getting no end of letters in the State Department, and we are making a careful file and index of all those letters, and the information they contain. Then it would mean interdepartmental committees representing each one of these Departments, working up schedules and proposals, and then, all the material would have to be evaluated. We would want information about this particular industry. We would have to make inquiries from those producers to get the information. Then, after all that is done, we should have to focus all the material, and then be prepared to enter into discussions with foreign nations.

Senator REED. That is utopian, doctor. It is ideal. It can be done; but I want you to picture this condition. About a week before election time some official, about the size and shape of Postmaster General Farley, discovers that a deal can be made with Czechoslovakia for the export to them of a very large number of cargoes of cotton, provided the President will let in a lot of shoes of the type that are now made in Massachusetts.

Ought there to be some safeguard in this act against the natural human inclination to benefit the cotton producer, at that price and at that time?

Mr. SAYRE. But my answer is that the President is subject to the dictates of reason, justice, and fair play—and the desire to restore prosperity—as well as Congress; that you are not abandoning to their fate these shoe manufacturers you are talking about.

Senator REED. Aren't you?

Mr. SAYRE. No, sir.

Senator CLARK. Well, doctor, as a matter of fact, it has been found in the past, in some instances, that the Tariff Commission would usually find what the President told them to find; isn't that true?

Mr. SAYRE. That is true, sir.

Senator REED. Two wrongs do not make a right.

Mr. SAYRE. No; but my point is that under this bill your shoe manufacturers are going to have just as much opportunity to be heard and, in my opinion, more opportunity than they have today under the present system of tariff rate-making.

Senator WALCOTT. Take for instance the matter of setting the duty on hides.

Mr. SAYRE. Under the present situation it lies entirely with the Tariff Commission and the President; under this bill the President must draw on the information and resources of not only the Tariff Commission but also the Department of Commerce and the Department of Agriculture, if an agricultural commodity is concerned, and the Department of State.

Senator REED. There is nothing in the bill to say that.

Mr. SAYRE. There is nothing in the bill to say it but, as a practical matter, how can these agreements be made without that? The President is subject to considerations and the influences in favor of fair play at least equal to those which today are exerted on Senators or on Congressmen, or on the Tariff Commission, if you like.

Senator WALCOTT. I think that that is the meat of the whole thing, but you would not have proposed that bill, in my opinion, unless through the benefit to one industry you do injury to another.

Mr. SAYRE. That is not correct, sir.

Senator WALCOTT. In other words, they are trades.

Mr. SAYRE. No; I think that that is not the true assumption.

Senator WALCOTT. Well, can you think of any illustration? Some time ago I asked for a specific illustration to be carried through along the terms of this bill. Can you think of any industry—takes shoes, for instance.

Take the duty off of hides, for instance; let them come in from Australia and Argentina, for instance; that affects the farmer and stock raiser.

You take anything I can think of. Take, for instance, clocks. Clocks, I am told by good authority, here, today, by one of the largest clock makers in the country, that clocks can be landed in New York City without any duty of any kind at a wholesale price, certain small, cheap clocks, 26 at cents a piece, from Germany.

Senator WALSH. What is the comparable price here?

Senator WALCOTT. How?

Senator WALSH. What is the comparable price in this country of the same clock?

Senator WALCOTT. About 53 or 54.

Senator WALSH. About 50 percent cheaper?

Senator WALCOTT. It is about half the cost of our clocks. In other words, the cost of that German clock, landed in New York, is a little bit less than the actual labor cost, say, in Waterbury, Conn.

Now, if you are going to take that off, you would kill that industry, if you take off the protection.

Senator CONNALLY. You don't take it all off.

Senator WALCOTT. You take 50 percent off. You would probably kill the industry.

Suppose you attempted to do that, for the sake of the people in the country, so they can get cheaper clocks; you wouldn't do that arbitrarily, just as a single act, in a single act; you would do that in conjunction with some other act, you would get some benefit.

If you gave Germany that benefit, you would take something from Germany in return.

Can you think of any trade that would benefit in this country that does not injure another industry, under the terms of this bill?

Mr. SAYRE. I think, sir—I hesitate to mention this—but I think, sir, the very recent agreement which we signed with Colombia will create real benefits without doing injury to anybody. I can think of many other instances where it is possible, I believe, to create real benefit without injury.

That is, trade is not necessarily dependent upon getting a benefit for one industry to the injury of another, but it is in finding channels whereby each can benefit through a mutually favorable exchange. One man has something that he can make cheaper than another man. One country has some commodity which it can make more cheaply than another country. The benefit comes through exchanging those to the mutual advantage of both.

America can make automobiles cheaper than, shall we say, France or Norway, or other countries. They want to buy American automobiles. They can, because, perhaps, of their geographical location, or because, perhaps, of certain resources which they have, which we haven't, and perhaps for other reasons, produce commodities which it is advantageous for Americans to purchase, and which Americans desire to purchase; the benefit comes from the mutual exchange and it is a mutual benefit.

Senator WALCOTT. Yes; I know; but you have picked out as an illustration a commodity that needs no protection.

Where you pick out a commodity like automobiles or any other commodity that needs no protection whatever, and the automobile manufacturers, all the large ones, that is, claim, "We need no protection."

Most of the steel industry claim the same thing, a great many of them.

You don't hurt the industry, of course, because you are not protecting it artificially.

Pick out any illustration that you like, however, where you are compelled, in order to give an advantage, to take off a certain amount of protection, and see how you come out.

Senator CLARK. May I interject to say, since the subject of shoes has been mentioned, I represent a State that produces more shoes——

Senator WALSH. Now, why bring that up in my presence?
[Laughter.]

Senator CLARK. Than any single Commonwealth in the world. We are also a State which produces a very large amount of hides.

Now, the shoe manufacturers in Missouri have always said, and I think the shoe manufacturers in Massachusetts say the same thing, if you will give them free hides they will sell shoes in competition with the world, in the world markets. I have never yet known an intelligent cattleman or hide producer that thinks that the tariff on hides has done him any good.

Since that has been brought out as an illustration, it seems to me that the answer is complete, there.

Senator WALCOTT. Well, if that is true—I did not suppose that was. What do you think, Senator Connally? Is that a fact, that they need no protection on a hide?

Senator CONNALLY. Oh, yes; they want protection. I do not think that it does them much good. They have got a tariff, theoretically. It doesn't amount to anything.

Senator CLARK. Our cattlemen and farmers are almost unanimous on that point.

Senator WALCOTT. You are particularly protected by your geography and the Texas men are. I imagine the Texas cattlemen would feel an advantage if the Argentina hides were left out.

Senator CLARK. The hides are sent to St. Louis and to other large industrial centers and, therefore, the question of geography is not really important.

Senator WALCOTT. They would feel it particularly out near the coast.

Senator Connally: They never got any tariff on hides until they got a tariff on shoes.

Senator CLARK. That is perfectly true.

Senator WALSH. May I ask you a question, please?

Mr. SAYRE. Yes, sir.

Senator WALSH. Have you, or anybody in the State Department, carried on conversations with foreign countries for the purpose of listing the commodities which foreign countries would like to purchase from us, in an increasing volume, and the commodities we purchase which they would like to sell to us in increasing volume?

Mr. SAYRE. No, sir; we have not. Before this tariff bill was introduced, you probably remember, there were a few countries, Colombia was one of them, and Brazil and Argentina and Portugal and Sweden, with which we did carry on conversations. We went to the point of actually signing an agreement with Colombia. Then, when the occasion was reached to introduce this bill, those conversations were dropped, and since that time we have entered into no new conversations. You know, of course, that we have in force with Cuba the convention of 1902 and that negotiations are going on for a new agreement.

Senator WALSH. So you have no idea how sweeping the revisions of tariff duties may be, as a result of these agreements, in order to protect our export trade?

I do not mean sweeping in size, I mean in the extent of the number of countries.

Mr. SAYRE. I can say this, sir, and I am speaking for myself alone, that no blanket tariff revision is contemplated. It is not, to my mind, a proceeding which will mean a tariff revision. It is a proceeding which will mean finding bargains which will prove of advantage to foreign trade, without undue injury to American producers. Now, those responsible for this program will have the program, and a real problem of finding just how trade can be increased, without undue injury to American producers.

I have studied the problem enough myself to be convinced that we can secure a substantial increase of foreign trade without injury.

Senator WALSH. In other words, the ideal purpose to seek here is to increase our export business without increasing our imports.

Mr. SAYRE. No; I would not say that; because I do not think one can permanently increase exports without increasing imports, but the object is to increase our exports without increasing those kinds of imports which will work undue injury to American domestic producers.

Senator WALSH. There is one feature of this bill that troubles me in operation, and I would like to get that information, if I could.

What percentage of domestic production will we have to give up in order to obtain an appreciable increase in our export business?

Will it work out to be simply a dollar increase in export business with a dollar decrease in some production here at home, or are we going to get 75 percent increase in our export business and only have to sacrifice 25 percent at home?

Mr. SAYRE. I cannot answer that, because I don't know what foreign countries will be willing to do. We do not know how far we can go until we know how far foreign countries will go with us.

Senator REED. Have you made up any formula on which to act?

Mr. SAYRE. I do not think there can be a formula on which to act. It is too complicated a story. Too many factors will have to be brought in. It requires a study of each individual commodity and a study of all of the different viewpoints. There is the viewpoint that it is going to injure American producers.

These questions would also have to be asked: Is there a commodity which is particularly required, let us say from a military viewpoint, for defensive purposes? Is there a commodity of which the country concerned furnishes the chief source of supply to the United States, or not? Is there a commodity which runs up into large values so that it would be particularly advantageous to deal with a certain country concerning it?

There are any one of at least a dozen factors that have to be studied intensively with respect to each single commodity, so that it cannot be possible to lay down any formula—I am sure of that—any formula other than the general formula contained in this act.

Senator WALCOTT. Doctor, we struggled this morning to get a single concrete illustration. You must have had something in mind when you drew this bill; otherwise the bill could not have been drawn.

There must have been some reason for this. The reason is perfectly clear to my mind.

Other administrations have asked for the same power 3 or 4 times and have partially been granted it, but you must have some notion as to what countries you can deal with to advantage and, if there are those countries, there must be some articles in your mind which you think you can deal with to advantage.

Can't you be frank enough to tell us what you have in mind that impelled you to draw this bill?

Mr. SAYRE. I think it would be the answer of a pure theorist to say, until this careful study of which I have been speaking has been made, what commodities can be traded in advantageously and what countries can be traded with advantageously, until we consult with and talk with the countries concerned, we cannot say with what countries agreements can be negotiated. The State Department has expressly abstained from doing that, in order to keep good faith with Congress.

Senator WALCOTT. So you have no countries in mind and no commodities?

Mr. SAYRE. No specific consultations have as yet taken place. I do not say that I have no countries in mind, and I do not say that I have no commodities in mind, but I do say that I do not know, until investigations and inquiries have been made, what countries will move toward it or what commodities we will bargain with.

Senator WALCOTT. Then cannot you give us a hypothetical case in order to illustrate what we are all talking about? That is the essence of this whole proposition.

Mr. SAYRE. No, sir; because I will be accused of being a theoretical college professor if I do that. Until I know the facts, I do not want to make any suggestions.

Senator BARKLEY. If you did, we would be bombarded with telegrams by tomorrow night from all over the country, from everyone interested in any industry.

Mr. SAYRE. That is true; but apart from that, to be absolutely frank and honest with you, I do not think that anyone, until the study has been made, has the right to say what commodities should be traded in. I do not think we know enough yet.

Senator BARKLEY. Even if you knew now and had in mind some commodities which might be dealt with properly in a reciprocal treaty, you don't know whether any country would be willing to deal with you?

Mr. SAYRE. The State Department cannot out of good faith with Congress, discuss the matter with other countries until this bill has been passed.

Senator GEORGE. Doctor, you said you had some clarifying language.

Mr. SAYRE. I have.

Senator GEORGE. I would make this suggestion: That you insert in the record and acquaint the chairman also with your suggestions, as to the clarifying language.

Mr. SAYRE. I would be glad to just run them through right now, if I may.

Senator REED. Let me ask you one possible amendment. I take it from what you said that you would object to an amendment requiring notice and an opportunity for hearing to any industry that was about to be affected?

Mr. SAYRE. I think that that would be both objectionable and unwise, for various reasons:

In the first place, if you should, let us say, insert an amendment requiring a public hearing, it would give away to foreign nations our ammunition.

In that public hearing you would have representatives of foreign nations listening. They would know the whole story and I think, in a matter of bargaining, it is inadvisable to make public your ammunition.

I think that the information has got to be obtained in some other way.

Senator REED. This bargaining might occur here, and it might occur in the capital of any foreign country, might it not?

Mr. SAYRE. I have spoken of the fact that in a majority of the European countries they are doing this tariff bargaining. In not a single one that I know of is there a provision for public hearings. The place of negotiation could be decided between the countries concerned.

Senator REED. Is there a provision for private hearings?

Mr. SAYRE. In none of them that I know of. On the other hand, manufacturers are consulted, yes; and there is not a question in my mind but that manufacturers would be consulted under this American

program. They have ready access to the Tariff Commission, to the Department of Commerce, the Department of Agriculture, or any other governmental agency concerned in this negotiation.

Senator COUZENS. Would you have any objection to putting in—

Mr. SAYRE (interposing). I would, very much.

Senator COUZENS. Just a moment. That very question that was just raised about giving these manufacturers a chance to be consulted, regardless of whether they were open hearings or whether they were not: Would you object to that being in the act?

Mr. SAYRE. Yes, I would, because I think it slows down the bill in a way which the European countries have not slowed down their bills. They have trusted their executives and known as a matter of fact that the executives, being responsible officials, would not act until they had consulted the interests concerned.

Senator REED. Just the way the air mail has trusted the administration.

Mr. SAYRE. I do not think that that is the same thing as this. This requires all kinds of careful study if you are going to make a success of it.

Senator REED. So did that, but 31 out of 34 had their contracts canceled without notice and without a hearing or anything.

Mr. SAYRE. I do not think that it was as complicated as this, or that in any essential respect, the circumstances were comparable.

Senator BARKLEY. They were all consulted before the contracts were entered into. And the public had no notice of it.

Senator WALSH. Doctor, in view of what you said and the administrations's approach in the drafting of these agreements, concerning protection to domestic producers, is it possible that the trade agreements may be few in number and the number of commodities rather limited?

Mr. SAYRE. It is possible. In fact, it is possible that foreign countries will refuse to go along with the United States. We cannot tell until we try the thing out.

On the other hand, we are facing an emergency which is disastrous, which is playing havoc with not only this country but the whole world, and this is the only really practical way out that I know of.

Senator WALSH. You are attempting to increase export business.

Mr. SAYRE. Yes; and I think if we are intelligent beings, if we believe in trying to lift ourselves out of the chaos and suffering that exist today, we would be woefully to blame if we do not try the most practical course that presents itself.

Senator WALCOTT. Isn't this directly contrary to the aim of the N.R.A. in trying to advance prices?

Mr. SAYRE. No, sir.

Senator WALCOTT. They are trying to get to the 1926 level and you are trying to put us on a basis where we can compete in prices with foreign countries in the exchange of goods. Aren't those two contradictory?

Mr. SAYRE. No, sir. Take the case of automobiles under the N.R.A. The N.R.A. does seek, we will say, to raise the cost of labor in automobile production. Let us say it does raise the cost of automobiles by 10 percent. That would not prevent us from selling automobiles abroad. We still have an ample margin. The same thing is true of many other commodities. I admit that it may increase

the difficulties and complexities of the situation, but it certainly does not prevent success—not for one moment.

Shall I then state just briefly, if I may, the clarifying amendments? I think none of them raise contentious issues and yet some of them are of importance.

Senator GEORGE. The hour is getting late. Will you defer that until tomorrow?

Mr. SAYRE. You wish me to defer that until tomorrow?

Senator GEORGE. Yes. There are so few present here now that I think it would be preferable to take an adjournment until tomorrow.

The Secretary of Commerce will be before the committee in the morning, but you may precede him, I presume.

Senator WALSH. Ten o'clock?

Senator GEORGE. Ten o'clock in the Finance committee room.

The committee will adjourn now until that hour.

(Whereupon, at 5:15 p.m., the committee adjourned until tomorrow, Friday, April 27, 1934, at 10 a.m.)

CONGRESSIONAL LEGISLATION AND RECIPROCAL EXECUTIVE AGREEMENTS CONCERNING TARIFF AND RELATED MATTERS

THE CONSTITUTIONAL PROVISIONS

The purpose of this memorandum is to reveal the extent to which the Congress has gone and may go in authorizing the President to enter into Executive agreements with foreign countries pertaining to tariff matters without running counter to the legal inhibition against the delegation of legislative power. This question, generally speaking, revolves around the provisions of section 1, article I, of the Constitution conferring upon Congress "all legislative powers" granted by the Constitution, and the provisions of sections 7 and 8 of article I having to do with the procedure in Congress with respect to bills for raising revenue, and the authority to Congress with respect to the regulation of commerce, respectively. The control by Congress of tariff matters has a twofold purpose, namely (1) the raising of revenue, and (2) the regulation of trade between the United States and foreign countries.

Article I, section 7, of the Constitution provides, in part, that:

All bills for raising revenue shall originate in the House of Representatives; but the Senate may propose or concur with amendments as on other Bills.

Article I, section 8, provides, in part, that:

The Congress shall have power to lay and collect taxes, duties, imposts and excises, . . . to regulate commerce with foreign nations, and among the several States, . . .

LEGISLATIVE HISTORY

When the action of Congress in conferring authority upon the Executive in tariff and related matters has been brought into question, the objection has usually been based upon the theory that such action constituted a delegation of legislative power.

The extent to which the Congress has gone and may properly go in the delegation to the Executive of so-called "legislative power", and also power to conclude agreements without subsequent confirmation by the Senate, is well illustrated by the numerous acts that have been passed since the beginning of the Government with respect to foreign

trade and commerce, and by the Executive agreements, proclamations, and court decisions resulting therefrom.

1794—BROAD DISCRETIONARY POWER GRANTED THE PRESIDENT WITH RESPECT TO THE LAYING OF EMBARGOES, AND REVOCATION THEREOF

As early as 1794 Congress empowered the President, when in his opinion the public safety should so require, to lay an embargo on all ships and vessels in ports of the United States, domestic and foreign, under such regulations as the circumstances of the case might require, and to continue or revoke the same whenever he should think proper. The act provided that the authority to be conferred should not be exercised while the Congress was in session. Also, that any embargo which might be laid by the President should cease and determine in fifteen days from the actual meeting of Congress, next after the laying of the embargo (ch. XLI, sec. 1, 1 Stat. 372).

RESTRICTIONS ON COMMERCIAL INTERCOURSE WITH FRANCE AND GREAT BRITAIN

By an act of June 13, 1798, entitled "An Act to suspend the commercial intercourse between the United States and France, and the dependencies thereof", Congress provided that no ship or vessel owned, hired, or employed by any person resident in the United States should after the first day of July of that year be allowed to proceed to any place within the territory of the French Republic, or its dependencies, or be employed in any traffic or commerce with, or for any person resident within the jurisdiction of, the French Republic.

1798—THE PRESIDENT EMPOWERED "TO REMIT AND DISCONTINUE" THE PROHIBITIONS AND RESTRAINTS ON COMMERCIAL INTERCOURSE WITH FRANCE

Section 5 of the act provided that, if prior to the next session of Congress the Government of France should disavow and refrain from the aggressions, depredations, and hostilities against vessels or other property of citizens of the United States and should acknowledge the just claim of the United States to be considered in all respects as neutral and unconnected with the then existing European war—

Then and thereupon it shall be lawful for the President of the United States, being well ascertained of the premises, to remit and discontinue the prohibitions and restraints hereby enacted and declared; and he shall be, and is hereby authorized to make proclamation thereof accordingly. (ch. LIII, sec. 1 and 5, 1 Stat. 565, 566).

1799—THE PRESIDENT EMPOWERED "TO REMIT AND DISCONTINUE" RESTRICTIONS IMPOSED ON TRADING IN FRENCH PORTS

By an act, approved February 9, 1799, entitled "An Act further to suspend the Commercial Intercourse between the United States and France, and the dependencies thereof", it was provided, in section 1, that after the 3d day of March following, no ship or vessel owned, hired or employed, wholly, or in part, by any person resident

in the United States, should be allowed to proceed to any port or place within the territory of the French Republic, or its dependencies, etc.

Section 4 of the Act authorized the President, if he should deem it expedient and consistent with the interests of the United States, by his order, to remit and discontinue for the time being the restraints and prohibitions thus provided for, and to revoke such order whenever in his opinion the interests of the United States should require, and to make proclamation thereof (ch. II, secs. 1 and 4, 1 Stat. 613, 615).

**CERTAIN FRENCH PORTS EXCEPTED BY THE PRESIDENT BY
PROCLAMATIONS**

Two proclamations were issued pursuant to this act on June 20, 1799, and May 21, 1800, declaring it lawful for vessels departing from the United States to enter certain ports of Santo Domingo. (1, Ricson's Messages and Papers of the Presidents (1789-1807), and 288, 303.)

Similar acts were passed by Congress in 1806 and 1807 (2 Stat. 379, 411) with respect to trade between the United States, Great Britain, and Ireland.

By the act of March 1, 1809 (ch. XXIV, 2 Stat. 528), Congress placed certain restrictions on the entrance in ports of the United States of vessels of both Great Britain and France.

**1809—ACT PLACING RESTRICTIONS ON ENTRANCE OF VESSELS OF
FRANCE AND GREAT BRITAIN, AND PROHIBITING TRADE WITH THOSE
COUNTRIES**

By section 4 of the act it was provided that it should be unlawful to import into the United States any goods, wares, or merchandise from any port situated in Great Britain or Ireland, or in any of the colonies or dependencies of Great Britain, or from any port situated in France or any of her colonies or dependencies.

Section 11 authorized the President, in case either France or Great Britain should revoke or modify her edicts, so that they should cease to violate the neutral commerce of the United States, to declare the same by proclamation, after which the trade of the United States, suspended by the act, and by the act laying an embargo on ships and vessels in ports of the United States, should be renewed with that nation.

**1810—PRESIDENT AUTHORIZED TO EXEMPT FRANCE OR GREAT BRITAIN
FROM PROVISIONS OF 1810 ACT, AND TO REVIVE THE PROHIBITIONS
OF 1809 ACT**

The act expired on May 1, 1810, on which date another act was approved (2 Stat. 605, 606), providing that no British or French armed vessel should be permitted to enter the waters under the jurisdiction of the United States, except when forced in by distress, or when charged with despatches or business from its Government (sec. 1); and forbidding all pacific intercourse with any interdicted vessel, the officers or crew thereof (sec. 2).

NOVEMBER 2, 1810—PRESIDENT PROCLAIMS FRANCE HAS CEASED TO VIOLATE NEUTRAL COMMERCE OF THE UNITED STATES

By section 4 of the act it was provided that, if either Great Britain or France should, before the third day of March following the passage of the act, revoke or modify its edicts so that they should cease to violate the neutral commerce of the United States, the fact should be declared by a proclamation by the President and the restrictions imposed by the act should cease to exist. It was also provided that, if the other Nation should not within 3 months thereafter revoke or modify its edicts in like manner, the restrictions imposed by the act of 1809 should be revived as to that Nation and have full force and effect so far as concerned articles coming from the dominions, colonies, and dependencies of the Nation thus refusing or neglecting to revoke or modify its edicts. On November 2, 1810, the President issued a proclamation declaring that France had so revoked or modified her edicts that they ceased to violate the neutral commerce of the United States, thereby reviving the nonintercourse act of March 1, 1809, as to Great Britain.

1813—THE BRIG "AURORA"—CONGRESS MAY MAKE THE REVIVAL OF AN ACT DEPEND UPON AN EVENT TO BE DETERMINED BY THE PRESIDENT

In the case of the brig *Aurora v. United States* (1813, 7 Cr. 382) it was contended, with reference to the above proclamation and the acts pursuant to which it was announced, that "Congress could not transfer the legislative power to the President" and that to "make the revival of a law depend upon the President's proclamation is to give to that proclamation the force of a law." Justice Johnson, in delivering the opinion of the Supreme Court, answered these contentions by stating:

We can see no sufficient reason, why the legislature should not exercise its discretion in reviving the act of March 1, 1809, either expressly or conditionally as their judgment should direct. The 19th section of that act declaring that it should continue in force to a certain time, and no longer, could not restrict their power of extending its operation, without limitation upon the occurrence of any subsequent combination of events. (*Ibid.* 386, 388.)

1815—REPEAL OF DISCRIMINATING DUTIES TO TAKE EFFECT WHEN PRESIDENT "SATISFIED" THAT DISCRIMINATORY DUTIES AGAINST THE UNITED STATES ABOLISHED

The act of March 3, 1815, repealed certain parts of prior acts imposing discriminating duties on the tonnage of foreign ships, and on goods, wares and merchandise imported into the United States in such vessels as compared with vessels of the United States, and goods imported therein, insofar as they related to the produce or manufacture of the Nation to which such foreign ships belonged. The repeal was to take effect in favor of any foreign nation "whenever the President of the United States shall be satisfied that the discriminating or contervailing duties of such foreign nation, so far as they operate to the disadvantage of the United States, have been abolished." (Ch. XXXVII, 3 Stat. 224.)

1818-21—PROCLAMATIONS ANNOUNCING REMOVAL OF DISCRIMINATORY DUTIES

Pursuant to this act proclamations were issued by the President on July 24, 1818, with respect to the Free City of Bremen, on August 1, 1818, with respect to Hamburg, on May 4, 1820, with respect to Lubeck, on August 20, 1821, with respect to Norway, and on November 22, 1821, with respect to the Dukedom of Oldenburg (3 Stat. 792-795).

1817-30—OTHER SIMILAR ACTS AND PROCLAMATIONS WITH REFERENCE TO THE REMOVAL OF DISCRIMINATIONS

Other acts of somewhat similar import, making provision for reciprocal treatment of foreign products, or vessels, as the case might be, when such reciprocal treatment was ascertained by the President, were passed as follows: March 3, 1917 (3 Stat. 361), with proclamations in execution of the act made with reference to Nova Scotia and New Brunswick (3 Stat. 791, 792); January 7, 1824 (4 Stat. 3); May 24, 1828 (4 Stat. 308); and, May 31, 1830 (4 Stat. 425).

Section 4 of the act of 1824 provided that, upon satisfactory evidence being given to the President by the government of any foreign nation that no discriminating duties of tonnage or impost were imposed or levied within the ports of the said nation upon vessels wholly belonging to citizens of the United States, or upon merchandise the produce or manufacture thereof imported in the same, the President should issue his proclamation declaring that the foreign discriminating duties of tonnage and impost within the United States should be suspended and discontinued as to the vessels of said nation and the "merchandise of its produce or manufacture, imported into the United States in the same." A similar section was embodied in the act of May 24, 1828, and this section was substantially preserved in section 4228 of the Revised Statutes.

In execution of these several acts, various proclamations were issued by Presidents Adams, Jackson, Polk, Fillmore, Buchanan, Lincoln, Johnson, Grant, and Hayes.¹

EXECUTIVE AGREEMENTS BETWEEN THE UNITED STATES AND SPAIN

Pursuant to section 4228 of the Revised Statutes, this Government entered into an agreement with Spain, signed at Madrid February 13, 1884 (2 Malloy, Treaties, Conventions, etc., 1681) providing for reciprocal abolition of certain discriminating duties on goods imported into the United States from Cuba and Puerto Rico and on American goods imported into those islands. The agreement was brought into force by a proclamation issued by President Arthur February 14, 1884 (23 Stat. 835). This proclamation was revoked by a proclamation issued by President Cleveland October 13, 1886 (24 Stat. 1028).

On October 27, 1886, a further agreement (2 Malloy, op. cit., 1682) was entered into with the Government of Spain which provided that

¹ Adams, July 1, 1823, 4 Stat. App. 815; Jackson, May 11, 1820, June 3, 1829, Sept. 18, 1830, Apr. 23, 1835, and Sept. 1, 1836, 4 Stat. App. 814, 815, 816, 11 Stat. App. 781, 782; Polk, Nov. 4, 1847, 9 Stat. App. 1901; Fillmore, Nov. 1, 1850, 9 Stat. App. 1001; Buchanan, Feb. 25, 1858, 11 Stat. App. 795; Lincoln, Dec. 10, 1863, 13 Stat. App. 730; Johnson, Dec. 28, 1866, and Jan. 29, 1867, 14 Stat. App. 818, 819; Grant, June 12, 1869, Nov. 20, 1869, Feb. 25, 1871, Dec. 19, 1871, Sept. 4, 1872, and Oct. 30, 1872, 16 Stat. App. 1127-1130 to 1137, 17 Stat. App. 954, 956, 957; and Hayes, Nov. 30, 1890, 21 Stat. 800.

the United States should be given equality of treatment on tonnage and impost duties, on products of and articles proceeding from the United States or from any foreign country, in vessels owned by citizens of the United States to the islands of Cuba and Puerto Rico, and that no higher or other imposts or tonnage duties would be levied upon such vessels and the merchandise carried in them than were imposed upon Spanish vessels and their cargoes under the same circumstances. On the part of the United States it was provided that the President should issue a proclamation declaring suspended and discontinued the foreign discriminating duties of tonnage and imposts within the United States "so far as respects Spanish vessels and the produce, manufactures or merchandise imported in them into the United States from Spain or her possessions aforesaid or from any foreign country." Such a Proclamation was issued by President Cleveland under section 4228, Revised Statutes, on October 27, 1886 (24 Stat. 1030). See also Agreements with Spain of September 21, 1887, December 21, 1887, and May 26, 1888 (2 Malloy, op. cit., 1683, 1684, and 1685). None of these agreements was submitted to the Senate.

1884—PRESIDENT AUTHORIZED TO SUSPEND COLLECTION OF TONNAGE DUTIES ON CONDITION OF RECIPROCITY

By section 14 of the act of June 26, 1884, designed to remove certain burdens on the American merchant marine and to encourage the American foreign carrying trade, certain tonnage duties were imposed on vessels entering the United States from any foreign port in North America, Central America, the West India Islands, the Bahama Islands, the Bermuda Islands, the Sandwich Islands, or Newfoundland. The President was authorized to suspend the collection of so much of these duties on vessels entering from certain specified ports as might be in excess of the tonnage and light house dues, or other equivalent tax or taxes imposed on American vessels by the governments of the foreign countries in which such ports were situated, and upon the passage of the act "and from time to time thereafter as often as it may become necessary by reason of changes in the laws of the foreign countries above mentioned," to "indicate by proclamation the ports to which such suspension shall apply, and the rate or rates of tonnage duty if any to be collected under such suspension" (23 Stat. 57).

It will be seen that very broad latitude was given the President by this act. He was allowed to specify, on the basis of reciprocity, the rate or rates of tonnage duty, if any, to be collected.

1885—PRESIDENT SUSPENDS DUTIES, CONDITIONS OF RECIPROCITY EXISTING

In execution of this act Presidents Arthur and Cleveland issued proclamations January 31, 1885, February 26, 1885, and April 7, 1885, suspending the collection of tonnage duty on vessels arriving from certain ports (23 Stat. 841, 842, 844).

Another act of this character was that of June 19, 1886 (sec. 11, 24 Stat. 82). This was amended by the act of April 4, 1888 (25 Stat. 80).

1854—TREATY WITH GREAT BRITAIN

By article III of the Reciprocity Treaty of 1854 between the United States and Great Britain with respect to fisheries, duties, and navigation, it was provided that certain enumerated articles the produce of the British colonies or of the United States should be imported into each country free of duty.

By article VI it was provided that the stipulations of the treaty should extend to the island of Newfoundland provided the necessary legislation were enacted by the Imperial Parliament, the Provincial Parliament of Newfoundland, and the Congress of the United States.

1854—PRESIDENT TO GIVE EFFECT TO TREATY AFTER RECEIVING
"SATISFACTORY EVIDENCE" OF CERTAIN FACTS

By an act of Congress, approved August 5, 1854, to carry into effect the treaty aforesaid, the President was given power after he "shall receive satisfactory evidence that the Imperial Parliament of Great Britain" and so forth had passed laws on their part, to give full effect to the provisions of the treaty (10 Stat. 587). Following the passage of this act, President Pierce issued a proclamation March 16, 1855, declaring that the articles mentioned in the treaty should be admitted to the United States from Canada, New Brunswick, Nova Scotia, and Prince Edwards Island (10 Stat. 1179). On December 12, 1855, President Pierce issued another proclamation declaring that grain, flour, breadstuffs of all kinds, and so forth, should be admitted free of duty from Newfoundland, he having received satisfactory evidence that that Province had consented "in a due and proper manner" to have the provisions of the treaty extended to it, and to allow the United States the full benefits of all its stipulations so far as they were applicable to Newfoundland (11 Stat. 790).

It is important to bear in mind that, while in all these cases the President was authorized to suspend or to bring into operation provisions of the acts upon the ascertainment of certain facts, and to decrease, lower, or suspend altogether duties and restrictions under certain conditions, in none of them was he authorized to modify or change duties, restrictions, or prohibitions on the entry of vessels or merchandise, except upon conditions laid down by Congress. In other words, the President by finding that certain conditions existed and proclaiming their existence, suspended or brought into operation the provisions of law enacted by the Congress.

RECIPROCAL AGREEMENTS RELATING ALONE TO RATES OF DUTY—
McKINLEY ACT, OCTOBER 1, 1890 (26 Stat. 507, 612)

1890—MCKINLEY ACT RATES APPLICABLE WHEN PRESIDENT ASCERTAINED THAT THERE WAS A FAILURE RECIPROCALLY TO GRANT FREE INTRODUCTION OF ARTICLES

The tariff act of 1890 "to reduce the revenue and equalize duties on imports" made provision for the imposition of penalty duties upon imports from countries discriminating in their tariff treatment against goods from the United States. This was apparently the first act under which the President entered upon a comprehensive program of tariff bargaining by Executive agreements.

Section 3 of this act provided that, with a view to securing reciprocal trade with countries producing certain specified articles (sugar, molasses, coffee, tea, and hides), the President, when he was satisfied that the Government of any country producing and exporting these articles, or any of them, imposed duties or other exactions upon the agricultural or other products of the United States which, in view of the free introduction of such articles into the United States he might regard as reciprocally unequal and unreasonable, should have the power to suspend by proclamation the provisions of the act relating to the free introduction of the above-mentioned articles for such time as he should deem just, and that during such suspension duties should be levied upon the articles at rates specified in the section.

1891-92 RECIPROCIITY AGREEMENTS FOR FREE INTRODUCTION OF ARTICLES NAMED IN 1890 ACT

Following the passage of the act, Secretary Blaine began the negotiation of a series of agreements, and between January 31, 1891, and May 20, 1892, 10 reciprocity agreements were concluded, all but two of which were with countries of the Western Hemisphere. In each of the agreements the United States undertook to admit free of duty when coming from the other country the five articles--sugar, molasses, coffee, tea, and hides--enumerated in the penalizing provision of the act. In the majority of these agreements the other contracting parties undertook to admit free or at substantially reduced tariff rates the bulk of its imports from the United States. The penalty duties were imposed on Colombia, Venezuela, and Haiti after they had failed to respond to requests of this Government to negotiate agreements.

PENALTIES

Penalties were not imposed upon these articles coming from the Argentine and Mexico, although those countries failed to conclude agreements with the United States. This led to protests by Colombia and Venezuela on grounds of unfair discrimination.

1892--FIELD *v.* CLARK--1890 ACT DID NOT DELEGATE LEGISLATIVE OR TREATY-MAKING POWERS

The constitutionality of this provision of the 'Tariff' Act was attacked in the case of *Field v. Clark* (1892) (143 U.S. 649, 681) on the ground that, in authorizing the President to suspend the free importation of certain products, the Congress had delegated to him both legislative and treaty-making powers. The claimants, therefore, sought to obtain the refund of certain duties claimed to have been illegally exacted on imported merchandise under this act. The Circuit Court for the Northern District of Illinois gave judgment against the importers, and the Supreme Court of the United States affirmed the judgment, Mr. Justice Harlan rendering the majority opinion, with Mr. Chief Justice Fuller and Mr. Justice Lamar dissenting from the opinion but concurring in the judgment of the court. Justice Harlan, speaking for the Court, stated:

That Congress cannot delegate legislative power to the President is a principle universally recognized as vital to the integrity and maintenance of the system of

government ordained by the Constitution. The act of October 1, 1890, in the particular under consideration, is not inconsistent with that principle. It does not, in any real sense, invest the President with the power of legislation. * * * Congress itself proscribed, in advance, the duties to be levied, collected and paid, on sugar, molasses, coffee, tea, or hides, produced by or exported from such designated country, while the suspension lasted. Nothing involving the expediency or the just operation of such legislation was left to the determination of the President. The words "he may deem" in the third section, of course, implied that the President would examine the commercial regulations of other countries producing and exporting sugar, molasses, coffee, tea, and hides, and form a judgment as to whether they were reciprocally equal and reasonable, or the contrary, in their effect upon American products. But when he ascertained the fact that duties and exactions, reciprocally unequal and unreasonable, were imposed upon the agricultural or other products of the United States by a country producing and exporting sugar, molasses, coffee, tea, or hides, it became his duty to issue a proclamation declaring the suspension, as to that country, which Congress had determined should occur. He had no discretion in the premises except in respect to the duration of the suspension so ordered. But that related only to the enforcement of the policy established by Congress. * * *

What has been said is equally applicable to the objection that the third section of the act invests the President with treaty-making power.

The court is of opinion that the third section of the act of October 1, 1890, is not liable to the objection that it transfers legislative and treaty-making power to the President. (Ibid. 692, 693, 694).

DINGLEY TARIFF ACT OF JULY 24, 1897 (30 STAT. 151, 203)

This appears to be the first act under which the President was specifically called upon to enter into commercial agreements with foreign governments.

1897—DINGLEY TARIFF ACT—PRESIDENT TO ENTER INTO COMMERCIAL AGREEMENTS

Section 3 of this act provided that "for the purpose of equalizing the trade of the United States with foreign countries, and their colonies, producing and exporting to this country" certain articles therein named, the President should enter into negotiations with the governments of such countries with a view to the conclusion of commercial agreements in which reciprocal and equivalent concessions might be secured in favor of the manufactures and products of the United States, and should suspend by proclamation the imposition and collection of the duties provided for in the act, and substitute therefor duties as specifically stated in said section.

Pursuant to this authority the President concluded agreements with France in 1898, 1902 and 1908; with Portugal in 1899 and 1902; with Germany in 1900, 1906, and 1907; with Italy in 1900 and 1909; with Switzerland in 1906; with Spain in 1906 and 1909; with Bulgaria in 1906; with the Netherlands in 1907; and with Great Britain in 1907.

These agreements, which were not submitted to the Senate but were brought into force by proclamation by the President, were given full force and effect by various decisions of the courts of the United States.²

The act also contemplated other and more comprehensive agreements with foreign governments.

² *Nicholas v. United States* (1900), 122 Fed. 892; *United States v. Taster Chemical Co.* (1903), 127 Fed. 944; *United States v. Julius White Bro. & Co.* (1904), 130 Fed. 331; *United States v. Luntles, et al.* (1904), 130 Fed. 333; *Migliaracca Wine Co. v. United States* (1905), 148 Fed. 142; *La Manna, Azema & Farnan v. United States* (1906), 144 Fed. 683; *Mihalovich, Fitcher & Co. v. United States* (1908), 160 Fed. 988.

Section 4 authorized the President, by and with the advice and consent of the Senate, to negotiate treaties with foreign countries concerning the admission into such countries of goods, wares, and merchandise of the United States and to grant in consideration of the advantages accruing to the United States therefrom a reduction during the period of 5 years of the duties imposed by the act to the extent of not more than 20 percent thereof upon such goods, wares, or merchandise as might be designated therein of the countries with which such treaties were made. The section also authorized the inclusion in such treaties of undertakings to transfer from the dutiable list to the free list products of such foreign countries, and to retain upon the free list of the act during a specified period, not exceeding 5 years, such goods, wares, and merchandise then included in the free list as might be designated in the treaties. The section further provided that when the treaties should be ratified by the Senate and approved by Congress, and public proclamation made accordingly, then and thereafter the duties which should be collected by the United States upon any of the designated goods, wares, and merchandise should, during the period provided for, be the duties specified in the treaties.

THE KASSON TREATIES

Pursuant to this authorization this Government concluded a series of treaties, all of which made provision for tariff reductions of considerable importance. The first treaty was negotiated with France in 1899. The French conceded the rates of their minimum schedule on all but a few articles, in return for which the United States agreed to admit a long list of French products at reductions of from 5 to 20 percent below the rates of the Tariff Act of 1897. Other treaties negotiated were with or on behalf of American countries—the Argentine, Ecuador, Nicaragua, Dominican Republic, Denmark (for St. Croix), and Great Britain (for various American colonies). The concessions made to the United States were numerous and varied. The important items upon which the United States agreed to make concessions were sugar, molasses, hides, and wool. The treaties were presented to the Senate in 1899. Two groups of interests stood in opposition—on the one hand the representatives of American exporters, such as the iron, steel, and agricultural implement trades, and on the other hand domestic producers who feared foreign competition and those who saw in the treaties an undesirable infringement of the principle of protection. Mr. Kasson, the negotiator of the treaties, and President McKinley both urged ratification, but no action was taken other than to extend the time during which ratification might be secured.

In 1901 the Manufacturers' Reciprocity Convention met in Washington and declared itself for protection and favorable to reciprocity only when the latter could be secured without injury to any of the domestic interests of manufacturing, commerce, or farming. President Roosevelt adhered to the views of President McKinley but found it impossible to secure approval of the treaties by the Senate. The treaties were pigeonholed without further action (*Reciprocity and Commercial Treaties, 1919, pp. 28-30*).

PAYNE-ALDRICH ACT OF AUGUST 5, 1909 (36 STAT., 11, 82, 83)**1909—PAYNE-ALDRICH TARIFF—PRESIDENT TO ASCERTAIN FACTS AND BY PROCLAMATION IMPOSE MINIMUM RATE**

The act of August 5, 1909, provided two schedules of duties, a minimum and a maximum. The minimum tariff and the free list were provided for in section 1 of the act. The maximum tariff was provided for in section 2 by adding to the rates of section 1, 25 per centum ad valorem. This same section provided that the President, when, he should be satisfied—

in view of the character of the concessions granted by the minimum tariff of the United States, that the government of any foreign country imposes no terms or restrictions, either in the way of tariff rates or provisions, trade or other regulations, charges, exactions, or in any other manner, directly or indirectly, upon the importation into or the sale in such foreign country of any agricultural, manufactured, or other product of the United States, which unduly discriminates against the United States or the products thereof, and that such foreign country pays no export bounty or imposes no export duty or prohibition upon the exportation of any article to the United States which unduly discriminates against the United States or the products thereof, and that such foreign country accords to the * * * products of the United States treatment which is reciprocal and equivalent,

should so declare by proclamation and that thereafter all articles imported into the United States from such foreign country should be admitted under the terms of the minimum tariff as prescribed by section 1. Section 2 further provided that whenever the President should be satisfied that the conditions which led to the issuance of the proclamation no longer existed, he should issue a proclamation to that effect, and 90 days thereafter the provisions of the maximum tariff

should be applied to the importations from the foreign country. The President was authorized to employ such persons as might be required to secure information to assist him in the discharge of the duties imposed by the act.

It will be seen that the act gave the President not only the authority to determine the facts and to issue proclamations giving products from other countries the benefits of the minimum tariff but also the authority to supplant such proclamations by others subjecting such favored products to the maximum duty.

The maximum tariff imposed by the act became effective on April 1, 1910, but prior to that date 134 proclamations, which practically included the entire commercial world, had been issued by the President applying the minimum tariff. It appears that in no case was the maximum rate applied.

UNDERWOOD ACT OF OCTOBER 3, 1913 (38 STAT. 114, 192)**1913—UNDERWOOD TARIFF ACT—PRESIDENT TO NEGOTIATE RECIPROCIITY AGREEMENTS**

Section 4 of the act, approved October 3, 1913, authorized and empowered the President to negotiate reciprocity agreements with foreign countries, such agreements to be submitted to the Congress for ratification or rejection. It does not appear that any agreements were entered into pursuant to this provision. This may be accounted

for in large measure by the fact that shortly after the act became effective the conflagration in Europe broke out, and the export trade of the United States increased by leaps and bounds without the necessity of trade agreements of the character contemplated by the act.³

THE REVENUE ACT OF SEPTEMBER 8, 1916 (39 STAT. 756, 799, SECS. 804, 805)

The act, approved September 8, 1916, conferred very broad authority on the Executive by authorizing him to prohibit the importation of foreign articles when the same or other domestic articles were refused entry into foreign countries (sec. 804). Section 805 gave the President the power to prohibit by proclamation during the existence of any war to which the United States was not a party, articles coming from any country that placed restrictions on the importation of American products. The President was also authorized—
to change, modify, revoke, or renew such proclamation in his discretion.

FORDNER-McCUMBER ACT OF SEPTEMBER 21, 1922, (42 STAT. 858, 941, 946)

1922—FORDNEY-M' CUMBER ACT—PRESIDENT EMPOWERED TO LOWER OR RAISE DUTIES

Section 315 of the 1922 Tariff Act, which, together with other sections, contains the so-called "flexible provisions" of the act, provided for the lowering or raising of the duty by proclamations of the President to equalize the cost of production of articles in the United States and the like or similar articles of competing foreign countries. These proclamations were to be issued after investigation by the Tariff Commission to ascertain the facts necessary to enable the President to determine whether increases or decreases in the rates of duty should be made. The section provided that the total increase or decrease should not exceed 50 per cent of the rates specified in title I of the act.

Section 316 gave the President power, whenever the existence of methods of unfair competition, and unfair acts in the importation of articles into the United States or in their sale therein should tend to destroy or substantially injure an industry, or to prevent the establishment of such an industry, or to restrain and monopolize trade and commerce in the United States, had been established to his satisfaction, to cause additional import duties to be imposed, or in extreme cases, to cause such articles to be excluded from the United States.

Section 317 provided that when the President should find that the public interest would be served thereby, he should by proclamation specify and declare new or additional duties as provided in the act upon articles wholly or in part the growth or product of any foreign country whenever he should find as a fact that such country was imposing unreasonable charges upon the disposition in, transportation through, or transportation from such country of American prod-

³ There were, however, exceptions with reference to 1914 a treaty of commerce granting reciprocal most favored-nation treatment was concluded with the United States, which was approved by the Senate and a treaty with Siam in 1923. There were also other treaties and agreements, among other things, most-favored nation treatment for the United States was granted to Siam (3 Malloy, Treaties, Conventions, etc., 2578, 2829).

ucts, or was discriminating against American commerce in respect of customs duties, etc., as compared with that of other countries. He was also authorized, in certain cases, to exclude articles from such country from importation into the United States, i.e., if following the proclamations the foreign country had maintained or increased its said discriminations, to impose countervailing duties in certain classes of cases, the Tariff Commission being authorized to make investigations and reports to the President in all these cases (42 Stat. 944, 945).

CONSTITUTIONALITY OF SECTIONS 315 AND 316 OF THE 1922 TARIFF ACT UPHELD

The constitutionality of the first two of these sections was brought into question in the courts of the United States between 1928 and 1932 on the ground that the delegation of power to the President violated section 8, article I, of the Constitution, wherein Congress was given the power to lay and collect imposts and excises; the objection was also made that the act was adopted for the express purpose of protecting the industries of the United States, whereas the Constitution gave the Congress power to lay taxes for revenue purposes only. These two points were involved in the case of *Hampton & Co. v. United States* (1928), (276 U.S. 394), which had to do with the payment of increased duties assessed pursuant to a proclamation of the President of May 19, 1924. Mr. Chief Justice Taft in delivering the opinion of the Supreme Court upheld the constitutionality of section 315, relying in the main upon *Field v. Clark, supra*, and upon the precedent of the power conferred by Congress on the Interstate Commerce Commission.

With reference to the first constitutional objection above named, the Chief Justice said:

The same principle that permits Congress to exercise its rate-making power in interstate commerce, by declaring the rule which shall prevail in the legislative fixing of rates, and enables it to remit to a rate-making body created in accordance with its provisions, the fixing of such rates, justifies a similar provision for the fixing of customs duties on imported merchandise. If Congress shall lay down by legislative act an intelligible principle to which the person or body authorized to fix such rates is directed to conform, such legislative action is not a forbidden delegation of legislative power. (Ibid. 409).

With reference to the second constitutional objection above named, the Court said:

Whatever we may think of the wisdom of a protection policy, we cannot hold it unconstitutional.

So long as the motive of Congress and the effect of its legislative action are to secure revenue for the benefit of the general government, the existence of other motives in the selection of the subjects of taxes cannot invalidate Congressional action. (Ibid. 412.)

The question of the constitutionality of section 316 of the act was raised in the case of *Frischer & Co., Inc., et al. v. Bakelite Corporation et al.* (39 Fed. (2d) (1930) 247), and upheld, Judge Graham quoting the decision in the *Hampton case, supra*, at considerable length.

The Court stated:

The provisions of section 316 do not constitute an attempted delegation of legislative power. Here the Congress has declared certain unfair methods and acts to be unlawful, and has further declared that when such unlawful acts are committed, certain remedies shall be applied. The statute does not provide that the

President shall establish any policy, or fix any rates, or levy any embargoes. These are fixed by the statute itself and are the act of the legislative body. The President, in performing his duties, does so as a fact-finding body, and no different principle applies than that which was held to be applicable in the Hampton Case, supra. (Ibid. 253.)

The constitutionality of section 316 was also upheld by a decision rendered July 18, 1932, by the Circuit Court of Appeals, second circuit, in the case of *Frischer & Co., Inc., et al. v. Elting* (60 Fed. (2d) (1932) 711).

SMOOT-HAWLEY ACT OF JUNE 17, 1930, (46 STAT., PT. I, 590, 701)

The provisions of sections 315, 316, and 317 of the act of 1922 were reenacted in substance in sections 336, 337, and 338 of the Tariff Act of 1930.

CONSTITUTIONALITY OF SECTION 336 OF 1930 TARIFF ACT UPHELD

The constitutionality of section 336 of this act was questioned in the case of *United States v. Sears, Roebuck & Co.* which had to do with an increased duty imposed upon certain wire netting or fencing under a proclamation (no. 1934) issued by President Hoover on February 5, 1931. It was contended that the section delegated legislative power to the President and was void ab initio. The United States Customs Court overruled the classification and assessment by the collector of customs, holding that the President exceeded the powers delegated to him in section 336, "or, if said section by its terms authorized the President to take the action stated in said proclamation, then said section 336 is unconstitutional and void." (63 Treasury Decisions (1933), 47).

An appeal was taken to the United States Court of Customs and Patent Appeals. Two questions were presented, as follows:

- (1) Whether the provisions of section 336 were in violation of Article I, Sections 1, 7, and 8 of the Constitution; and
- (2) Whether the President, in the issuance of the Proclamation, exceeded the powers delegated to him by Congress.

The court stated, in a decision rendered December 5, 1932, that, so far as the question of the constitutionality of the section was concerned, section 315 of the Tariff Act of 1922, which was the predecessor of section 336 of the Act of 1930, had been found to be constitutional and valid, citing *Hampton, Jr., & Co., v. United States*, 276 U.S. 394, supra; *United States v. Fox River Butter Co.*, (1932) 20 C.C.P.A., and other decisions. The court also stated that there was no difference in principle in authorizing the President, in ascertaining the differences in costs of production, to consider the differences in the wholesale selling prices of domestic and foreign articles, as provided in section 315, and authorizing the commission to accept as evidence of costs of production the weighted average of invoices or the average wholesale selling price for a representative period, as set forth in section 336. The court added:

We therefore conclude that the question of the constitutionality of said section 336 of the tariff act is controlled by the principles declared in the decisions of the Supreme Court and this court, heretofore cited, holding section 315 of the Tariff Act of 1922 to be constitutional, and that said section 336 of the Tariff Act of 1930 does not purport to delegate legislative power, and its provisions are within the power of Congress. (20 C.C.P.A. 301.)

The second question presented to the court had to do with the contention by the appellee that the particular wire in question had not been designated in paragraph 397 of title I of the tariff act (the paragraph specified in the proclamation), and that the Congress had not delegated to the President the power to describe an article falling within a "catch-all or basket paragraph and give it to an eo nomine designation as he has done in the case at bar, and that therefore, in the issuance of said proclamation, he exceeded the powers delegated to him by Congress." The court stated:

We cannot agree with this contention. It is well established that where a general class of articles is named in a tariff law without specifying each article coming within the class, each of said articles is regarded as enumerated as clearly as if the proper names of each and all of them had been given. *Mason v. Robertson* 139 U.S. 624; *Arthur v. Butterfield*, 125 U.S. 70.

* * * * *

Under this principle if the articles here involved are classifiable under said paragraph they must be regarded as enumerated therein, to use the language of the Supreme Court, "as clearly as if the proper names of each and all of them had been given."

This being the law, we think it was clearly the intention of Congress to empower the President to change the classification of an article falling within the provisions of said paragraph 397 of said tariff act and increase or decrease the rates of duty thereon to the same extent as if said article had been eo nomine designated in said paragraph. * * * (Ibid. 301, 302.)

It will be seen from the foregoing that at various times, from the time of Washington to the present time, very broad powers have been conferred upon the Executive in connection with the regulation and promotion of trade and commerce, and in the application of provisions of the various tariff acts.

This authority has included the right of the President---

- (1) To lay embargoes on ships and vessels (act of June 4, 1704).
- (2) To remit and discontinue restraints and prohibitions proscribed by Congress with respect to commercial intercourse (acts of Feb. 9, 1799, and Dec. 19, 1806).
- (3) To revive restrictions and prohibitions with respect to commercial intercourse previously removed (acts of Mar. 1, 1809, and May 1, 1810).
- (4) To declare the repeal of acts imposing duties on the tonnage of ships and vessels and on goods, wares, and merchandise (acts of Mar. 3, 1815, and May 31, 1830).
- (5) To suspend the free entry of specified articles and to enter into Executive agreements for the free introduction of such articles on a basis of reciprocity (act of Oct. 1, 1890).
- (6) To enter into commercial agreements granting reciprocal and equivalent concessions, and to suspend by proclamation the imposition and collection of duties provided for by Congress (act of July 24, 1897).
- (7) To grant minimum rates prescribed by Congress on imports (act of Aug. 5, 1909).
- (8) (a) To lower or raise duties to equalize cost of production, (b) to exclude articles from importation on grounds of unfair competition, (c) to specify and declare new and additional duties when discrimination against American products was found to exist (acts of Sept. 21, 1922, and June 17, 1930).

The powers granted to the President by these various acts have been consistently upheld by the courts. It is worthy of remark that, of the very large number of agreements that have been entered into by the President, without the consent of the Senate, relatively few have been questioned in the courts. This delegation of power must, however, be confined within certain limitations. The courts when called upon have indicated in a general way what these limitations should be. While the wording of these limitations has varied in the different decisions, the tests which the courts have indicated that such legislation must meet are substantially as follows:

(1) That Congress must prescribe the policy and plan to be followed, leaving to the President merely the execution of such policy and plan; (2) that while the President may not exercise discretion as to what the policy or the law shall be, authority may be conferred on him to exercise discretion in the execution of such policy or law; (3) that Congress may provide that the enforcement of the law shall depend upon future events or upon the ascertainment of facts, leaving to the President the determination of the happening of the events, or the existence of the facts; (4) that—

If Congress shall lay down by legislative act an intelligible principle to which the person or body authorized to fix such rates is directed to conform, such legislative action is not a forbidden delegation of legislative power. (*Hampton & Co. v. United States*, 1927, 276 U.S. 409.)

With reference to the matter of judicial review, the court in the case of *United States v. Sears, Roebuck & Co.*, supra, said:

* * * the acts of the President in performing the duties imposed upon him by said section 336 are administrative, * * * and * * * judicial review of such acts may be had for the purpose of determining whether he has exceeded the powers delegated to him (304).

Two classes of agreements have been concluded by the Executive under the acts above mentioned: (1) Executive agreements, brought into force by proclamations, without reference to the Congress, and (2) treaties, particularly the Kassar Treaties, providing for reciprocal tariff concessions which, by the act of Congress, were to be submitted to the Senate and later to the Congress for approval. The history of this latter class of agreements, as indicated above, would suggest that this latter method of negotiating tariff agreements is not a very satisfactory one for the reason that, when the agreements are referred to the Senate for approval, conflicting interests develop, making it difficult, if not impossible, to bring about their consummation. There is ample authority under the Constitution for the delegation by the Congress to the Executive of power to conclude such Executive agreements as to tariff matters as in the judgment of the Congress may be in the interest of American trade and commerce, and a reasonable delegation of such power, with proper limitations, and the exercise of the authority by the Executive, with proper regard for the wishes of Congress, will give rise to no difficulties from the point of view of the Constitution of the United States.

AN ACT To authorize the President of the United States to lay, regulate, and revoke embargoes

SECTION 1. *Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled*, That the President of the United States be, and he is hereby authorized and empowered, whenever, in his opinion, the

public safety shall so require, to lay an embargo on all ships and vessels in the ports of the United States, or upon the ships and vessels of the United States, or the ships and vessels of any foreign nation, under such regulations as the circumstances of the case may require, and to continue or revoke the same, whenever he shall think proper. And the President is hereby fully authorized to give all such orders to the officers of the United States, as may be necessary to carry the same into full effect: *Provided*, The authority aforesaid shall not be exercised, while the Congress of the United States shall be in session: And any embargo, which may be laid by the President, as aforesaid, shall cease and determine in fifteen days from the actual meeting of Congress, next after laying the same.

SEC. 2. *And be it further enacted*, That this act shall continue and be in force until fifteen days after the commencement of the next session of Congress, and no longer.

Approved, June 4, 1794.

RECIPROCAL TRADE AGREEMENTS

FRIDAY, APRIL 27, 1934

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

The committee resumed consideration of H.R. 8087 at 10 a.m., in the committee room, Senator Pat Harrison presiding.

Present: Senators Harrison (chairman), George, Barkley, Connally, Gore, Costigan, Clark, Lonergan, Couzens, La Follette, Hastings, and Walcott.

The CHAIRMAN. Dr. Sayre, suppose we proceed. The Senators will be coming in, and I understood that you wanted to put in some clarifying amendments so that they will be in the record. We can have that done now.

Mr. SAYRE. These amendments, sir, are for the purposes mainly of clarification and, I think, will not raise any contentious issues.

May I pass to you a copy of these amendments?

The first amendment is on page 1, line 8. It pertains to taking the words "in the present emergency" out of line 11 and placing them instead in line 8 after the word "assisting", so as to read, "as a means of assisting in the present emergency in restoring the American standard of living." This is simply a matter of phraseology.

The second amendment is on page 2, line 10, and is likewise simply to make clear the meaning. On lines 9 and 10, after the language "whenever he finds any existing duties or other import restrictions", insert "of the United States or any foreign country", then continue "are unduly burdening and restricting" et cetera. This is simply to make clear that those words, "duties or other import restrictions", as used in lines 9 and 10, refer to duties or import restrictions either of this country or of any foreign country.

The third amendment: On page 2, line 11, change the word "or" to the word "and."

I ought to say a word in explanation, because this is a little more important than some of the others. We were speaking yesterday afternoon about a yardstick by which to measure the power delegated to the President. The President, under this bill, is authorized to enter into foreign trade agreements and to make certain proclamations. Reading now on lines 9 to 12, page 2, "whenever he finds that any existing duties or other import restrictions are unduly burdening and restricting the foreign trade of the United States." That is one yardstick. As at present phrased, a second yardstick follows disjunctively "or that the purpose above declared will be promoted by the use of the powers herein conferred." Those words, "the purpose above declared", refer back to the purpose declared on page 1, lines 6 and

7, "for the purpose of expanding foreign markets for the products of the United States." The bill as at present phrased allows the President to exercise this authority in either one of the two cases—either whenever he finds that such existing duties are unduly burdening and restricting the foreign trade of the United States or whenever he finds that the purpose of expanding foreign markets will be promoted. In order to strengthen the constitutionality of the bill and to eliminate any possible argument that the yardstick here is not sufficiently definite for restricting and defining the powers delegated to the President, I would suggest that instead of using the disjunctive we use the conjunctive and make it necessary for the President to find both of those conditions.

The CHAIRMAN. It adds the necessity for the President to find more facts.

Mr. SAYRE. Yes; and, therefore, I think it would strengthen the constitutionality of the bill without impairing in any way or limiting its effective use.

The next proposed amendment is page 2, lines 12 and 13. The present phraseology is that "the purpose above declared will be promoted by the use of the powers herein conferred." I suggest that it is a little more accurate use of language to substitute the words "by the means hereinafter specified." I believe that would strengthen again the constitutionality of the bill; it is a matter of phrasing the precise meaning.

The next amendment is on page 2, line 19, where I suggest the insertion of the word "imported" following the words "of existing customs or excise treatment of any"; so as to read, "any imported article." This simply makes the meaning clear and I think there will be no objection to it.

The CHAIRMAN. Thank you very much. Is that all?

Mr. SAYRE. No, sir; there are three others. There is one relating to Cuba. The present language, making an exception concerning the Cuban situation, occurs on page 3, lines 3 to 6. When the bill was debated in the House, the question was raised as to whether trade agreements made with respect to Cuba would be subject to the 50 percent limitation contained on page 2, lines 23 and 24. I believe it is important that it be made clear whether that 50 percent limitation should cover the case of a trade agreement made with Cuba or not.

In order to clarify that—in order to make clear that the 50 percent limitation of the bill does embrace trade agreements made with Cuba, and to make abundantly clear one or two other uncertain matters concerning possible trade agreements made with Cuba—we suggest the insertion of the following language in place of that which I have just read, namely:

Page 3, line 3, strike out the comma and the words following down to the colon in line 6. Insert after line 15 a new subsection (b) as follows:

"(b) Nothing in this section shall be construed to prevent the application, with respect to rates of duty established under this section pursuant to agreements with countries other than Cuba, of the provisions of the treaty of commercial reciprocity concluded between the United States and the Republic of Cuba on December 11, 1902, or to preclude giving effect to an exclusive agreement with Cuba concluded under this section, modifying the existing preferential customs treatment of any article the growth, produce, or manufacture of Cuba: *Provided*, That the duties payable on such an article shall in no case be less than 50 per centum of the duties now payable thereon."

It follows that, on page 3, line 16, we should strike out (b) and insert in lieu thereof (c).

In order to make this clear, I have prepared a statement which might be inserted in the record, if you choose, explaining the Cuban amendment.

The CHAIRMAN. Yes; put that right in here.

PROPOSED AMENDMENT TO H.R. 8087

PREFERENTIAL TREATMENT OF CUBAN PRODUCTS

Reference is made to the following provision in lines 3-6, on page 3 of the bill H.R. 8087, as passed by the House:

"except that nothing in this section shall be construed to prevent the granting of exclusive preferential treatment to articles the growth, produce, or manufacture of the Republic of Cuba:"

In the debate on the bill in the House doubt was expressed as to the meaning of this provision, it being held by certain members that this language removes all limitations and restrictions with respect to Cuba, i.e., it takes Cuba out of the 50 percent limitation on changes in tariff rates. In view of this misunderstanding of the purposes of the provision, and the desirability of making the provision in all respects clear and explicit, it seems desirable to clarify it by the following amendments:

"On page 3 of H.R. 8087 as passed by the House, strike out the comma in line 3 and the words following down to the colon in line 6. After line 15 on page 3 insert a new subsection (b) as follows:

"(b) Nothing in this section shall be construed to prevent the application, with respect to rates of duty established under this section pursuant to agreements with countries other than Cuba, of the provisions of the treaty of commercial reciprocity concluded between the United States and the Republic of Cuba on December 11, 1902, or to preclude giving effect to an exclusive agreement with Cuba concluded under this section, modifying the existing preferential customs treatment of any article the growth, produce, or manufacture of Cuba: *Provided*, That the duties payable on such an article shall in no case be less than 50 percent of the duties now payable thereon."

"On page 3, line 16, change (b) to (c).

"The above changes are designed to make an exception to the following provision in line 25 on page 2 and lines 1 to 3 on page 3 of the bill:

"The proclaimed duties and other import restrictions shall apply to articles the growth, produce, or manufacture of all foreign countries, whether imported directly or indirectly * * *"

"In the absence of an appropriate exception to this provision difficulty might arise in giving effect to the preferential regime between the United States and Cuba in the following circumstances:

"(1) In the case of an agreement whereby rates of duty on importations from some country other than Cuba were reduced, it might be held that the provision whereby the proclaimed duties should apply to importations from all countries would require the application of those duties to importations from Cuba without allowance of the reduction which would be properly applicable to such importations under the existing treaty with Cuba or under any new agreement which may be concluded with Cuba pursuant to the proposed legislation.

"(2) In the case of a new agreement with Cuba under the proposed legislation, whereby preferential rates of duty were established on importations from that country, it might be held that the provision whereby the proclaimed duties should apply to importations from all countries would require the extension of the preferential rates on importations from Cuba to like importations from other countries. Under such a construction the duties on Cuban products would not be preferential duties and the agreement with Cuba would be violated.

"The proviso in the proposed amendment would make it clear that the 50-percent limitation on changes in duties applies to duties on Cuban products, and that in no case could the duties on such products be lower than 50 percent of the duties now payable thereon."

Mr. SAYRE. I have another change I desire to offer on behalf of the millers, an amendment relating to section 311 of the Tariff Act of 1930, which you will see spoken of on page 4, lines 4 to 8, of H.R. 8687.

I think perhaps it is not necessary for me to go into an explanation of a very technical and detailed situation which concerns the dispute which arose between certain Buffalo millers and certain southwestern millers.

The CHAIRMAN. I wish you would put a memorandum into the record on that. I think most of the Senators are familiar with that controversy.

Mr. SAYRE. What I would suggest is, if I may, that we include the statement which we made before the Ways and Means Committee, in this record, which gives, in just as few words as I could, the picture of the situation.

PERTINENT MATERIAL FROM THE HEARINGS HELD BY THE COMMITTEE
ON WAYS AND MEANS

Section 311, Tariff Act of 1930, includes a provision written into the tariff act in order to prevent Buffalo millers, who were milling wheat imported from Canada, from shipping the flour into Cuba and enjoying the Cuban preferential of 30 percent. Before the passage of that act, the Buffalo millers had found it possible to take Canadian wheat, mill it in bond, ship it to Cuba, have the Cuban preferential of 30 percent, and thus secure an advantage in the milling of that Canadian wheat as against the Canadian millers. It meant that that business of milling went from Canadian millers to American millers.

Then, however, a contention developed between the Buffalo millers and certain southwestern millers. The contention of the southwestern millers, if I am correctly informed, was that here was a practice that resulted in taking Canadian wheat for milling and shipping to Cuba, rather than American wheat and, therefore, that this should be discontinued, the hope being that American wheat could be taken, milled, and sold to Cuba in the place of Canadian wheat. Therefore, under the influence of a group of southwestern millers, this provision was written into the tariff law, providing, in effect, that no flour manufactured in a bonded warehouse from wheat imported into this country could be withdrawn from the warehouse for exportation, without payment of a duty equal to any reduction in duty which by treaty should apply in respect of such flour in the country to which it was to be exported.

In other words, if Canadian wheat should be milled in Buffalo in bond, then the Buffalo millers, upon shipping it to Cuba, must pay an amount equal to any reduction in duty which was accorded them under the Cuban treaty.

Mr. McCORMACK. I understand that is 64 cents?

Mr. SAYRE. It is a 30-percent reduction. According to my figures, it amounts to 68.6 cents. I speak subject to correction.

Mr. McCORMACK. I understand you are right, sir.

Mr. SAYRE. Now the contention has gone on ever since that was written into the statute books. The Buffalo millers, if I am correctly informed, claimed that even if this act were repealed it would not be possible to utilize American wheat, because the Cuban people want the hard wheat. There is some question whether or not the Cuban people could or would want to consume the kind of wheat which is produced in the Southwest, and the contention of the Buffalo millers is that the repeal of the enactment would simply mean that the Canadians themselves would do the milling and ship into Cuba.

With the truth or falsity of that contention, I have no immediate concern. The proposal which was written into this enactment was not a repeal of the existing provisions of section 311; but merely a provision to the effect that section 311 should not apply to new agreements concluded under this authority. That is to say, suppose the tariff should be reduced in country X; then under this language it would mean that section 311 would have no application as to country X.

Now let me point out, if I may, why it was considered inadvisable to allow section 311 to apply, as it stands, to new agreements. And this is a very complicated thing, so if I do not make myself clear, I hope you will ask me questions. If section 311 stands as it is now and if it applies to all new agreements that are made, it means this: Suppose that country X gives a tariff reduction on wheat to the United States. Under the generally prevailing most-favored-nation treaties, the United States probably will not be the only country which enjoys that reduction; other countries will similarly enjoy it. Very possibly Canada, let us say, will enjoy it. If section 311 remains unaffected, it means that Buffalo millers would have to pay out an amount equal to the reduction gained under the new treaty; whereas the Canadian millers, enjoying that same reduction by virtue of most-favored-nation treaty provisions, would not have to repay. In other words, the Buffalo millers would be at a great disadvantage as against Canadian millers.

And that is why it did not seem wise to allow section 311 to apply, in its present form, to new trade agreements negotiated under this power. It is permissible, so far as Cuba is concerned, because Cuba grants exclusive preferential treatment to the United States; but, under the new trade agreements, presumably there will not be this exclusive preferential treatment such as exists with respect to Cuba. That is the reason, sir, why the last three lines in section 2 were written into the enactment—not with a view of hurting in any way the southwestern millers, but with a view of making available to those millers who mill wheat in bond such advantage as may be gained under new trade agreements.

Mr. COOPER. Then is it correct to state that the application of this provision with reference to section 311 does not adversely affect the southwestern wheat producers so far as the Cuban trade is concerned?

Mr. SAYRE. I think not, sir, with one exception which I want to make and which I am coming to. I want to be absolutely frank with you all on this, because we want to get at the truth of the thing.

Suppose that a new Cuban treaty is made in pursuance of the authority granted under this particular bill, then where will we be? And that is what I want to address myself to next.

Mr. COOPER. Well, it would naturally follow that that would be one of the things that would have to be taken into consideration when that treaty was negotiated.

Mr. SAYRE. Of course, it may be that the new Cuban treaty will be made as an ordinary treaty, ratified by the Senate; on the other hand, if this authority is given to the President in time, it may be quite possible that the new Cuban agreement will take the form of one of these trade agreements; in which case we have to think of these southwestern millers. That is what I want to speak of next.

Mr. COOPER. Now just on that point: As I understand the situation as defined by you, as it now stands under the treaty now in existence

between Cuba and the United States, the application of the provision here relating to section 311 will not adversely affect them?

Mr. SAYRE. It is not affected in any way, because the language proposed here, which you see in lines 16 to 18, on page 3 of H. R. 8430, is:

The third paragraph of section 311 of the Tariff Act of 1930 shall not apply to any agreement concluded pursuant to this act.

That is not a repeal of section 311—

Mr. McCLINTIC. In case the United States makes a new agreement with Cuba, then the Buffalo millers would be able to ship—to buy wheat from Canada, mill it in bond, send it on down to Cuba, and have a drawback of 30 percent?

Mr. SAYRE. Well, it depends whether this new Cuban arrangement takes the form of a treaty, or of a trade agreement negotiated under the authority of this bill.

Mr. McCLINTIC. But it is possible, is it not?

Mr. SAYRE. It is possible; if this bill is passed in time, so that the President has the authority, it is perfectly possible, sir, that a trade agreement may be concluded with Cuba and then we have got to face that situation, which is what I want to speak of next.

Mr. McCLINTIC. Well, what would be wrong with leaving this provision out?

Mr. SAYRE. You mean omitting lines 16 to 18 altogether?

Mr. McCLINTIC. Yes; so that the southwestern millers who are now milling hard wheat, can have the advantage of trade with Cuba.

Mr. SAYRE. The objection, sir, as I have just been suggesting, is that those who are milling wheat in bond would have to pay back, under the provisions of section 311, any reduction procured in a trade agreement; whereas their competitive millers (let us say Canadian millers), would not have to pay back and could put them out of business.

Mr. McCLINTIC. It seems to me the answer would be there would be no necessity for millers within the United States to mill wheat in bond when there is produced in this country a sufficient amount of hard wheat to supply the export demand.

Mr. SAYRE. I think the answer to that, sir—I speak subject to correction, but my understanding of the testimony which was brought forward here a couple of days ago was that there was a difference in price of \$1.35 a barrel between American flour and Canadian flour for export. Now, I speak subject to correction on that, and I have asked an expert of the Department of Agriculture to be here this afternoon to answer these questions; but my answer to that is that there may be a great difference in price between the American wheat and the Canadian wheat, and that that difference in price may explain why the Buffalo millers are purchasing Canadian wheat rather than American wheat. And if that difference in price is as great as that testimony seemed to indicate, the Canadian millers naturally will sell Canadian flour to Cuba, or to some other country, cheaper than the American flour can be sold.

Mr. McCLINTIC. Taking into consideration the 30-percent differential?

Mr. SAYRE. It all depends on how great the difference in price is. It is quite conceivable; yes, sir. As I say, I have asked an expert of the Department of Agriculture to be here today and he is prepared to answer these questions, which I am not. But, before I ask him to

answer the questions, I want to make a possible further amendment here to take care of the situation which we developed a moment ago, which Mr. Cooper was speaking of; that is, the situation of where would these southwestern millers be if the new arrangement with Cuba took the form of a trade agreement. Let me say that this is a matter which primarily concerns the Department of Agriculture, and I have before me a letter which Secretary Wallace has written me with regard to this matter, which I should like to read and insert into the record.

The CHAIRMAN. Without objection, that may be done.

Mr. SAYRE. Shall I read it, or just put it in?

Mr. McCLINTIC. I would like to have the information, because I represent that section of the country.

Mr. SAYRE. I will read it. It is dated March 10, 1934, addressed to me, and says:

Reference is made to your informal request of this morning for a statement by this Department in regard to the provision in the Tariff bill (H.R. 8430) now pending before the Ways and Means Committee which would repeal paragraph 3 of section 311 of the Tariff Act of 1930. * * *

That is not quite an accurate statement. As I have just explained it, it does not repeal it; it repeals it only insofar as its application to new trade agreements is concerned.

Mr. McCLINTIC. It holds it in abeyance.

Mr. SAYRE. Well, it limits its application. The letter continues:

* * * The provision in question reads as follows:

"No flour, manufactured in a bonded manufacturing warehouse from wheat imported after ninety days after the date of the enactment of this act, shall be withdrawn from such warehouse for exportation without payment of a duty on such imported wheat equal to any reduction in duty which by treaty will apply in respect of such flour in the country to which it is to be exported."

This provision was presumably adopted with the provisions of the reciprocity treaty of 1902 with Cuba in mind. Under that treaty American flour enjoys a preference of 30 percent under the duties and taxes levied in Cuba on flour from Canada and other foreign countries. The effect of this provision is to limit the benefit of the Cuban preference to flour milled in the United States from domestically grown wheat.

With respect to the proposed repeal of paragraph 3 of section 311, two questions arise: (1) Whether it should be modified so as not to apply to flour exported to countries which do not grant us exclusive preferences on wheat flour; (2) whether the paragraph should be repealed, so that it would cease also to apply to countries which do grant us exclusive preference, as in the present case of Cuba.

As to the first question, it seems important to this Department that this provision be not applied with respect to countries which do not grant exclusive preferences to the United States. * * *

That is, in other words, with such new countries as trade agreements are negotiated with.

* * * In cases where the United States is not granted exclusive preference the effect would be to penalize the bonded mills grinding imported wheat for export without resulting in any material advantage to the mills grinding American wheat for export. Such mills grinding foreign wheat would, by virtue of the most-favored-nation clause, receive no tariff advantage over competing foreign mills, whereas they would be subject to the added handicap of having to pay the amount of the preference into the United States Treasury. Most, if not all, of the flour business with countries other than Cuba lost by American bonded mills would probably go to foreign mills rather than to the American mills which grind American wheat.

That is the danger, that the Canadian millers, grinding Canadian wheat, would get the advantage and ship to these new countries

X, Y, and Z, with whom we might make new trade agreements reducing the tariff on wheat. Secretary Wallace goes on to say:

With respect to the second question, it should be remembered that the paragraph was originally adopted primarily at the request of the southwestern millers. It involves a conflict of interest between them and the Buffalo millers. The provision has been of relatively little benefit to domestic wheat growers, but this Department is inclined to feel its repeal with respect to Cuba would not be desirable at this time.

In order to take care of the possibility which Mr. Cooper, by his question, was suggesting and which is a real possibility, a few of us were trying to find some formula which would protect the southwestern millers, even in the event that a new Cuban treaty should take the form of a trade agreement negotiated under the authority of H.R. 8430. That formula I have here, sir, and I would be glad to suggest it to you. It is in these words:

The third paragraph of section 311 of the Tariff Act of 1930 shall not apply to any agreement concluded pursuant to this act with countries which do not grant exclusive preference with respect to flour to the United States.

Mr. COOPER. Now, will you read that again, so that we can take it down—just the new language, please.

Mr. SAYRE. It starts out like the other: "The third paragraph of section 311 of the Tariff Act of 1930 shall not apply to any agreement concluded pursuant to this act"—

And then add the following language:

* * * with countries which do not grant exclusive preference with respect to flour, to the United States.

Mr. McCORMACK. That means Cuba.

Mr. SAYRE. That means Cuba.

Mr. McCORMACK. You are going a long ways to get around that question, aren't you?

Mr. SAYRE. To get around mentioning it?

Mr. McCORMACK. Yes.

Mr. SAYRE. Of course it is conceivable that in the course of time there might be some other country which would grant exclusive preference.

Mr. McCORMACK. This is really a conflict between two sections of the country.

Mr. SAYRE. Yes; concerning agricultural interests. I have an expert here from the Department of Agriculture who is prepared to answer these questions, if you choose. But maybe I had better complete my statement and then we will have the questions. Mr. Chairman, would that be satisfactory?

The CHAIRMAN. Yes.

Mr. TREADWAY. Well, Mr. Chairman, I think he could very properly complete his statement; then we will proceed in our own way as to calling the next witness.

Mr. SAYRE. Yes.

Mr. TREADWAY. You are not expecting to call somebody from another department?

Mr. SAYRE. No. All I meant, sir, is that there was some one here from the Department of Agriculture within whose peculiar province lies this question of the Buffalo versus Southwestern Millers controversy, and I am not competent to speak about it.

The CHAIRMAN. Should there be doubt in the minds of the committee, you have made a suggestion, which will be helpful, that we can call the expert from the Department of Agriculture.

Mr. COOPER. I suggest this, as the Doctor has in mind, that he come right on with this now, so that we keep it all together.

The CHAIRMAN. Very well; without objection, you may proceed.

STATEMENT OF FRANK H. THEIS, CHIEF, GRAIN SECTION, AGRICULTURAL ADJUSTMENT ADMINISTRATION

Mr. THEIS. My name is Frank H. Theis; I am Chief of the Grain Section, Agricultural Adjustment Administration.

Now what is the question, sir?

Mr. McCLINTIC. Won't you explain the effect of the added words in the amendment brought to our attention by Dr. Sayre?

Mr. THEIS. I think, Mr. Chairman, there is very little that can be added to what the Secretary has already pointed out—that there is no desire on the part of the Department of Agriculture to penalize the Buffalo millers who are now grinding Canadian wheat in bond.

In a case where most-favored-nation treatment was accorded to Canada, using Country X as an example, it is conceivable that the Buffalo millers would be penalized to the extent of whatever benefit was accorded. We will assume it is 30 percent, as in the case of Cuba; they will be penalized to that extent for the reason that the Buffalo millers will be required to pay into the United States Treasury the amount of that 30 percent. On the other hand, if the exclusive privilege is granted to the United States, as in the case of Cuba, or any other trade agreements that may be accomplished, then naturally that exclusive privilege should accord and reflect the benefit to the American producer of wheat.

That is the reason the language is placed in there just as it is.

Mr. McCLINTIC. Now, how does this leave the millers of the Southwest in respect to the utilization of hard wheat manufactured into flour, to be shipped to Cuba?

Mr. THEIS. It leaves them in the position of getting the exclusive privilege of having the preferential 30 percent accorded to them, just exactly as the present 1930 Tariff Act provides.

Mr. McCLINTIC. By the adoption of this amendment?

Mr. THEIS. Yes.

Mr. McCLINTIC. Now, does it give to the Buffalo miller any particular advantage in dollars and cents with respect to the cost of production of flour in the United States?

Mr. THEIS. No.

Mr. McCLINTIC. It leaves him in just the same position?

Mr. THEIS. That is right; that is, with this amendment.

Mr. McCLINTIC. With this amendment?

Mr. THEIS. That is right.

Mr. DICKINSON. Let me ask in regard to soft wheat. Is there any soft wheat grown in Canada?

Mr. THEIS. No, sir.

Mr. DICKINSON. Now in what States and in what sections do we have soft wheat and how is that soft wheat affected by this proposed change in this section 336?

Mr. THEIS. The soft wheat, of course, is grown not only on the Pacific coast in the Pacific Northwest, but also, beginning in the

eastern part of Kansas, and extending into Missouri, through the Mississippi and the Ohio Valleys and down through the Southeast.

Mr. DICKINSON. I always heard a great deal of talk with reference to soft wheat in connection with this Buffalo proposition.

Mr. THEIS. The hard-wheat flour that goes from the Southwest is mainly raised in Texas, Oklahoma, and Kansas; that is the type of wheat that usually goes to Cuba in the shape of flour.

Mr. DICKINSON. How would the soft-wheat people of Missouri and Oklahoma and Kansas be affected by any change in this provision?

Mr. THEIS. It would be just the same as it is at the present time.

Mr. McCLINTIC. You make the statement that the difference would in no way affect the producers of flour in the sections of the United States that grow hard wheat?

Mr. THEIS. That is correct.

Mr. McCLINTIC. With this amendment?

Mr. THEIS. That is correct.

Mr. KNUTSON. Mr. Theis, the millers, I understand, now have 90 days in which to manufacture and dispose of bonded wheat?

Mr. THEIS. That is correct, sir.

Mr. KNUTSON. Under this legislation, does this legislation confer the power to extend that 90 days?

Mr. THEIS. I think it would not disturb it at all with this amendment; it would not disturb it at all.

Mr. KNUTSON. It would not disturb it?

Mr. THEIS. No.

Mr. KNUTSON. Just for my own information—wheat that is milled in bond and shipped to a foreign country, that is, Canadian wheat, we will say—

Mr. THEIS. Yes.

Mr. KNUTSON. Does that go as Canadian flour or American flour when milled in Buffalo, we will say, or Minneapolis?

Mr. THEIS. Well it is difficult to say. The identity, I am afraid, is usually lost in that case, that is, the actual identity in moving out.

Mr. KNUTSON. How would that flour be treated for tariff purposes?

Mr. THEIS. You mean in our export figures?

Mr. KNUTSON. I mean for tariff purposes, in the country where it goes to?

Mr. THEIS. Well it would be in bond, of course, and would naturally be canceled off as an in-bond movement.

Mr. KNUTSON. Then it becomes Canadian flour, so far as the tariff is concerned?

Mr. THEIS. Yes; that is correct.

Mr. McCORMACK. Did I understand that Cuba buys very little wheat from the United States?

Mr. THEIS. Very little wheat.

Mr. McCORMACK. Very little wheat?

Mr. THEIS. Practically none.

Mr. McCORMACK. For example, in 1932, we exported 54,879,484 bushels to all countries of the world, and Cuba purchased 30,710 bushels.

Mr. THEIS. A very small amount.

Mr. McCORMACK. In 1931, we exported 80,311,041 bushels and Cuba purchased 25,671 bushels.

In 1929, we exported 90,169,600 bushels and Cuba purchased 44,041 bushels.

In 1927, we exported 168,307,000 bushels; Cuba purchased 38,674 bushels.

In 1925, we exported 85,525,940 bushels and Cuba purchased 29,910 bushels.

In 1923, we exported 98,533,482 bushels and Cuba purchased 30,247 bushels.

Now Cuba is a purchaser of flour?

Mr. THEIS. Correct.

Mr. McCORMACK. I notice that in 1923, Cuba purchased, of hard spring flour, 360,726 barrels; and, of soft wheat flour, 696,320 barrels.

In 1924, she purchased 381,043 barrels of hard wheat flour and 732,000 barrels of soft wheat flour.

In 1925, Cuba purchased 416,782 barrels of hard wheat flour and 751,000 barrels of soft wheat flour.

In 1926, she purchased 530,000 barrels of hard wheat flour and 602,000 barrels of soft wheat flour.

In 1927, she purchased 727,817 barrels of hard wheat flour and 485,000 barrels of soft wheat flour.

In 1928, she purchased 714,000 barrels of hard wheat flour and 370,000 barrels of soft wheat flour.

In 1929, she purchased 721,283 barrels of hard wheat flour and 403,000 barrels of soft wheat flour.

In 1930, she purchased 570,843 barrels of hard wheat flour and 431,000 barrels of soft wheat flour.

In 1931, she purchased 591,000 barrels of hard wheat flour and 280,000 barrels of soft wheat flour.

In 1932 she purchased 593,000 barrels of hard and 186,000 barrels of soft.

In 1933 she purchased 315,640 barrels of hard and 83,000 barrels of soft.

How do you account for that increase in the consumption of hard wheat flour, or flour made from what the farmers usually call hard wheat, and the marked decrease in the consumption of flour apparently made from what is called soft wheat?

Mr. THEIS. The higher price that has prevailed in the United States for the last 2 years has accounted for that increase entirely.

Mr. McCORMACK. Now, have you any figures breaking down this hard wheat flour, to determine where that came from?

Mr. THEIS. No, I have not them available at the present time.

Mr. McCORMACK. Have you any figures showing whether or not, as a result of this provision in the 1931 Tariff Act, the southwestern millers have profited?

Mr. THEIS. I think the statement of the Secretary shows that our figures do not indicate that; there is no way of breaking them down, but they do not indicate that there has been an appreciable amount of business to the southwestern millers. But I think that is accounted for due to the fact that the price of the United States flour has been higher for the last 2 years than it has been in Canada, by considerable.

Mr. McCORMACK. Have you any figures showing how much of this hard wheat flour was imported from Canada, milled in the United States, and reexported to Cuba?

Mr. THEIS. I shall try to get those figures for you, but I do not have them at the present time, no.

Mr. McCORMACK. In other words, we have been operating under the present law for about 3 years.

Mr. THEIS. That is right.

Mr. McCORMACK. And there must be figures that would enable us to determine whether or not the provisions of that law have been beneficial to the hard-wheat growers of the Southwest.

Mr. THEIS. With your permission, Mr. Chairman, I shall try to get those figures.

The CHAIRMAN. Without objection, it is so ordered
(Mr. Theis subsequently submitted the following:)

MARCH 16, 1934.

Hon. ROBERT L. DOUGHTON,

Chairman Ways and Means Committee, House of Representatives.

DEAR MR. DOUGHTON: In compliance with your request I am submitting herewith data which will supplement the information which I gave you on March 13. Two charts are enclosed, one showing the imports of wheat flour into Cuba by countries of origin, the other showing wheat flour exported from the United States to Cuba by customs districts.

It is not possible to obtain reliable information concerning the amount of hard-wheat flour exported to Cuba in comparison with the soft-wheat flour exports. Referring to the latter table you will note that the largest exports have been through the customs districts of New York and New Orleans. It is very likely that all of the flour exported from New York was made from hard wheat, probably hard spring, either domestically produced or milled in bond from Canadian wheat. Exports through the New Orleans district probably consisted very largely of flour milled from hard red winter wheat. The same is true of the exports through the Galveston district. Exports of flour through the customs districts of Baltimore, Virginia, and Mobile, may have been milled from soft wheat.

It should be pointed out that, during the last few years, exports of flour from Canada to Cuba have been increasing; whereas, exports of flour from the United States have been decreasing. It should be noted also that, while the total exports of flour from the United States have been decreasing, the exports of flour milled in bond from Canadian wheat have been increasing. In 1932, for example, of the 779,000 barrels exported to Cuba from the United States, 576,000 were from Canadian wheat milled in bond. In 1933, of the total of 746,000 barrels, 607,000 were milled in bond from Canadian wheat.

The decline in exports of flour to Cuba milled from wheat produced in the United States and the increase in exports of flour milled in bond from Canadian wheat is evident. This can be accounted for by the fact that the advantage in the Cuban import duty which flour produced from United States wheat enjoys over flour produced from Canadian wheat milled in bond has been more than offset by the lower price of Canadian wheat.

Very truly yours,

FRANK A. THEIS,

Chief, Grain Section, Commodities Division.

Wheat flour: Exports to Cuba from United States, by customs districts

	Calendar year							
	1926	1927	1928	1929	1930	1931	1932	1933
	1,000 barrels	1,000 barrels	1,000 barrels	1,000 barrels	1,000 barrels	1,000 barrels	1,000 barrels	1,000 barrels
New York.....	532	722	731	720	751	589	591	
Philadelphia.....								
Baltimore.....		5	8	1		1		
Virginia.....	2		3	3	2	1	2	
Mobile.....	17	15	6		1			
New Orleans.....	584	461	354	492	430	278	166	
Galveston.....		13	11			2	20	
San Francisco.....			1					
Oregon.....	1	4						
Washington.....								
All other.....	10	19	26	50	52	53		
Total.....	1,146	1,239	1,140	1,266	1,056	924	779	746

¹ Not available by customs districts.

Imports of wheat flour into Cuba

Calendar year	Country of origin					Total
	United States †	Canada	Spain	Argentinian	Others	
	Barrels	Barrels	Barrels	Barrels	Barrels	Barrels
1921.....	1,182,899	41,100	.....	116	2,534	1,226,149
1922.....	1,065,821	109,337	308	14	905	1,175,285
1923.....	1,134,640	190,362	48	.....	230	1,325,280
1924.....	1,207,845	174,419	.....	.....	517	1,382,801
1925.....	1,193,000	81,187	.....	.....	018	1,274,196
1926.....	1,102,845	130,411	255	.....	.....	1,233,511
1927.....	1,268,190	37,430	.....	.....	.....	1,305,620
1928.....	1,218,701	()	()	()	()	1,218,701
1929.....	1,241,055	()	()	()	()	1,241,055
1930.....	1,076,832	7,968	.....	101	1	1,084,902
1931.....	918,640	14,565	.....	.....	.....	933,205
1932.....	806,392	44,203	.....	.....	.....	850,595

† Includes small amounts of Canadian milled flour reexported from the United States.

‡ Not available, books at bindery.

Division of Statistical and Historical Research, Bureau of Agricultural Economics.

Mr. McCORMACK. What is the tariff now in Cuba on imported flour; do you know?

Mr. THEIS. The Cuban figures are 80.9 cents from this country—\$1.155 is the flour from Canada and 80.9 cents from the United States. That is the Cuban duty.

Mr. McCORMACK. And there are other differentials, of course, running in favor of the United States, are there not?

Mr. THEIS. No; this, as I understand it, is a particular preference to the United States.

The CHAIRMAN. Is that per barrel or per hundred pounds?

Mr. THEIS. It is per barrel.

Mr. McCORMACK. Suppose a trade agreement is made reducing the American tariff of Cuba, say, to 70 cents; that, of course, would benefit the producers in the United States to the extent of 10 cents, would it not?

Mr. THEIS. That is right.

Mr. McCORMACK. Now would the millers in bond in the United States receive the benefit of that 10-cent reduction also?

Mr. THEIS. They would not, under this present amendment.

Mr. McCORMACK. In other words, the purpose of this amendment is, without regard to what tariff concessions might be made with Cuba under the provisions of this act, whereby a reduction of the Cuban tariff with reference to flour might be obtained, that would not obtain against flour exported from the United States and which had been imported from Canada for milling purposes?

Mr. THEIS. You mean, now, only for Cuba?

Mr. McCORMACK. Yes.

Mr. THEIS. Direct to Cuba?

Mr. McCORMACK. Yes.

Mr. THEIS. No; it would not disturb the present relationship.

Mr. McCORMACK. In other words, although we might make a tariff rate with Cuba, under a trade agreement, reducing the duty on flour by 10 cents, we have another tariff of 80.9 cents as against flour milled in the United States from other countries and which is reexported to Cuba?

Mr. THEIS. I believe I got your question now and I think my statement was wrong. I think in the case of a new trade agreement reducing the tariff, for instance, 10 cents, that that would also apply to milling in bond.

Mr. McCORMACK. I see. In other words, if you were to reduce the tariff, so far as the United States is concerned, on the Canadian flour of \$1.155—isn't it?

Mr. THEIS. That is right.

Mr. McCORMACK. Suppose you reduce that to a dollar and we get 30 percent drawback under our 1902 Tariff Act, have a 30 percent preferential, which would bring it down to 70 cents—

Mr. THEIS. That is right.

Mr. McCORMACK. That \$1 basic duty in Cuba, as against flour imported, would apply also to our bonded millers as well as domestic producers?

Mr. THEIS. Correct. Any new trade agreement would bring about that same charge; that is right.

The CHAIRMAN. Thank you, Mr. Theis, for your appearance and the testimony you have given the committee.

STATEMENT OF MR. SAYRE—Resumed

Mr. SAYRE. May I add, Mr. Chairman, with respect to the amendment which I have just suggested, that that has the official endorsement of the Department of Agriculture; it is not simply mine. We conferred with the Department of Agriculture on the thing, so that that comes with the recommendation of that department, as well as of the State Department.

The CHAIRMAN. Do you have any knowledge as to whether or not that will make the bill satisfactory to the conflicting interests in this country?

Mr. SAYRE. So far as I can see, it would; but I have not talked with the southwestern millers and I do not know what they may say. But, so far as I can see, they would not be adversely affected by such a proposal.

The CHAIRMAN. Their situation will not be any more unsatisfactory, that is, the difficulty would not be increased, even though that amendment were adopted?

Mr. SAYRE. I do not see that it would; because, so far as Cuba is concerned, the situation remains precisely the same, and that is what they are primarily interested in.

In order to resolve any possible difficulties and in order to avoid any dispute, we have continued in communication with both groups of millers. We have secured a formula here that works so that both groups agree that this is acceptable, both the Buffalo millers and the southwestern millers. We have their agreement to this proposed amendment. The amendment is proposed by the southwestern millers and is merely a clarification of the language as it now stands in the act. So far as I myself am concerned, the language as it stands in the act will be perfectly acceptable, but I have no objection whatever to this proposal of the southwestern millers. The proposal is to the effect that on page 4 we strike out the sentence beginning on line 4 and ending on line 8, and in lieu thereof the following:

The third paragraph of section 311 of the Tariff Act of 1930 shall apply to any agreement concluded pursuant to this act to the extent only that such agreement

assures to the United States a rate of duty on wheat flour produced in the United States which is preferential in respect to the lowest rate of duty imposed by the country with which such agreement has been concluded on like flour produced in any other country; and upon the withdrawal of wheat flour from bonded manufacturing warehouses for exportation to the country with which such agreement has been concluded, there shall be levied, collected, and paid on the imported wheat used, a duty at a rate equal to the amount of such assured preference.

I now come to the last amendment which I wish to propose. It concerns subsection (c) of section 2, page 4, lines 16 and 17, of the bill.

Section (c), you will remember, sir, was inserted at the last moment as an amendment in the House discussion, the purpose of which was to provide that after 3 years from the enactment of the bill, the President should no longer have the authority to negotiate these trade agreements. It was the clear purpose of the House to permit the continuation in force of trade agreements negotiated during that 3-year period, as is shown by the preceding subsection, namely, subsection (b) on page 4, that is to say, although the President would be shorn of the power to negotiate new trade agreements after the expiration of the 3-year period, those trade agreements which had already been negotiated during that 3-year period should continue in force, as provided under the agreements themselves.

The language which was inserted as subsection (c) was rather hastily drafted. It provides when the provisions of this act shall terminate. It is important that all of the provisions of this act shall not terminate, as long as any trade agreements remain in force. Take, for example, the provision concerning section 336, the flexible tariff provision, as set forth in lines 25 of page 3 to 4 of page 4 of the present act:

The provisions of section 336 of the Tariff Act of 1930 shall not apply to any article with respect to the importation of which into the United States a foreign trade agreement has been concluded pursuant to this act.

It is intended that section 336 shall not be applicable to commodities concerned in trade agreements as long as those trade agreements remain in force; therefore, that provision should remain in force as long as any trade agreement remains in force.

Take also the provision concerning section 311 of the Tariff Act of 1930, the subject of Buffalo millers versus southwestern millers contention. Its usefulness depends upon its continuance in force as long as any trade agreement remains in force.

For these reasons, a clarifying amendment is proposed. On page 4, lines 16 and 17, strike out all of subsection (c) and insert in lieu thereof the following:

(c) The authority of the President to enter into foreign trade agreements under section 1 of this act, shall terminate on the expiration of 3 years from the date of the enactment of this act.

Such, I think, unquestionably is what was meant by the House in inserting the provision, and it would allow, as you see, the other provisions of this act to remain in force so long as trade agreements made in pursuance of the authority of the act remain in force.

The CHAIRMAN. Those agreements provide the length of notice, and all of that?

Senator GORE. Just for that purpose, so as to keep them alive?

Mr. SAYRE. Yes; exactly. In other words, this act would not cease to be in force in its entirety at the expiration of the 3-year period, because it contemplates, among other things, as you will remember,

that reductions in duties, and other lowered trade barriers shall be extended to countries having most-favored-nation treaties as well as to those countries with which trade agreements are negotiated.

Senator GEORGE. All that the amendment provides is that the President shall not make any new agreement after 3 years, but the old agreements not terminated shall go on.

Mr. SAYRE. Precisely. They shall be terminated under their own provisions.

Senator GORE. You mean the trade agreements with one country are extended to all?

Mr. SAYRE. Except as shown at lines 6 and following on page 3:

Provided, That the President may suspend the application to articles the growth, produce, or manufacture 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.

Senator GORE. Let me ask you this: Suppose we make a trade agreement with some country giving a concession?

Mr. SAYRE. Yes?

Senator GORE. There is some other country that is holding out on us that gets the benefit of that trade. We then have no lever to bring it into contact with us.

Mr. SAYRE. The purpose of the act is this, sir, to enable the President to extend these privileges or reduced duties not only to the country with which we negotiate the particular, specific trade agreement, but to all other countries which perhaps have most-favored-nation treaties with us, to whom of course we would have to extend them. They would, indeed, be generally applicable unless the President should suspend their application as set forth in the language which I have just read.

Senator GORE. That does not quite go to my point.

Mr. SAYRE. Perhaps I did not understand the question, sir.

Senator GORE. Suppose the first agreement which you make under this act with some foreign country automatically extends its benefits to all other countries under the most-favored-nation clause. Then they have no motive to trade with us—they have what they want. How are you going to trade with them where they might keep out some of our goods that we want to get in?

Mr. SAYRE. I think I understand your point. The whole purpose of the program of trade bargaining is this, to restrict the commodities covered in the agreement with any specific country to commodities of which that country furnishes the chief source of supply of importation into the United States. Then under our most-favored-nation agreement, to generalize those rates to other countries.

Senator GORE. It would be a dead letter so far as they were concerned. They would not have anything to come in under that, although they would have the privilege of coming in.

Mr. SAYRE. We have made careful study of some 29 different countries sir, and find that each of them furnishes the chief source of supply of one or more commodities to the United States.

Senator GORE. Would it be contrary to your policy, to list those countries?

Mr. SAYRE. I have already set forth a tabular statement in my testimony before the Ways and Means Committee which I would like to have inserted here.

In that tabulated statement, the countries are not named, but they are numbered. It would not be wise, I think, to name the countries, because it would give away some of our bargaining power by doing so.

Senator GORE. So that you figure, as an actual matter of fact and practice, you would get from each country under this contract the products which it could raise which we require, and while you nominally permitted the other countries to ship the same sort of stuff into our market, they would not have anything to ship?

Mr. SAYRE. Speaking in round, general terms, they certainly would not have large supplies to ship, and our purpose in doing that is to generalize rates and to pull down the tariff barriers in a general way, and apply them equally to those countries.

Senator GORE. I see the point.

[The tabulated statement referred to is as follows:]

Dutiable imports into the United States from specified countries of articles for which each country, respectively, is the leading source of supply, 1931

[Dollars—000 omitted]

Country	Number of articles or classes ¹ of articles for which the specified country is the leading source of supply	Imports from specified country of articles for which that country is the leading source of supply	Total dutiable imports (all articles) from specified country	Ratio of imports for which specified country is leading source of supply to total dutiable imports from that country
				Percent
1.....	10	21,536	26,869	80
2.....	5	5,169	5,640	91
3.....	18	12,074	23,504	51
4.....	3	2,088	4,230	48
5.....	69	36,703	48,385	76
6.....	26	16,441	28,366	66
7.....	12	83,102	84,382	98
8.....	15	11,744	22,977	52
9.....	3	2,333	2,828	82
10.....	84	31,998	38,907	82
11.....	155	62,663	84,068	74
12.....	3	8,922	9,750	91
13.....	10	33,171	35,688	93
14.....	1	1,307	2,303	57
15.....	37	27,891	46,934	59
16.....	48	20,150	31,909	63
17.....	13	7,514	11,188	67
18.....	1	267	521	51
19.....	26	13,641	22,018	62
20.....	4	610	1,266	48
21.....	5	11,335	12,679	89
22.....	1	4,010	4,066	98
23.....	5	3,132	6,354	49
24.....	1	47	52	90
25.....	19	8,068	10,139	79
26.....	11	3,440	5,934	58
27.....	19	12,066	20,487	59
28.....	97	37,872	66,113	57
29.....	4	1,435	2,305	62

¹ Statistics of United States imports by countries as now published frequently give importations by countries of origin only for a general class of articles, e.g., "other leather manufactures."

Senator HASTINGS. I should like to have some explanation of paragraph (b) on page 4. It certainly is not very clear. It says:

Every foreign-trade agreement concluded pursuant to this act shall be subject to termination, upon due notice to the foreign government concerned, at the end of not more than three years from the date on which the agreement comes into force.

I would like to know what would constitute due notice.

Mr. SAYRE. That would be determined, sir, by the provisions inserted in the trade agreement itself; that is to say, this authorizes the President to negotiate trade agreements which must be terminable not more than 3 years from the date on which the agreement comes into force. As a matter of fact, I suspect that most of them will be terminable in less than 3 years.

In most of the trade agreements being negotiated between foreign countries, the term of the agreement is less than 3 years. In some it is as small as 6 months.

The meaning of subsection (b) is that, acting in pursuance of the authority thus given under this bill, the President would write into the trade agreement a provision that it shall be terminable at a certain period, let us say at the end of 2 years, or at the end of 1 year, if you like, but not more than 3 years from the date of its coming into force.

Senator HASTINGS. Make your illustration 3 years.

Mr. SAYRE. Yes, sir. Supposing that the trade agreement is terminable at the end of 3 years, then there would be written into it a provision to the effect that it should be terminable at any time following that 3-year period, upon due notice given. The notice must not be required to be given more than six months prior to the date it is to take effect. Within these limits, the matter would be governed by what was written into the trade agreement itself.

Senator HASTINGS. I am not quite clear about it. Do I understand that no agreement can be made that cannot be terminated within 3 years and 6 months from its execution?

Mr. SAYRE. Within 3 years, sir.

Senator HASTINGS. Three years and six months.

Mr. SAYRE. I think it is 3 years. On line 12:

At the end of not more than 3 years from the date on which the agreement comes into force.

Most of these foreign trade agreements which are made between foreign countries contain a provision that they shall continue in force indefinitely if not terminated, but they contain a provision allowing termination at stated intervals. The bill before us provides that such a trade agreement entered into by the President, under the authority of this act, shall be terminable at the end of 3 years, or not more than 3 years from the date on which it comes into force.

Senator HASTINGS. He could not make a contract that could not be terminated at the end of 3 years.

Mr. SAYRE. No.

Senator HASTINGS. Under any circumstances.

Mr. SAYRE. No.

Senator HASTINGS. And if it is not then terminated, the terms of the agreement must be such that it may be terminated at any time after that, upon 6 months' notice.

Mr. SAYRE. Upon 6 months' notice; yes, sir.

Senator HASTINGS. By whom is it terminated?

Mr. SAYRE. That would depend upon the provisions written into the agreement. Usually the executive organ of the Government gives notice of termination.

Senator COUZENS. Isn't it possible, then, to have these agreements extend 3 years beyond the date of expiration of the bill itself?

Mr. SAYRE. It is possible, sir.

Senator HASTINGS. Or 100 years.

Senator COUZENS. Providing there is no termination and no cancellation. But it is possible under the bill at the end of the expiration of the bill to enter into a treaty or compact so that these agreements could run, in fact, for 6 years.

Mr. SAYRE. Not that the agreement must run for 6 years, but it is perfectly possible to enter into an agreement which, to use your language, Senator Hastings, might be continued on as mutually agreeable to both sides for a hundred years. That is to say, the whole program is based upon the fact that we are going to find forms of agreement which will be mutually profitable to both sides.

It would be shameful if we found an agreement which was increasing the foreign trade of the United States and proving of tremendous advantage, to be obliged to terminate it at the end of any specific period, no matter how profitable it might be. That is, it is very important that such a mutually profitable agreement shall be continued while mutually profitable. On the other hand, it is equally important that if it is found not profitable, it may be terminated at the end of a short period.

Senator COUZENS. Under this section it is intended to give to the President the authority to make an agreement that cannot be terminated in less than a period of 3 years.

Mr. SAYRE. No, sir. The bill provides just the opposite. It says that it shall be not more than 3 years; the President may make an agreement under this which may be terminable at the end of 6 months, or any other period that does not exceed 3 years.

Senator COUZENS. But he may also make an agreement that cannot be terminated until after the expiration of 3 years.

Mr. SAYRE. Until the expiration of 3 years. I would strike out the word "after."

Senator BARKLEY. As a matter of fact, the situation is this, that these agreements that are entered into during the 3 years in which this act is alive, so far as the agreements are concerned, may, after that period, be terminated by either party, but none of them can be revived after that 3 years.

Mr. SAYRE. They may continue in force if mutually profitable.

Senator BARKLEY. But they can be discontinued on behalf of either side.

Mr. SAYRE. They can be continued or discontinued, depending upon whether they are beneficial or not beneficial.

Senator BARKLEY. And if one is terminated after the 3-year period, it could not be revived under any circumstances.

Mr. SAYRE. That is true.

Senator BARKLEY. Even though it is advantageous.

Mr. SAYRE. As long as it is advantageous, this bill would allow the president to continue the exercise and enjoyment of those advantages. In that connection—it is rather interesting—I was speaking yesterday of the great number of trade agreements which are being made among foreign countries; just yesterday there came over my desk this collection of despatches [indicating], each one of which relates to some new agreement being made. It indicates to you what is actually going on in foreign countries today. Let me read just a few of the titles of these despatches, which came to my office in a single day.

This one concerns a Franco-Soviet trade agreement.

This [indicating] is an economic agreement between Albania and Czechoslovakia.

This is a commercial treaty between Italy and Peru.

Senator HASTINGS. Why were those sent to you?

Mr. SAYRE. These came into the Department of State.

Senator HASTINGS. I understand; but why were they sent to the Department of State?

Mr. SAYRE. These are despatches from our representatives in the foreign countries reporting on agreements which are being made.

Senator COUZENS. Just showing what is going on.

Mr. SAYRE. Italian-Dutch commercial treaty.

Commercial treaty between Italy and El Salvador.

Italian-Austrian export agreement.

Senator COUZENS. While you are reading one of those, will you tell us what products are involved, briefly; or is that not convenient?

Mr. SAYRE. I can if you like.

The CHAIRMAN. Get up a little memorandum of that, so that we can insert it in the record.

Senator COUZENS. The particular fact merely that an agreement was entered into may not be interesting, but if we knew the commodities, it might be very interesting.

Mr. SAYRE. As I said yesterday, there are some 75 and more of those agreements, and they cover practically all of the products of foreign trade.

Senator COUZENS. I would like to know, if it is not too much trouble, what it is that interests this Nation.

Senator HASTINGS. It is not contended or suggested, is it, that these particular trade agreements have any effect upon this Nation?

Senator COUZENS. It might be.

Senator HASTINGS. As I understand, the purpose of calling our attention to it is to show the possibilities of our doing the same thing; is that correct?

Mr. SAYRE. I am not sure that you were here yesterday afternoon, sir. I was suggesting in my testimony yesterday afternoon that the United States is suffering a declining proportion of trade; that is, not only is world trade itself decreasing in a very rapid curve, but the United States is suffering a declining proportion of that declining world trade, that other foreign countries are meeting the situation by negotiating rapidly executed trade agreements such as I have just been speaking of.

Doing so, they can rapidly and effectively accommodate themselves to these shifting currents of world trade, while the United States has no machinery by which it can compete with what is going on in these foreign countries, because, in the absence of legislative authorization for the President to make commercial agreements, his only recourse is to treaties, which, under our practice, are submitted to the Senate for advice and consent to ratification, two thirds of those present concurring. That process requires time, and prevents us from giving effective promises; so other countries are winning away the foreign trade which the United States has been enjoying.

The CHAIRMAN. Will you present a short memorandum on that, because we have the Secretary of Commerce here this morning.

(The memorandum referred to is as follows:)

In many cases the dispatches referred to in the testimony give only the broad outlines of the commercial agreements which they report, without full and detailed information as to the commodities involved. It would be arbitrary, moreover, to attempt to convey an impression of the range of commodities covered, from a list of some 20 agreements, selected at random. The treaty between Czechoslovakia and Bulgaria, published in the Bulgarian Official Gazette of February 21, 1934, may, however, be cited as fairly typical. Here we have an agreement between a predominantly agricultural country, and a country which is seeking to extend the markets for its manufactured products. In these mutually profitable concessions, Bulgaria gains preferential treatment on its millet, grapes, nuts, fruits (fresh, dried, preserved, etc.), flaxseed and oil-bearing seeds, other seeds, hides, and skins, casings, wines, cheese, silk cocoons, bran, and prepared sliced beets. Czechoslovakia, in turn, receives preferential treatment for hops, certain chemicals, wood products, stoneware, porcelain, glassware, paper, footwear, textiles, men's furnishings, and certain metal products.

In addition to duty and quota concessions, many agreements provide for increasing the amount of exchange which will be made available for the purchase of goods from the countries involved in the agreement, without specifying any particular commodities. In the face of the very stringent restrictions imposed on the purchase of foreign exchange in many of these countries, this is, of course, frequently a most valuable preference to receive.

Senator BARKLEY. How many of those agreements were in that batch that came over your desk yesterday?

Mr. SAYRE. Twenty-three. I understand that does not mean that 23 new agreements have been made, but these dispatches, received yesterday, contain information concerning 23 recent trade agreements; some of them are new ones which have just been entered into.

The CHAIRMAN. Thank you very much. We may call on you again.

Senator GORE. If you can work out some more definite language in regard to that excise business, I wish you would.

Senator BARKLEY. He has submitted an amendment to that.

Mr. SAYRE. Thank you, sir.

Mr. EDWIN KRAUTHOFF. Mr. Chairman, I have some friends in New York who wish to be heard in this matter. I am not in a position to state definitely. May I inquire what the sessions of the committee will be?

The CHAIRMAN. Monday morning we start hearing other groups. We are limiting the discussion as far as possible, and hope to get through in 2 days and, if we cannot, we hope at least to get through in 3 days.

If somebody wants to be here, they will have an opportunity at least to file a written statement on Monday morning or Tuesday morning, at 10 o'clock.

Mr. KRAUTHOFF. Thank you, sir.

Mr. CHAIRMAN. Mr. Secretary, will you proceed?

STATEMENT OF HON. DANIEL C. ROPER, SECRETARY UNITED STATES DEPARTMENT OF COMMERCE

Secretary ROPER. Mr. Chairman, gentlemen of the committee.

This proposed legislation, H.R. 8687, was so thoroughly discussed before this committee and the Ways and Means Committee of the House of Representatives some days ago that I feel that there is not much to be added to the testimony then submitted and now available to this committee.

I was given full opportunity to present my views at that time and offered in some detail the reasons why I am thoroughly in support of

this measure. So far as I am concerned, I can make my appearance here quite brief.

I cannot emphasize too strongly the far-reaching significance of the collapse of our American export trade during the last 4 years. The total exports of the United States fell from \$5,241,000,000 in 1929 to \$1,675,000,000 in 1933; and our imports fell from \$4,399,000,000 in 1929 to \$1,440,000,000 in 1933.

Our foreign trade in 1933 was but 32 percent of the 1929 level.

May I call to your attention that the records show that the United States has had a much greater percentage of decline in its foreign trade than any other important nation of the world?

Our exports were more than 15½ percent of the world total in 1929 and only 11½ percent in 1933. Perhaps nothing can emphasize this situation more than a statement made a few days ago in the British Parliament and also pointed out by Mr. George N. Peek, special adviser to the President on foreign trade, in a recent radio address, that Britain once more leads the world in foreign trade, her volume of exports for 1933 having been greater than that of the United States for the first time in nearly 20 years.

We can debate over the figures by pointing out that if reexports are excluded, they being much more important for Britain than for ourselves, we still hold the supremacy, but the underlying point still remains true.

While there is probably no country more fully equipped to expand its commerce than ours, because of the great variety and extent of our natural resources and the unparalleled development and efficiency of our productive capacity, we are nevertheless falling behind in the field of foreign commerce.

The failure of our foreign trade to keep pace with other countries in recent years must be attributed, in large measure, to the rising tide of trade barriers throughout the world. I have brought with me today three exhibits of the relative height of import duties in the United States and foreign countries as of the middle of 1923, 1928, and 1933, for wheat, wheat flour, and boxed apples, simply as examples. These three examples are typical of the record for many other commodities.

With your permission, I will later exhibit and explain these examples by charts.

Against these barriers we in the United States under present conditions as defined by law, have no recourse. Our exporters climb over them whenever possible but oftentimes find the obstacles insurmountable. Other countries have learned how to deal with this situation and are busily engaged in negotiating reciprocal trade agreements among themselves, by which means they free, to a greater or less extent, their mutual transactions from these restrictions. The records of the Department of Commerce show something like 150 such agreements negotiated in the year 1933 alone. It is the new technic for winning and preserving foreign markets, as other nations interpret it.

Senator GORE. You don't know how many nations?

Secretary ROPER. I am informed that about 45 countries were parties to one or more commercial agreements during the last year.

Senator COSTIGAN. Would it be feasible to place in the record of this hearing a statement characterizing these commercial agreements

of 1933 that you spoke of, so as to give us an idea as to the various types of agreements made and the character of the provisions or trade arrangements that they embodied?

Secretary ROPER. I will endeavor to do that.

(The statement referred to appears at the close of Secretary Roper's testimony.)

Failure by this country to resort to similar reciprocal agreements will inevitably result in trade arrangements between other countries, aiding in the flow of their trade but leaving barriers which will exclude the United States more and more from the markets of the world—markets to which we are historically and economically entitled and markets which we must have to utilize our existing productive capacity to the full.

There is one other point which I feel has not been sufficiently stressed; and that is the need and necessity for such authority to be vested in the President. Never before in the field of international trade have we been confronted with conditions such as the world presents today.

Tariff changes are no longer relatively simple problems but are matters of tremendous domestic and foreign import. They not only must be approached from a new angle but must rest upon a much greater basis of information and knowledge than ever before in the history of our country.

There can be no doubt but that the President has at his command in the existing departments and agencies of the Government a greater source of information on the needs of American industries and the possibilities for our products in foreign markets than can be found anywhere else in the world. Furthermore, I can assure you that, if our present knowledge proves inadequate, steps will be taken at once to remedy that lack.

It is not alone what a country has heretofore been producing in factory and field that can be taken as the primary basis for developing foreign-trade policy, but what the past experience and potential future holds both for this country and other countries.

Trade agreements must rest upon the total picture of the actual and potential production of each country, determining the quantities that must be marketed abroad in order to maintain the economic structure of the several countries without serious damage.

In other words, we must look at the balance sheets of these various nations. We must be able to judge the value, immediate and potential, of the various foreign markets which might be opened to us.

Similarly, investigation and study must be directed from our standpoint, at the effect that the proposed exchange of goods is likely to have upon our own industries. Such studies must be of a continuous nature and must fit into the domestic economic program for the country. It is not likely that the types and quantities of products offered for export in any given country 5 years ago, for instance, will be repeated without material change this year or next under the world's present economic distress and planning programs.

Five years from now the situation will unquestionably be still further altered. A wise and judicious policy of foreign-trade development will require the most careful study and continuous observation.

As a further illustration of the complications which now surround our international trade relationships, I would call your attention to

the changed position of our country to that of a world creditor nation.

In any consideration of foreign trade policy, this fact must be continually kept in mind, and its full implications can best be appreciated by persons who are able to devote extensive time to its study. Furthermore, the development of foreign trade must proceed with due care, deliberation, and the sympathetic application of the provisions of laws now on our statute books.

There is another field which should be given consideration in this connection. I refer to how the decline in foreign trade has affected our merchant marine.

The shrinkage in the foreign trade of the United States since 1929 has reduced the volume of the water-borne commerce to a considerable extent.

Senator COUZENS. You don't know how much? You have not the figures on that, Mr. Secretary, have you?

Secretary ROPER. I have such figures.

Senator COUZENS. Of how much the water-borne traffic has been curtailed?

Secretary ROPER. I will approach the table in a minute, Senator.

To meet this condition the number of sailings of ships engaged in regular liner traffic has been curtailed, resulting in idle tonnage. Even with the reduced number of sailings, the cargoes available are insufficient to fill properly the vessels and this has brought about increased competition and a lowering of freight rates.

Strong foreign lines endeavoring to hold their former positions are employing tonnage in excess of the requirements of the trade. Distressed tramp tonnage is further depleting the business of regular lines by offering rates lower than those established by liner conference agreements.

The table below shows the decline in volume of our water-borne foreign trade, with the percentage carried in American ships, for the years 1929-33, inclusive.

Volume of foreign water-borne commerce of the United States, 1929-33

[In cargo tons of 2,240 pounds]

Year	Imports		Exports		Total	Percentage total carried American vessels
1929.....	25,910,000	24,893,000	19,347,000	41,201,000	111,261,000	41
1930.....	25,220,000	24,624,000	18,960,000	37,750,000	104,554,000	40
1931.....	21,360,000	20,524,000	12,837,000	31,430,000	86,151,000	40
1932.....	16,307,000	18,388,000	9,995,000	27,023,000	71,713,000	37
1933.....	10,051,000	12,963,000	7,697,000	22,167,000	52,879,000	34

Senator GORE. Is that ship tonnage or the freight that actually went?

Secretary ROPER. That is the actual volume in tons of imports and exports combined.

That shows a loss in percentage from 41 percent to 34 percent—41 percent in 1929 to 34 percent in 1933.

Senator GORE. What is your point?

Secretary ROPER. The volume of foreign water-borne commerce of the United States in cargo tons of 2,240 pounds, in 1929 the volume

amounted to 111,261,000 of such tons, or 41 percent of the total, whereas in 1933, that 111,261,000 had dropped to 52,879,000.

Senator GORE. You mean of our total water-borne tonnage?

Secretary ROPER. Yes, sir.

Senator BARKLEY. That was a decline of more than 50 percent of the actual amount of tonnage carried by our ships?

Secretary ROPER. Yes, sir.

I would be very glad if you would permit me to insert also a statement here which I have compiled in the course of our study with regard to this merchant-marine situation.

The CHAIRMAN. We will be very glad for you to put that into the record.

(Statement appears at end of Secretary Roper's testimony.)

Secretary ROPER. We have made quite a study of that. There are some problems that are vital to our country, aside from but related to the question to which I have here referred.

Senator WALCOTT. That statement you have just made has no relation to our own bottoms? You say "water-borne tonnage." That means for all bottoms.

Secretary ROPER. No; I am speaking of American bottoms.

Senator WALCOTT. There may not have been an actual decline, though? You don't know what that figure is?

Secretary ROPER. Yes; I can answer that.

Senator WALCOTT. You ought to do that, because that would show where the direct cause is.

Secretary ROPER. Yes. Thank you, Senator.

The revival of our foreign trade will naturally strengthen the status of our merchant marine and exert a very salutary effect upon its present and future development. We must not lose sight of this factor in measuring the potential benefits that should accrue with the passage of this bill and the exercise of the powers therein granted.

For these and other reasons there must be a different kind of approach made to the study of our international economic situation than has heretofore been necessary. It seems impracticable, under all these conditions, for the Congress to pursue expeditiously at least these many investigations and weigh thoroughly the complicated set of factors which must underlie any trade agreement at this time. Hence, in this unusual world situation, the President should be designated to act, in my opinion, as your negotiator. I see no other way in which we can preserve our place among the great commercial powers of the world.

Finally, gentlemen, I am glad to assure you of the desire of the Department of Commerce to cooperate in every way in giving you every possible bit of information at our command and endeavor to secure what is not at our command, if such be your pleasure.

The CHAIRMAN. Before you close, with reference to these figures of the decline of our foreign shipping, is it your idea that the N.R.A. has jurisdiction to fix ocean-freight rates?

Secretary ROPER. The shipping code negotiations are not yet concluded. The working out of the shipping code is a very complicated matter. It has international aspects which far outreach other codes.

We have a committee at this time considering the proposed code that you have in mind, composed of representatives of the Department of Commerce and the Department of State, the Department of Agriculture, and the Department of Labor.

That is quite a study.

The CHAIRMAN. I hope that nothing will be done by the N.R.A. that will be inconsistent with the purposes we are trying to accomplish, and that is to enlarge our foreign trade, by fixing such rates as would destroy our exports now, and which, I understand, is in contemplation.

I merely bring it to your attention because I know you know about it.

Secretary ROPER. May I now present our charts, heretofore referred to, and then you will get the picture, concerning which you may wish to ask questions.

Senator HASTINGS. Before you do that, Mr. Secretary, I would like to inquire whether, from your study, you feel that a code would be helpful or is necessary in the shipping trade.

Secretary ROPER. It should be our endeavor to work out a code that should touch the several points we have in mind.

Senator GORE. Would you make foreign ships conform to the code before you let them enter and clear in ports, or how could you affect the foreign people?

Secretary ROPER. You have put your finger, Senator, on one of the very difficult international problems that we are studying now.

We find that whatever we do in connection with shipping, we encounter, of course, foreign interests. I mean by that, they have similar problems.

The CHAIRMAN. I merely brought it to your attention because it seems to me that what is proposed is a very inconsistent policy to what we are trying to do in this legislation.

Secretary ROPER. Indeed, sir, that is the reason we are giving it so much study.

I have here, as I stated in my testimony, three charts. The first relates to wheat, the next to wheat flour, and the third to apples.

A striking illustration, if I may, is Germany.

Secretary ROPER. In 1923, of course, wheat was brought into the markets of Germany duty free. In 1928, there was a 26-percent barrier. At this time, 1933, the tariff barriers amount to 315 percent.

Senator GORE. To get into Germany?

Secretary ROPER. To get into Germany.

Senator HASTINGS. That would be an import duty on the part of Germany?

Secretary ROPER. Yes.

Senator HASTINGS. Against all countries?

Secretary ROPER. Yes, sir.

Senator COSTIGAN. You do not include transportation costs in the barrier?

Secretary ROPER. I do not think so, Senator. Now, as you see, the point that I tried to bring out in my memorandum is that all of these nations are at work along the line that we are asking you to authorize the President to work, namely, they have all set up their statutes, and they are creating international agreements and arrangements by which they work out their own problems among themselves, but from which we are excluded.

Senator GORE. That makes new channels of trade, and that makes it hard for us to get into those countries, later on.

Senator BARKLEY. What are those other nations that have the long line of fence?

Secretary **ROPER**. Mexico runs from 57 percent, in 1923, to 143 percent, now. Italy was free, in 1923, for wheat. It is now a duty equivalent to 212.0 percent. We will take France. That country, in 1923, showed a duty of 19.7 percent, whereas, in 1933, it was 171.3 percent.

The **CHAIRMAN**. I notice that the United States is up at the top of the table.

Secretary **ROPER**. Now, in 1923, the United States, involving all of these bases that I have mentioned, shows 22.4 percent, and in 1933, it figures 73.7 percent.

Senator **GORE**. You mean that our barriers, Mr. Secretary, have increased?

Secretary **ROPER**. I beg your pardon, Senator?

Senator **GORE**. Is that a statement of our own barriers, the extent to which they have been increased?

Secretary **ROPER**. Yes, sir.

Senator **BARKLEY**. That applies to wheat?

Secretary **ROPER**. That applies to wheat.

Senator **GORE**. Oh!

Senator **HASTINGS**. Just what do you mean by a "barrier"? Do you mean there is a tariff on wheat of 73 percent?

Secretary **ROPER**. Yes; the equivalent of that percentage, when the duty is compared with the average American export price of the product at the time. In addition, some countries had quotas, licenses, exchange control, depreciated currencies, or sanitary prohibition. The legend, here in the corner, explains the meaning of these symbols added after the duty bar for those countries where there are such restrictions—everything that acts as a barrier. Now, wheat flour, somewhat similar, though starting with France, there, you see, it runs from 21 percent in 1923, to a range from 186 percent to 249 percent in 1933 according to the ration of extraction.

The **CHAIRMAN**. That is France?

Secretary **ROPER**. Yes; France. Germany runs to 343 percent, and back in 1923 allowed flour and certain other foodstuffs free entry.

Senator **WALCOTT**. It appears to be a fact that the United States barriers are not as high as France, Germany, and Italy.

Secretary **ROPER**. No, sir.

Senator **WALCOTT**. Is that true?

Secretary **ROPER**. Oh, yes; they have done us several times better, you know, since we put up our barriers.

Senator **WALCOTT**. They have gone away beyond us, in values?

Senator **COSTIGAN**. Were the European barriers raised after we ourselves began to elevate our tariffs?

Secretary **ROPER**. Yes, sir. As this table shows, that is very clearly the case. Here is another one. We picked out these three products because of their importance in our export trade. Now, let us turn the trade barrier chart on apples. We export a great many apples, you know.

The **CHAIRMAN**. Well, the table shows that Belgium has put the highest restrictions on the apples, or that Mexico has put the highest, Belgium next, and Argentina next, then Japan next. That is true, isn't it?

Secretary **ROPER**. That is true.

The CHAIRMAN. And the United Kingdom comes along next?

Senator BARKLEY. Can those tables be put in the record?

The CHAIRMAN. They can be put in the record. It is really costly to put them in, and it takes some time, but they can be put in the record.

Senator WOLCOTT. Mr. Chairman, those are valuable tables. Instead of waiting for the plates to be made, why not put them in by percentages, which would show the necessary information?

The CHAIRMAN. I think that is a very good idea, so I will ask the stenographer and the clerk to see that that is done, and that these charts be retained for the use of any member of the committee.

(The table referred to is as follows:)

Examples of growth of import barriers in the United States and 14 foreign countries, middle of 1923, 1928, and 1933—Relative heights of import duties on selected products, expressed in terms of percent of value, based on average export price during each period, with indication of any additional trade barriers, where important

[The lowering in the exchange value of the American dollar since the middle of 1933, the latest date covered by this study, has brought it further below par than the currencies of most other countries, with Australia and Japan as notable exceptions. In the case of the other countries listed in these tables, therefore, any handicap upon importations arising from the depreciated currencies of those countries, that was noted for 1933, has now been overcome, so far as the export products of the United States are concerned.]

A. WHEAT

Countries	1923	1928	1933	
			Duties	Other obstructions
United States.....	22.4 percent...	33.8 percent...	73.7 percent...	Depreciated currency. Depreciated currency; Empire preferences.
United Kingdom...	Free.....	Free.....	8.4 percent.....	
France.....	19.7 percent...	30.9 percent...	171.3 percent..	Quotas; license. Quotas.
Belgium.....	Free.....	Free.....	Free.....	
Netherlands.....	do.....	do.....	do.....	Quotas; exchange control. Quotas. Exchange control; depreciated currency. Do. Do.
Germany.....	do.....	20 percent.....	315.7 percent..	
Italy.....	do.....	31.7 percent...	212.6 percent..	
Argentina.....	do.....	Free.....	18.5 percent...	
Brazil.....	11.4 percent...	10.5 percent...	22.1 percent...	Sanitary restrictions; license; depreciated currency. Do. Do. Do. Do.
Chile.....	Free.....	3.51 percent...	7.7 percent...	
Cuba.....	11.6 percent...	7 percent.....	20.35 percent..	
Mexico.....	57.5 percent...	45.6 percent...	143.1 percent..	
Canada.....	10.5 percent...	9.6 percent.....	49.3 percent...	
Australia.....	25.8 percent...	23 percent.....	53 percent.....	Depreciated currency. Do. Do.
Japan.....	14.7 percent...	22.1 percent...	47 percent.....	

¹ Applies from specified areas, including certain States of the United States.

B. WHEAT FLOUR

United States.....	28.2 percent...	32.6 percent...	68.85 percent..	Depreciated currency. Depreciated currency, Empire preferences.
United Kingdom...	Free.....	Free.....	10 percent.....	
France.....	21.37 percent..	33.6 percent...	186.1 to 249 percent. ¹	License.
Belgium.....	Free.....	1.6 percent...	4.4 percent.....	
Netherlands.....	do.....	Free.....	Free.....	Quotas. Exchange control. Quotas. Exchange control; depreciated currency. Do. Do.
Germany.....	do.....	39.3 percent...	343 percent.....	
Italy.....	4.7 percent...	31.4 percent...	200 percent.....	
Argentina.....	Free.....	Free.....	13.13 percent..	
Brazil.....	19.57 percent..	17.4 percent...	33.5 percent...	License; depreciated currency. Depreciated currency. Do. Do. Do. Do. Do. Do. Do.
Chile.....	6 percent.....	29.2 percent...	125.9 percent..	
Cuba.....	15 percent.....	15 percent.....	55.3 percent...	
Mexico.....	71.5 percent...	79.8 percent...	234.4 percent..	
Canada.....	9.2 percent...	7.8 percent...	42.3 percent...	
Australia.....	22 percent...	19 percent.....	45.6 percent...	
Japan.....	24.5 percent...	12.5 percent...	50.9 percent...	

¹ According to the percentage of extraction, the highest rate applying on flour the extraction rate of which is 60 percent or less.

Examples of growth of import barriers in the United States and 14 foreign countries, middle of 1923, 1928, and 1933—Relative heights of import duties on selected products, expressed in terms of percent of value, based on average export price during each period, with indication of any additional trade barriers, where important—Continued

C. BOXED APPLES

Countries	1923	1928	1933	
			Duties	Other obstructions
United States.....	22.4 percent...	10.3 percent...	21.9 percent...	Do.
United Kingdom...	Free.....	Free.....	38 percent....	Depreciated currency; Empire preferences.
France.....	1.8 percent...	8 percent.....	13.4 percent...	Quotas; license.
Belgium.....	Free.....	39.8 percent...	100 percent....	
Netherlands.....	8 percent.....	8 percent.....	10 percent....	
Germany.....	7.5 percent...	15.7 percent...	38.4 percent...	Exchange control.
Italy.....	3.5 percent; sanitary prohibition. ¹	1.8 percent; sanitary prohibition. ¹	19.3 percent...	Sanitary prohibition. ¹
Argentina.....	Free.....	Free.....	81.3 percent...	Exchange control; depreciated currency.
Brazil.....	do.....	do.....	do.....	Do.
Chile.....	do.....	do.....	do.....	Do.
Cuba.....	5.0 percent...	7.4 percent...	28.9 percent...	
Mexico.....	27.14 percent...	40.5 percent...	208.6 percent...	Depreciated currency.
Canada.....	13.4 percent...	13.2 percent...	20.8 percent...	Do.
Australia.....	28.8 percent...	42.4 percent...	61.8 percent...	Do.
Japan.....	28.8 percent; sanitary prohibition. ²	10 percent; sanitary prohibition. ²	100 percent....	Sanitary prohibition; ² depreciated currency.

¹ Prohibited from the United States and a number of other countries, since 1910.
² Prohibited from the United States and a number of other countries, since 1920.

NOTE.—Prepared by the Division of Foreign Tariffs, Bureau of Foreign and Domestic Commerce.

Senator HASTINGS. Mr. Secretary, I was wondering whether you could give us an illustration of what you might hope to do under this bill, with respect to any of these commodities shown on these charts? Take Germany, for instance, or France, or any of the countries that raise these great barriers; and take wheat, for example. What would you hope or expect to accomplish by having this right to enter into these trade agreements?

Secretary ROPER. As we have indicated, no action should be taken precipitately on any of these agreements. They should result from very careful study of the balance sheets, if you please, of the particular nation, and also with due relationship to the effect upon our own industries. I believe that it would be impossible for me to answer your question at this time, and I doubt whether it would be wise, Senator, to indicate in advance of negotiations as to what we propose to do with regard to a given nation. You know, a negotiation consists of giving and taking a very careful study of conditions, that we cannot possibly be acquainted with until we have gone into the conditions that they are confronted with there and that we are, in turn, confronted with here.

Senator HASTINGS. It seems to me that with all these studies that you have made of this problem, that you ought, for instance, to be able to give us some idea of the concessions we would have to make in order, for instance, to extend our wheat export trade.

Secretary ROPER. Well, now, there is so much involved; this problem is one that relates primarily to four departments, starting first with the Department of State.

Senator HASTINGS. Yes. I asked the Secretary some similar questions.

Secretary ROPER. Yes; and then, with the Secretary of Agriculture, or that Department, the Department of Commerce, of course, and together with other studies that naturally would be supplementary thereto. It is a study of such far-reaching importance that I believe I would do injustice to the subject to undertake to anticipate what we should do, or to give notice to any country as to what we contemplate doing.

Senator HASTINGS. Well, is it too much to assume that your whole idea is based upon a hope, rather than on any concrete propositions that are examples which you have in mind?

Secretary ROPER. I would have to say at this time that it is based upon a hope, a hope that is being fulfilled among other nations, and we would like to get in that hopeful class.

Senator HASTINGS. But isn't this Nation a little differently constituted from pretty nearly any other nation, with respect to what it produces?

Secretary ROPER. You mean as to the extent?

Senator HASTINGS. And its living costs, and all that?

Secretary ROPER. Oh, yes; that is true. That is one of the problems.

Senator HASTINGS. Well, it has always seemed to me that it would be very difficult for us to do what Europe is doing, when our wages are from 3 to 5 times as much as those being paid by other countries.

Secretary ROPER. Yes. Of course, the efficiency of the operation of our plants, as compared with other countries, is an important factor.

Senator COSTIGAN. Mr. Secretary, there is great difference between wages and labor costs per unit per product, is there not?

Secretary ROPER. That is what I was referring to. The efficiency of our plant operation is a very important factor.

Senator BARKLEY. Well, admitting the difference of the cost of labor, we have either got to find a market for this stuff that labor is producing or quit producing it, which means more unemployment.

Secretary ROPER. Which is destruction to labor.

Senator BARKLEY. Yes.

The CHAIRMAN. Well, one of the purposes in this bill is to restore the American standard of living, isn't it?

Secretary ROPER. Absolutely.

Senator COSTIGAN. As a matter of fact, when the Ford Co. was paying the highest wages in the automobile industry, the Ford car sold for less, per car, than any other car on the market, illustrating the importance of emphasizing efficiency in labor costs per unit of product, as distinguished from wages per worker per day.

Secretary ROPER. True. Thank you, Senator. That is true.

Senator COSTIGAN. Mr. Secretary, in 1917 you were a distinguished member of the United States Tariff Commission.

Secretary ROPER. Eliminate the word "distinguished", sir, and I agree with you.

Senator COSTIGAN. President Wilson, in that year, appointed you the first vice chairman of that Commission, and you are familiar with such contributions as it may have made to the solution of our tariff problems. May I ask whether it is your judgment that if the powers specified in the pending bill are conferred on the President, it will be possible, through existing agencies of the Government, to deal scien-

tifically with the bargaining problems which will be presented to the Government.

Secretary ROPER. In my opinion, Senator, the best way is to utilize all the agencies that are available. Now, Mr. Chairman, if you would like to have this chart study carried into a few other products, we will be very glad to do that, if you will name the products.

Senator GORE. You have limited it to wheat, so far, haven't you?

Secretary ROPER. I have just used three--wheat, flour, and apples.

The CHAIRMAN. Wheat, flour, and apples are the three.

Senator GORE. On that point, it bears on the question asked by Senator Hastings a moment ago.

The CHAIRMAN. You might take some other illustration, if you care to, Mr. Secretary.

Senator GORE. A few years ago, when Mr. Hoover was able to get the Kansas roads to lower the freight rate on wheat to Gulf ports. France immediately raised the tariff on wheat, 20 cents a hundred, just overnight.

Secretary ROPER. You see what is happening. It is a question, Mr. Chairman, and gentlemen, of modernizing our mechanics to meet the approach other nations have adopted.

The CHAIRMAN. Thank you very much, Mr. Secretary?

Senator HASTINGS. Isn't it true, Mr. Secretary, that, after the war, all of these countries shown on these charts as having set up these barriers against these three commodities, made a very strenuous effort to make themselves self-sustaining, with respect to those particular articles?

Secretary ROPER. Yes, in a measure.

Senator HASTINGS. And encourage the farmers to raise these particular products.

Secretary ROPER. I think that is true, Senator. I feel that we have seen too great a nationalistic spirit since the war, very largely influenced by our own action in setting up barriers through the tariff.

Senator HASTINGS. Well, are you sure that is it, or are you sure it is the desire to be in a position where they can sustain themselves in case of another war?

Secretary ROPER. It is my opinion, Senator, that we did much to provoke this situation.

The CHAIRMAN. I hope you won't get into any politics.

Senator COUZENS. I would like to ask the Secretary one question. The most concern that seems to be exhibited in communications with respect to this bill, is the lack of disposition on the part of the administration to give the affected industries a hearing.

Secretary ROPER. Yes.

Senator COUZENS. I wish that your large list of "brain trusters", and so on, would prepare some scheme or other which would assure these interested parties that they are not going to be ridden over without any opportunity to be heard, in making these particular agreements.

Secretary ROPER. Yes, sir. I think that is important, Senator. I do not believe that these agreements should be entered into hastily, and I am satisfied there will be ways by which these people can present their conditions, and we should have them.

Senator GORE. You do not know how other countries do? Do they just jump into these agreements, or do they have some sort of

preliminary survey and study, based on facts? Do you know anything about that?

Secretary **ROPER**. No, Senator. That is up to the President, under the phraseology of this bill.

Senator **GORE**. I do not mean that. They are making these agreements all the time, abroad, and I wonder if they just blindfold themselves, and go in and make a trade, without knowing what is going to be the outcome, or how it is going to react on home industry.

Senator **COUZENS**. Well, I understood the Secretary to say that there would be a way found whereby these industries would have an opportunity to present their views before the consummation of any of these treaties.

Secretary **ROPER**. Yes. Senator, there is no provision, of course, as you know, in the law, to that effect.

Senator **COUZENS**. That is what I am speaking about. I want some kind of assurance that we are going to get it, either in the law, or in some other way.

Secretary **ROPER**. I am satisfied that in this matter, as in all other questions, the Department—the President, because he is charged with this, will be only too glad to get all the facts necessary to guide him properly in working out these agreements.

The **CHAIRMAN**. Then it is your opinion that it would not be detrimental to the proposition to give a hearing, if it does not hold up the thing interminably?

Secretary **ROPER**. It is a matter of expedition, Senator. We certainly need the facts. It is a matter of expedition. Thank you.

The **CHAIRMAN**. Thank you very much, Mr. Secretary.

(Secretary Roper subsequently submitted the following:)

COMMERCIAL AGREEMENTS BETWEEN FOREIGN COUNTRIES DURING 1933

In his testimony yesterday before the Senate Finance Committee, Assistant Secretary of State Sayre spoke of 68 commercial agreements concluded between the various foreign countries during the year 1933. Dr. Sayre limited himself to those commercial agreements of the last year which embodied either customs concessions, in duties or some other form, or assurance of most-favored-nation treatment, or both.

In addition, there were worked out during 1933 about an equal number of agreements between various governments that were calculated primarily to enlarge—or at least maintain—the volume of goods exchanged between the two contracting countries by various special arrangements. This object was to be attained not necessarily by reducing the existing level of duties or other restrictions of the two countries, but rather by the granting of preferential quotas of particular classes of goods that were to be admitted, assurances of foreign-exchange allotments with which to pay for them, and other devices. This type of agreement was usually not accompanied by provisions for the extension of similar privileges to other countries. The result was seldom an enlargement of the general volume of world trade, the principal effect usually being rather a diversion of a part of the current volume of a country's import purchases from the other usual supplying countries to the particular country with whom the arrangement was being made. Many of the commercial agreements listed by Dr. Sayre as of the concessional type also contained special quota or other exclusive trade provisions.

Since the Government of the United States has had no authority similar to that vested in the governments of most foreign countries to conclude reciprocal agreements with other governments, American producers of export products have obviously suffered. They have had to stand by and see special concessions given to competitive products from other countries, or assurances against further restrictions, which advantages or assurances the Government of the United States was not in a position to secure for them by similar negotiations. Since the trade facilities embodied in most of these special or "trade-diverting" agreements took the form of promises with regard to the amounts of particular goods that

would be admitted from the other country or the allotment of funds granted for the payment of those goods—fields in which the most-favored-nation obligation to treat all countries equal has not generally been recognized—the United States was seldom in a position to get any benefit from these special agreements, even in case of those countries with whom she has most-favored-nation agreements in effect.

It is not the thought that the United States is to enter into special and exclusive trade agreements of the type described. They are mentioned rather to bring out one of the reasons why the foreign trade of the United States has fallen off more sharply than that of any other important foreign country, to the point where we now enjoy a much reduced share of even the shrunken volume of goods moving in international commerce. If the authority sought by this bill is granted to the Government, we would then be in a more advantageous position to defend the interests of the American trade, by negotiating for advantages similar to those which have been or may be extended between the nations under such special arrangements.

Moreover, there is an opportunity for the United States to give an impetus to the type of trade agreements that will progressively enlarge the total flow of world commerce, agreements that will provide for reciprocal moderations of the duties and other import restrictions on both sides. I am stressing this character of the trade agreements contemplated by the United States under this bill in contrast to the many trade-diverting arrangements we have just discussed which by their nature are not calculated to bring about the enlarged total flow of goods in international commerce which we are all hoping for.

FOREIGN TRADE AND THE AMERICAN MERCHANT MARINE

The Government is committed in principle and required by statute to foster, promote, and maintain an adequate American merchant marine for both trade and national-defense purposes. For this reason, the future of foreign trade and water-borne commerce is directly related to and affected by the carrying out of the provisions in bill H.R. 8687. The drastic decline in available volume of water-borne commerce has imposed a severe hardship upon the merchant marine. As foreign trade is revived on a world-wide basis, if the United States does not increase its trade in ratio to the world increase, the merchant marines of other countries will develop and prosper at the expense of the American merchant marine. For this reason, the revival of American trade due to the execution of the provisions of this bill becomes specifically pertinent to the future of the American merchant marine. Accordingly, the present status of the American merchant marine and related factors pertaining thereto are herein set forth.

SHIP SALES POLICY

(a) The following table shows the list of vessels and the sales price of vessels sold for scrapping by the United States Shipping Board from September 12, 1922, to November 5, 1932:

Type of ship	Number of ships	Dead-weight tonnage	Sales price
Wood ships.....	237	.....	\$782, 748. 66
Steel ships.....	426	2, 661, 352	4, 455, 137. 87

All vessels in this summary were sold under agreement obligating the purchaser to dismantle and scrap. This total includes five ex-enemy passenger and cargo vessels and one ex-Army transport ship.

An agreement of November 5, 1932, and a supplemental agreement of February 7, 1933, covered also 86 other vessels which, for reasons explained later, were not delivered.

(b) At the present time, the Shipping Board Bureau has a total of 277 vessels, including the 86 ships undelivered to the Boston Iron & Metal Co. for scrapping. Out of the 277 vessels now held by the Bureau, 228 are in the laid-up fleet and 46 are being operated under agreement with private operators. A joint committee, representing the Navy Department, the War Department, and the Shipping Board Bureau, has recently made a report on the 277 vessels and recommends that 169 of the 277 vessels be held available as naval auxiliaries. This committee

did not consider that the remaining 108 vessels had any national-defense value and, hence, would be subject to disposal.

(c) Forty-six cargo ships are now being operated for the account of the Merchant Fleet Corporation by five private managing operators. Nine companies are operating these 46 vessels upon a compensation-per-voyage basis, beginning at \$10,000 and grading downward to \$9,500, \$7,000, and 2 at \$6,000, with 8 ships receiving at present an advance payment of \$4,000, pending adjustment of rate of compensation. The "lump-sum" operating agreements with these operators are now being carefully studied to determine, among other things, whether the voyage compensation now being paid by the Government is a proper amount in the light of present conditions.

(d) Under date of April 19, 1934, the Attorney General held that the Shipping Board did not have the legal authority to enter into a contract with the Boston Iron & Metal Co. for the sale of vessels to be scrapped, when said vessels possessed an operating value in excess of their scrap value. Agreements entered into with the Boston Iron & Metal Co. covered a total of 125 ships, of which only 39 were delivered for scrapping purposes. The remaining 86 ships under this agreement have not been delivered.

Out of the 277 vessels now held by the Shipping Board Bureau, only 169 have been designated for defense purposes. The question still remaining requires a definition as to what should be done with the remaining 108 vessels. Those vessels which may be obsolete and which have no value other than for scrappage could be disposed of as junk. The real difficulty arises, however, in relation to those vessels which have an "as-is" world market value greatly in excess of their junk value, but which sale today for operation would further depress the shipping industry in which there is now considerable excess tonnage which must remain idle.

The *Leviathan* is another case in point which illustrates the problems facing the American merchant marine and the necessity of approaching these problems so that the decisions reached will be in the best interests of the merchant marine generally. This ship was sold to a subsidiary of the International Mercantile Marine Corporation. An agreement of October 30, 1931, provided that the *Leviathan* make not less than seven voyages annually for a period of 5 years. The ship has not been in operation for more than a year. The buyers of the vessel contend that it is obsolescent and inspection and examination seem to indicate that the *Leviathan*, which was constructed in 1914, is at a considerable disadvantage in competing with faster, more modern ships which are less expensive to operate. To illustrate, since the *Leviathan's* machinery was designed approximately 22 years ago, there have been extraordinary advances in engineering so that today similar power may be developed by the expenditure of about only 60 percent of the fuel required by the machinery of the *Leviathan*. The owners of this ship have contended that it would cost a million dollars to put the *Leviathan* back into competitive operating condition along with such liners as the *Manhattan* and *Washington* and that, even after this expenditure, the ability of the vessel to compete effectively with newer and more modern "super-liners" would be very doubtful. Entirely apart from the business aspect of the operation of the *Leviathan* and the policy with regard thereto, any decision in the matter must take into consideration the national defense value of the vessel. The question arising in connection with this matter is whether the company buying the vessel should be required to operate it at a considerable and contemplated loss under the scheduled contract or whether the Government should allow it to be turned back with the responsibility of preserving it to the best extent possible against obsolescence and deterioration.

This important administrative question has been studied by a special committee of the Shipping Board Bureau with the result of a divided report, the minority of the committee recommending that the execution of the contract and operation of the *Leviathan* be insisted upon, while the majority report definitely recommends against further operation under the existing contract.

The purchasing company has already taken advantage of a clause in the contract authorizing, if desirable and by mutual consent, an alteration in the stipulations therein and has submitted a proposal for the construction of a new passenger vessel in lieu of compliance with the operation clause in the agreement. It will be evident from the nature of this problem that the decision in this matter must comprehend not only the protection of the Government's interest in the transaction, but also the practical aspects of the situation.

In view of all factors involved, should it be the policy of the Secretary of Commerce to insist upon the operation of the *Leviathan*? An expression of Congress in this connection is desirable.

(c) There are three general policies pertaining to ship disposals which may be considered singly or exclusively or in combination from. They are:

1. Sale of ships on the basis of the greatest net recovery to the Government without consideration of any other policy.
2. Scrap the entire remaining fleet as rapidly as possible.
3. The retention of vessels which have a potentially useful value to the Nation as a reserve for emergency and national defense purposes.

The sale of the ships on the basis of the greatest net recovery without consideration of any other policy must be based upon the fact that there is today in private hands ample tonnage of the type owned by the Shipping Board to meet the needs of both foreign and domestic commerce. However, there is no doubt that many of these ships may be sold for operating purposes at a value considerably in excess of their scrap value. The advantage of this policy of greatest net recovery would be that the Government would receive at the time the highest value recoverable. As long as the Government pursued this policy, it would tend to depreciate still further the value of privately owned tonnage, would tend to postpone until a later date the construction of more modern vessels, and would tend further to keep water transportation rates at such a low point that the effects would be detrimental to the privately owned and operated merchant marine.

Advocates of the scrapping of the entire remaining unused fleet point out that this would remove the Government from ship operations, would remove the burden of this tonnage from competition with privately established commercial lines, and gradually pave the way for allowing the commercial value of American flagships to work gradually toward the cost of replacement, less depreciation, and to give greater impetus to the building of newer and more efficient ships in American yards. Under this policy, however, there would be a much smaller net recovery than under the first policy outlined. Furthermore, such a policy would disregard the national defense value of many of these vessels.

The third alternative is that of retaining those vessels having a potential and emergency and national defense value without regard to the first two policies. If this policy were adopted, a critical inspection of the present fleet should be made so that all vessels which, due to design and obsolescence for various reasons, should be promptly scrapped. The remainder of the fleet would then be retained in the nature of an insurance against conditions which might arise but which cannot be clearly foreseen. Such ships would be maintained at a minimum expense so long as they could be put into service which might be of value to the Nation in time of emergency. From the viewpoint of the American merchant marine, this alternative would be virtually as effective as that of complete scrapping, so long as the Government established the definite policy that it would, under no conditions, sell any of these ships.

Some modifications and adaptations are possible upon the basis of these three general lines of policy. As long as the Government fleet exists in a condition where a considerable number of vessels could be put into service, the value of all American flagships will be depreciated. The immediate and future development of the American merchant marine must depend upon a definition by Congress as to what line of ship-sales policy must be followed with due regard for the considerations outlined herein.

FUTURE DEVELOPMENT AND STABILIZATION POLICIES

The matter of defining clearly a ship-sales policy is an immediate administrative problem and such definition will establish a precedent for future administrative action which must be related to the broad question of future development and stabilization of the American merchant marine. The chief factors involved in the determination of a comprehensive future policy are:

(a) *Government aid to shipping.*—Government aid to shipping may be extended in several ways, but generally it can be classified under the two divisions of financial aid and various types of governmental efforts to promote the use of American vessels.

The latter objective can be partially attained through proper and effective coordination between the various governmental departments and other public agencies to insure that American vessels carry a proper share of the cargoes arising through governmental activities. These efforts, of course, do not relate to commercial promotive work which properly should be done by the industry itself.

It is in the category of financial aid that further clarification and definite Congressional sanction is required. The views of this Department with regard to governmental financial aid to the merchant marine are presented in a letter dated March 13, 1934, from the Secretary of Commerce to the Honorable S. O. Bland, Chairman, House Committee on Merchant Marine, Radio, and Fisheries. Among

other things, this letter recommended the substitution of an outright subsidy, being gradually reduced as operations are placed on a more self-sustaining basis, for the present mail contract system and a division of the subsidy into four classifications:

1. Construction differential subsidy.
2. Operating differential subsidy.
3. Provisions for trade penetration subsidy when absolutely needed.
4. Subsidy equalizations bearing upon the issue, such as foreign subsidies and similarly related factors.

The successful operation of any plan extending financial aid to shipping depends chiefly upon two factors. First, the wise development of the subsidy plan designed to equalize the various disadvantages imposed upon American ship operators while maintaining adequate protection of the public funds and interests. Second, an impartial and efficient administration of such a subsidy program upon the basis of a law enacted to provide such stipulations and authority.

Any plan of financial aid to shipping must comprehend and contemplate the replacement of a large proportion of American vessels now operating, which will be obsolete within the next 5 years. The problem of a projected program of replacement is vital to the development and maintenance of the American Merchant Marine. The entire construction policy, in so far as it is related to Government loans, is dependent upon a solution to this problem. Appendix 3 gives a résumé of the past Government financial aid for construction and operation.

Government aid to shipping and the upbuilding of the merchant marine must be predicated upon a program of systematic reorganization, realignment, and consolidation in trade routes and lines covering these routes.

The most careful consideration should be given to the economic value of our present steamship services operating in the foreign trade to ascertain to what extent greater efficiency would be secured through consolidations, better coordination of services, the possible utilization of some existing services as feeder lines, and other similar developments which would place the American Merchant Marine upon a more profitable basis. The possibility of fostering any monopolistic practices in this connection should, of course, be guarded against carefully. The Department of Commerce is already engaged in a preliminary study of this subject. It seems apparent that both the number of lines operating on various trade routes, which now total 53 in number as established under the Shipping Board, and the number of companies which the Government is subsidizing, might be somewhat further reduced, thus creating trunk lines with proper feeder lines.

(b) *Regulation.*—The success with which the coordination and consolidations can be effected must depend to a considerable extent upon a proper system of regulations and proper cooperation on the part of shipowners and operators. A sound and efficient subsidy plan, providing financial assistance during a limited period and looking toward the eventual self-support of shipping lines, is greatly to be sought and cannot attain maximum effectiveness without adequate regulation. The absence of such regulation in the past has undoubtedly deterred the efforts to develop the merchant marine. Such regulation would serve to prevent a recurrence of those mistakes and evils which in the past have been contributory to the present unstable condition of the American merchant marine. As new policies are determined upon, as the American merchant marine program is clarified, and as the consolidation and reorganization plan is clarified, and as the consolidation and reorganization plan is effected, it is hoped that Congress will give the Department of Commerce proper authority to accomplish these objectives.

CONCLUSION

The preceding factors in our merchant marine problem shows its scope and complexity. It becomes evident that an improvement and expansion of the foreign trade of the United States will provide a much needed impetus to an increase in water-borne commerce and consequently more tonnage for American bottoms. The more self-sustaining the American merchant marine can become, the less financial aid will be required from the Government, with resultant savings to the American taxpayer. The future development and stabilization of an adequate American merchant marine depends upon a reasonable volume of sustaining traffic for American bottoms. Otherwise, the cost of fulfilling the purpose and meaning of "an adequate merchant marine" would be excessive and exorbitant. Hence, the enactment of bill, H.R. 8687 and the carrying out of its provisions would be an indispensable factor in the building of a sound and adequate American merchant marine.

APPENDIX I

HISTORICAL RÉSUMÉ

The preceding 17 years of the merchant marine policy of the United States may be divided into three general periods:

First, the period of emergency governmental ownership and operation of vessels, inaugurated by the 1916 shipping act which provided for the establishment of a Shipping Board and an Emergency Fleet Corporation to build and operate ships. This policy developed out of conditions created by the World War, a large increase in exports and a lack of available tonnage, caused by war-time central control of foreign shipping.

Second, the period commencing with the 1920 Merchant Marine Act, which was designed to be a developmental measure to extend the emergency purposes of the 1916 act in accordance with peace-time conditions. This period was characterized by an extension of the regional principle, effected by giving representation on the Shipping Board to seven regions. A result was the development of a large number of shipping services and terminals. This period ended the declared policy of governmental ownership and operation and marked the beginning of a policy to sell or transfer the Government fleet to private enterprise.

The third and present period commenced with the passage of the 1928 Merchant Marine Act which inaugurated the mail contract system of granting a shipping subsidy and authorized the doubling of the construction loan fund.

In June 1914, the sea-going merchant marine of the United States, in vessels of 100 gross tons and upwards, totalled 1,837,000 tons. In 1922, it reached its peak with 12,442,000 tons, and in 1933 it totalled 9,900,000 tons. In considering these figures it must be remembered that a considerable portion of the present fleet consists of out-moded unmodern vessels, many of which were constructed during the war-time shipbuilding activity.

Prior to 1916, our merchant marine carried about one tenth of our foreign trade—today it transports approximately one third.

The fleet of 2,546 vessels of 10,175,000 gross tons originally acquired by the Shipping Board has been reduced through sale, transfer, and scrapping to 288 vessels of 1,669,000 tons. In 1918, 770 vessels were operated under the supervision of the Emergency Fleet Corporation; the peak of such operation was reached in 1921, with 1,450 vessels. During the fiscal year ended June 30, 1933, 98 Shipping Board vessels of 578,640 gross tons were being operated by managing operators. At the present time 47 vessels are being operated for the account of the Government, all in the foreign trade.

Under the policy of removing the Government from the operation of ships, prescribed in the 1920 Act, the Shipping Board has sold for operation 1,216 vessels at an average price of \$228,000 and for scrapping, 663 vessels at an average price of \$7,816. At the present time, there are 226 Government-owned vessels laid up at a maintenance cost for the present year estimated at \$200,000.

Under the provisions of the 1928 Shipping Act, authorizing the granting of mail contract payments to operators, the number of lines receiving such mail pay has increased from 24 lines which received \$9,304,217 in the fiscal year ending June 30, 1929, to 43 lines which received \$26,054,590 in the fiscal year 1932-1933. The aggregate payment by the Government on the mail contracts during the 10-year life of those contracts would amount to about \$376,000,000.

APPENDIX II

POST-WAR SUBSIDY HISTORY

From the end of the war until 1928, no definite and positive plan of ship subsidy was adopted, although various measures—such as the authorization of the Government construction loan fund at low interest rates; the establishment of preferential railway rates on goods shipped on American vessels; the sale of Government ships at low per-ton prices; the exemption of ship owners from income tax on earnings in foreign trade in consideration of new constructions; delegation by law of power to levy discriminatory duties in favor of American shipping; and similar plans to render assistance—were adopted. Some of these measures were applied, others were not. In 1922, a subsidy bill designed to establish a definite subsidy for cargo ships on a mileage basis was introduced in Congress, but was not enacted. The Merchant Marine Act of 1928 provided mileage compensation for mail contract payments to ship operators. Mail payments under this law to 44 contractor companies amounted in the final year, 1932-1933, to \$26,054,590. Up to June 30, 1933, total payments to 45 contractor companies

(the contract with one of which expired in 1933) amounted to \$89,646,050. The total amount of payment under the act, contemplated by existing contracts, is \$285,763,339.

APPENDIX III

RÉSUMÉ OF GOVERNMENT FINANCIAL AID FOR CONSTRUCTION AND OPERATION

No figures are available to portray a complete and accurate picture of the general financial position of the private American merchant marine during the years since the World War. The following figures, however, reflect certain expenditures of the United States Government for the construction and operation of vessels.

Appropriations by Congress and presidential allotments from the National Security and Defense Appropriation to the use of the United States Shipping Board and used by the United States Shipping Board in the "Construction program" of the Board amounted to \$3,329,565,426. Deducting \$16,269,922 returned to the Treasury, the net appropriation on this account was \$3,313,295,503.

The cost of vessels constructed by the United States Shipping Board-Emergency Fleet Corporation totaled \$2,915,802,738.

The total cost of the Government fleet, including constructed, purchased and reconditioned ex-enemy vessels, was \$3,042,000,556.

The total cost of vessels disposed of as of June 30, 1933, was \$2,349,642,946.

Sales price of vessels sold as of June 30, 1933, \$34w,514,942. Loss to the Government on vessels sold, \$2,007,128,003.

Net operating loss of vessels operated by the United States Shipping Board-Merchant Fleet Corporation during the fiscal year ended June 30, 1917, to fiscal year ended June 30, 1933, \$99,359,301.

Loans made out of the Construction Loan Fund provided by Congress total to date \$147,605,809. The amount owned to the Government on account of these loans as of March 31, 1934, \$123,312,597. The amount due on ships sold by the Government to private operators as of March 31, 1934, totals \$23,890,920.

The CHAIRMAN. Mr. Dickinson, Assistant Secretary of Commerce.

STATEMENT OF HON. JOHN DICKINSON, ASSISTANT SECRETARY OF COMMERCE

MR. DICKINSON. Mr. Chairman and gentlemen of the committee. I would like to present this proposal from the standpoint of protection to American industry. The foreign trade of the United States is like any other part of the trade of the United States, or like any other part of the business of the business concerns which carry it on. If the business of any business concern were to drop, in 3 years, from something over 5 billion dollars to something less than 2 billion dollars, \$1,675,000,000, that concern would regard one of its most vital interests as pretty seriously invaded, and the foreign trade of the United States is a very vital part of our business assets. It is a vital part of our business assets, from the standpoint of the labor that is employed. Therefore, all labor deserves protection, if we are going to interest ourselves in the protection of American labor.

We sometimes talk about foreign trade as being of relatively minor significance, as amounting to only 10 percent, or something of that kind, of our total business, but after all, in the management of a private business concern, sometimes 10 percent being the difference between success and failure, and if you look at the statistics, you will find that in some of our most important activities, some of our most important industries, this percentage is very much greater than 10 percent. I have here some figures, indicating, for example, that in the case of our tobacco, our exports in 1929 were 41 per cent of the production.

Senator BARKLEY. In that connection, speaking of tobacco, that is the average. There are some classes of tobacco, with which I happen

to be familiar, where we depend upon exports of 85 percent, in order to guarantee any prosperity at all to the growers.

Mr. DICKINSON. As much as that?

Senator BARKLEY. Yes.

Senator COSTIGAN. Mr. Dickinson, have you the figures for 1928, which is often spoken of as more normal than 1929?

Mr. DICKINSON. 1928?

Senator COSTIGAN. Yes.

Mr. DICKINSON. No, I have 1914, 1923, 1929, and 1933, here. For lard, in 1929, the figure was 33 percent. In 1923, it had been 38 percent. For rice, in 1929, it was 32 percent. For linseed, 43 percent. Those are agricultural commodities, of course, and turning to some of the industrial commodities for patent side upper leather, which is an important item of export, 25 percent of the production was exported in 1929; turpentine, 50 percent; cornstarch and corn flour, 22 percent; kerosene, 35 percent; motor fuel, 13 percent; lubricating greases, various particular articles running from 31 percent up to 50 percent; crude sulphur, 35 percent; refined copper, 36 percent; and various classes and kinds of machinery, running from 18 percent up to 33 percent. Benzol, 26 percent; borax, 47 percent; carbon black, 32 percent, and so on.

That is not a complete survey. That is just an illustration.

Senator BARKLEY. Would you mind putting that in the record, with your statement?

Mr. DICKINSON. I have read the figures here, and I think that would probably bring out my thought.

There is another angle from which I would like to call your attention to this thing, and that is the angle of the interests of the various States of the Union in this loss of our export trade. Whenever we talk about a thing from a national standpoint, we are apt to assume that what is everybody's business is nobody's business, and that the Nation can take care of itself; but if we look at the States, it brings the thing home to all of us.

I have here a comparison of the exports originating in the different States of the Union, in 1929, compared with 1932. I notice here that in the case of the New England States, the exports for Massachusetts, in 1929, amounted to something over \$111,000,000; that, in 1932, they amounted to \$32,000,000.

I notice that the exports from New Jersey fell from \$262,000,000 to \$74,000,000.

From Ohio, they fell from \$221,000,000 to \$51,000,000, down to about one fourth.

From Wisconsin, from \$124,000,000 to \$14,000,000. That is a very considerable drop.

Senator LONERGAN. Will you read Connecticut, Mr. Secretary?

Mr. DICKINSON. I was looking for Connecticut, Senator, casting my eye down this list here. Here it is. Connecticut did not suffer quite so much as some of the others—from \$53,000,000 to \$15,000,000. That is, to a little less than a third.

New York, from \$956,000,000 to \$248,000,000.

Texas, from \$657,000,000 to \$299,000,000.

I would like to have this table for all the States inserted in the record.

(The table is as follows:)

Value of domestic exports from the United States, by States from which shipped, during 1929 and 1932 and the percentage decrease¹

(Official sources)

State]	1929	1932	Percentage of decrease from 1929
Texas.....	\$209,650,753	\$137,550,000	34.4
New York.....	248,111,439	156,755,282	37.1
California.....	149,500,991	96,841,112	35.8
Pennsylvania.....	100,435,070	64,843,339	35.4
Louisiana.....	84,655,843	54,972,340	35.3
New Jersey.....	74,638,341	47,000,217	37.0
Illinois.....	60,076,484	38,702,882	35.8
Ohio.....	51,989,037	33,916,970	34.8
Michigan.....	48,032,505	30,900,020	35.7
Virginia.....	45,018,148	29,135,071	35.3
Washington.....	34,991,630	22,744,522	35.3
Alabama.....	32,948,081	21,206,700	35.6
North Carolina.....	32,947,947	21,524,789	34.8
Massachusetts.....	32,255,555	21,511,020	33.6
Georgia.....	24,403,893	16,038,402	34.7
Indiana.....	17,944,177	11,740,408	34.6
Mississippi.....	17,100,005	11,222,598	34.4
Tennessee.....	16,804,807	11,128,040	33.8
Oregon.....	16,406,700	10,908,881	33.5
Maryland.....	16,146,847	10,840,081	33.4
South Carolina.....	16,041,083	10,724,804	33.4
Connecticut.....	15,219,101	10,017,012	33.6
Florida.....	15,122,202	10,004,070	33.6
West Virginia.....	14,080,340	9,380,873	33.3
Wisconsin.....	14,352,233	9,477,407	33.3
Kansas.....	10,883,805	7,208,710	33.8
Arkansas.....	10,249,110	6,787,729	33.9
Kentucky.....	9,008,804	5,931,003	33.8
Iowa.....	9,497,850	6,201,570	34.6
Missouri.....	9,451,161	6,200,815	34.6
Oklahoma.....	8,491,010	5,487,005	35.3
Minnesota.....	6,840,329	4,440,147	35.0
Arizona.....	5,209,318	3,308,898	35.1
Rhode Island.....	4,721,048	3,041,701	35.5
Nebraska.....	3,758,103	2,400,218	35.9
New Hampshire.....	2,147,338	1,380,702	35.4
Maine.....	1,034,704	661,105	35.6
South Dakota.....	1,003,303	645,217	35.6
Delaware.....	1,848,100	1,202,000	35.0
Montana.....	1,403,437	900,401	35.8
Vermont.....	1,118,072	710,707	35.6
Colorado.....	1,022,732	661,887	35.4
New Mexico.....	820,038	527,080	35.6
Nevada.....	710,052	454,070	35.8
Idaho.....	657,007	420,010	35.6
Utah.....	401,017	261,411	35.3
North Dakota.....	210,525	132,831	37.4
Wyoming.....	121,538	78,038	35.4
Total.....	1,672,371,001	1,146,480,075	31.4

¹ The figures used are those for 1932, because, as a result of the economy program, the collection of export figures by States was discontinued in the summer of 1933 and the 1933 totals cannot, therefore, be shown.

Senator GORE. Is Oklahoma there?

Mr. DICKINSON. Oklahoma, \$35,000,000 to \$8,000,000.

Senator COUZENS. What about Michigan?

Mr. DICKINSON. Michigan, from \$355,000,000 to \$48,000,000.

Senator BARKLEY. Kentucky is still in the Union, would you mind putting that in?

Mr. DICKINSON. Kentucky did not suffer so much as some of the others—from \$23,000,000 to \$9,000,000.

Senator BARKLEY. They didn't have so far to go.

Senator COSTIGAN. Mr. Dickinson, do you know whether the record shows the decline in our foreign commerce, between 1928 and the present time? Has any preceding witness placed in the record data of that sort?

Mr. DICKINSON. Mr. Sayre, yesterday afternoon, placed a good deal of data on that point in the record.

Senator COSTIGAN. Did any witness place in the record figures showing the decline in our domestic business during the same period?

Mr. DICKINSON. I don't think that those figures were furnished.

Senator COSTIGAN. My information is that the decline in our domestic business proportionately was substantially less than that in our foreign commerce.

Senator BARKLEY. You mean in percentage?

Senator COSTIGAN. In percentages indicating that trade barriers may have contributed beyond the effects of the depression. If such figures are available, I should be glad to have you place them in the record.

Mr. DICKINSON. I will be very glad to see that they are placed in the record, Senator.

(The figures are as follows:)

Decline in value of United States production, imports, and exports from 1929 to 1933

[Millions of dollars]

	1929	1931	1933
Production (of movable goods).....	\$52,802	\$32,280	¹ \$27,000
Percent decrease from 1929.....		38.9	48.9
Imports.....	4,400	\$2,091	\$1,449
Percent decrease from 1929.....		52.5	67
Exports.....	5,157	\$2,378	\$1,647
Percent decrease from 1929.....		53.9	68

¹ Very preliminary estimate.

Mr. DICKINSON. The Secretary of Commerce, in the statement with which he has preceded me, has called your attention to a set of three charts, which illustrate the growth of trade barriers among the other nations of the world, in respect of some of the commodities which enter most largely into our export trade. Under present conditions, and in view of the practices, as among other countries, it is extremely doubtful whether these trade barriers can be lowered in favor of the United States, otherwise than as a result of mutual negotiations. That is the course that is being pursued among other nations of the world, and I might call the attention of the committee to one important fact in that connection. This power to negotiate is desirable, and even necessary, and not merely for the purpose of securing concessions from other countries, but for the purpose of getting them not to put their barriers any higher.

One of the forms of agreement which is frequently entered into between other countries is an agreement which binds the duties where they are, and to that extent is protection to the contracting parties against further discriminations and increases of duty.

The Assistant Secretary of State has spoken about these agreements which are being entered into, and have been entered into, among other nations. He spoke of about 70 of them, I believe. As a matter of fact, it depends altogether on how far you wish to make your category of inclusions. Something over 150 commercial agreements, of one kind or another, have apparently been entered into during the past year, Secretary Roper is inserting a memorandum discussing these agreements. We are informed that about 40 countries are now

engaged in the negotiation or consideration of commercial agreements of the type under discussion.

Senator BARKLEY. On the average, what period of time elapses between the completion of the negotiation and the taking effect of the agreement, among those other nations?

Mr. DICKINSON. Well, that would depend upon the terms of the agreement. The tendency is to have the time very short, in order to get the benefit of the agreement immediately.

Senator HASTINGS. Well, are these agreements among foreign nations entirely a new thing to foreign nations? You spoke of there having been 150 in the last year. Were there none before that?

Mr. DICKINSON. There were general commercial treaties, as a common practice of international relations, of course, for more than 200 years, but—

Senator HASTINGS. Well, are these 150 that you speak of different from that?

Mr. DICKINSON. This type of thing is something quite new. Some of these treaties might very well fall within the older categories of commercial treaties, but on the whole they constitute agreements of a normal character, both in respect to the methods by which they are contracted, and also with respect to their provisions.

Senator GORE. Does that seem to be a sort of reaction against these various barriers, or tariffs?

Mr. DICKINSON. Exactly, Senator, exactly. They are the attempt to make up for the results of the barriers.

Senator HASTINGS. You don't happen to have with you a copy of any agreement, do you?

Mr. DICKINSON. I was about to call the attention of the committee, Senator, to several of these agreements. I have here the summary of some of them, and I will just read into the record what I have.

Here is the agreement between Czechoslovakia and Hungary, entered into on the 22d of December, 1932, and effective on the 1st of January, 1933. That is an illustration of the answer that I made to Senator Barkley a moment ago, that they generally went into effect pretty quickly. There is a period of 8 days. That provided for a Czech import quarter for Hungarian hogs, in return for compensatory import quarter for Czech firewood, charcoal, sawn lumber, and so forth, and both countries granted reduced duties on specified articles, duties below their regular rate of duties. Czechoslovakia agreed to permit import of certain Hungarian agricultural products, provided the foreign exchange resulting from these transactions were placed at the disposal of the Hungarian tourists visiting Czechoslovakia. Hungary was permitted to export additional quantities of eggs, lard, wines, and so forth, to Czechoslovakia, to offset the unfavorable trade balance resulting from the August agreement. Under a revised agreement entered into on the 31st of May 1933, and effective the 1st of June 1933, the following day, which replaced the agreement that I have already referred to, Hungary agreed to admit quotas of specified Czech products at the lowest rates of duty, in exchange for quotas of Hungarian cereals, fruits, and vegetables, at the lowest rates of duty, to Czechoslovakia. That is a sample of the type of agreement. It illustrates also the rapidity of change of, as well as the short period before the going into effect of the agreements.

Here you have an agreement in August 1932 an agreement in December 1932 and an agreement in May 1933 effecting revisions that had apparently been found to be necessary on the basis of the working of the previous agreement.

Senator GORE. And those agreements, the last one, rather, involved a reduction in rates on the part of both countries. I take it that should be put into effect with greater speed than increases.

Mr. DICKINSON. Most of them, Senator, go to a reduction of rates.

Senator GORE. Yes.

Mr. DICKINSON. That is the object of the agreement.

Senator GORE. Yes.

Mr. DICKINSON. I have here a reference to a 1-year commercial agreement entered into between France and Canada on the 12th of May 1933, effective on 10th of June of the same year, containing the following provisions: France grants minimum tariff rates on about 185 Canadian products, and percentage reductions from the general tariff, on 24 additional products. Canada grants intermediate rates on 840 French products, rates from 10 to 25 percent below the intermediate tariff on 99 additional products, and British preferential rates on some items, and so on.

Those are samples. Is that sufficient, Senator Hastings, to indicate what you have in mind?

Senator HASTINGS. Yes; it means an agreement to reduce the tariff, as I see it, in both cases.

Mr. DICKINSON. On specified articles, in return for concessions of some kind.

Senator HASTINGS. Well, one, in the case of Canada, in one instance it was eight-hundred-and-some-odd, and in the other it was a large number. Of course, the persons that are producing the articles upon which the tariffs are reduced, are immediately injured by means of that agreement; isn't that true?

Mr. DICKINSON. Does that necessarily follow, Senator?

Senator HASTINGS. Well, I am asking you.

Mr. DICKINSON. It seems to me that it need not necessarily follow, if, as a result of the general increase in trade, there is a further demand for the article in question. Of course, there are always two ways of looking at these economic questions, whether it is a matter of making profits by depressing wages, or whether it is a matter of making profits by keeping out the foreign goods. There is one point of view which holds that for another store to come into a town is an injury to the store that is already there; that for one factory to come into a town is an injury to the factory that is already there. There is another point of view which holds that the more you stimulate business, the more business there is for everybody, and that, if American industry is as efficient as its great growth would seem to indicate, and its success in holding its own in the markets of the world, unless it is excluded by high tariff barriers, that, if that is the case, we do not need to fear the results of extending our industrial operations abroad by increasing the general volume of business that we are doing.

Senator COSTIGAN. May we infer that you consider the latter theory sound?

Mr. DICKINSON. I do, sir.

Senator GORE. Canada has a conservative Government, high tariffs, the Government that made this limitation?

Mr. DICKINSON. Yes. It is a high-tariff government, and yet it found it necessary or desirable, apparently, for the welfare of the Canadian people, to make these special arrangements in return for some advantage.

Senator HASTINGS. Well, now, with respect to your suggestion that it is not harmful for the new store to come in, because it stimulates business, we have had to adopt in this country, as I understand, the policy of the present administration, the National Recovery Administration, just to save those extra stores that have come into that town. Isn't that true?

Mr. DICKINSON. I would not regard it as the purpose or the policy of the N.R.A. to promote the restriction of production or business. It seems to me, if I may go back for a moment, Senator, before I come to your point, that the phenomenal growth of the industry of this country over a period of 150 years, has been due to the freedom from commercial restriction and barriers which have existed between the different parts of the country. We have thriven on that system. The purpose of the N.R.A., as I understand it, Senator, is primarily to put more of the people of the country in a position to buy the products of industry, and thereby to stimulate production. As a matter of fact, I think, sir, if you will look at one of the clauses of the first section of the National Industrial Recovery Act, you will find that it is stated there to be one of the objects of the act to utilize the productive facilities of the country to the greatest advantage, or something of that sort.

Senator HASTINGS. I remember that very well. I remember what the object was, as presented to Congress.

Senator COUZENS. But, in practice, that has not been the fact, however.

Mr. DICKINSON. I was not aware of that.

Senator COUZENS. Well, I mean, with respect to competition, that you previously had been discussing as being desirable. You said, when a new industry or a new store came in, it stimulated business, but certainly, that is not the theory under which N.R.A. operates.

Mr. DICKINSON. It is not?

Senator COUZENS. No.

Mr. DICKINSON. Well, I was not aware of that fact, sir.

Senator COUZENS. I am surprised.

Mr. DICKINSON. That, gentlemen, is all that I have to offer directly. If there are any questions, I shall be glad to answer them.

The CHAIRMAN. Are there any questions of the Secretary?

Senator COUZENS. Well—

Senator COSTIGAN. Mr. Secretary, you have, in effect, stated this morning that we are at present in a new era of tariff bargaining. Is that the effect of your testimony?

Mr. DICKINSON. That is my understanding of it, yes, sir, that all the nations of the world have adopted a course which leads inevitably to the necessity for tariff bargaining.

The CHAIRMAN. Well, thank you very much, Mr. Secretary.

Senator CLARK. As a matter of fact, Mr. Secretary, all the nations of the world are trying to get away from the result of their folly in pursuing a system of retaliatory tariffs, all over the world?

Mr. DICKINSON. That is exactly what it amounts to.

Senator HASTINGS. Mr. Dickinson, you think this would be better than just arbitrarily reducing all tariffs by 50 percent?

Mr. DICKINSON. I had never considered such a proposal as that, and I have not heard of such a proposal but personally, and on principle, I would oppose any general arbitrary rule, which was inflexible as the provision set you suggest.

Senator COUZENS. Have you ever expressed any opinion with respect to free trade or high tariffs?

Mr. DICKINSON. I think I said, before the Ways and Means Committee of the House, that it seemed to me that the tariff policy of a country should be dominated by one objective, and that is the protection of the industrial life of the country by whatever course seemed best adapted to protect it.

Senator COUZENS. And do you think the tariff, as distinguished from free trade, is the best means?

Mr. DICKINSON. Senator, that is one of those general and abstract questions from which I always shy off. It seems to me that in some instances a low tariff may be both advantageous to an industry and to a country, on a particular article, but that in the case of another article higher tariffs may be to the best interests.

Senator COSTIGAN. In other words, you believe it proper to use tariffs as instruments of national policy?

Mr. DICKINSON. Precisely.

The CHAIRMAN. Well, thank you very much.

Mr. DICKINSON. Thank you.

The CHAIRMAN. Mr. O'Brien, Chairman of the Tariff Commission.

STATEMENT OF HON. ROBERT L. O'BRIEN, CHAIRMAN OF THE UNITED STATES TARIFF COMMISSION

The CHAIRMAN. Mr. O'Brien, have you any statement to make before the committee, with reference to this bill?

Mr. O'BRIEN. Yes; I would like to address my statement particularly to my fellow Republicans and such others as estimate highly the importance of the present law of section 330, on the cost of production. The bill that is now before you gives the President the same identical power, or at least, very closely thereto, but for another purpose, namely, for trade compacts or agreements.

Senator CONNALLY. You mean it gives him the same power that he has got now under the flexible provision you specified?

Mr. O'BRIEN. Yes. He can raise or lower duties 50 percent now, under the so-called "cost-of-production" theory.

Senator COSTIGAN. The bill is even more analogous to the powers granted the President in section 338 of the Tariff Act of 1930.

Senator COUZENS. But they are only punitive, Senator; they cannot be reduced, under that section.

Senator COSTIGAN. I have reference to the breadth of the powers.

Senator GORE. You said, "cost-of-production" theory. You used the word "theory" advisedly, I am sure.

Mr. O'BRIEN. Well, the notion that you can obtain costs of production; the notion that you ought to obtain them; the notion that tariffs between countries should rest upon differences in costs of production, even if omniscience should give us the power to deter-

mine them, is all wrong. The tariff is a question of national policy; on some things, you ought to have a tariff greater than the difference in the cost of production; other things, less than the difference in cost of production.

Senator COSTIGAN. As a matter of fact, Chairman O'Brien, there are many tariffs at this time which are higher than the difference in costs of production.

Mr. O'BRIEN. Oh, yes; very much higher—higher than the selling price of the article in this country, in some instances. On the other hand, there are tariffs on articles which are very much less than the differences in the cost of production. I maintain that a tariff should be a matter of national policy. What do you want to do about it? What is the best thing to do? If anyone would tell us what the exact difference in the cost of production of all the commodities in the world was between this country and the chief competing country, that difference ought not to be the tariff. To start with, it would be changing all the time. It would not last 1 month, in any event.

Senator GORE. I am glad to hear you say that.

Mr. O'BRIEN. Now, we talk about the flexibility. This is known as the flexible tariff. I regard the term, applied to our present law, as an extreme joke. For example, in the spring of 1924, the Tariff Commission raised the duty on wheat from 30 cents to 42 cents. And that figure it has remained for 10 years. If anybody supposes that the difference in cost of production of wheat between the United States and the chief competing country has been standing steadily at 42 cents all that time, when wheat was selling in this country for 25 cents, he is mistaken. That assumption would have implied that the Canadians were willing to give us 17 cents to help us pay our 42 cents duty at that time, with every bushel of wheat they presented to us.

At other times in between, when wheat has been \$1.50 a bushel, this difference, or duty, has remained unchanged. The lowest figure on wheat last year, according to my associate, who has just brought it here, was 40 cents, or 2 cents less than the duty to equalize differences in cost of production.

Senator GORE. Is that wheat on the farm or wheat on the exchange?

Mr. O'BRIEN. I think that must mean Chicago, on exchange, because I have heard of wheat on farms as low as 25 cents.

Senator GORE. Yes. The year before, it was.

Mr. O'BRIEN. Yes; but the principle is this, that we call this a flexible tariff. It is not. Nothing that stands still for 10 years, when the cost fluctuates from 6-fold to 1, when the price has been six times as high in one period, as in another, can be called flexible.

Second y, the length of time it takes us to determine these things, the average time that the Tariff Commission has been engaged in finding these things is such that there isn't an article that does not change in its cost of production during that period, often a great many times.

Senator COUZENS. Are you not often prevented from getting the cost of production abroad?

Mr. O'BRIEN. Well, we always have the selling price, and that is the real thing with which people compete. The selling price is, in my judgment, an immeasurably more valuable thing than the cost of production.

Senator COUZENS. Well, at that point, though, do you not have difficulty in getting the cost of production abroad?

Mr. O'BRIEN. I think not very seriously. I think it depends on their point of view, what they hope to gain by it. We must remember in all these things, that "accountancy is a tool of management." If one is in a business in which he wants the price to be raised high because he is coming before the Tariff Commission where the cost counts a good deal, if he is properly advised by his lawyers, he swings his mechanized accountancy so as to give him a high cost of production. There are lawyers who have acquired great skill in advising their clients how to meet the terms of section 336.

Senator GORE. It depends upon whether he is offering his property for tariff or for sale.

Senator CONNALLY. Mr. O'Brien, may I interrupt you a moment?

Mr. O'BRIEN. Yes.

Senator CONNALLY. I have talked with you before, about this cost of production. I would like to develop, a little, your whole theory, and ask you to give your views as to whether it is a sound principle at all, or not.

Senator HASTINGS. If you don't mind, I wanted to ask, before he left that wheat problem, whether or not your selection of wheat as an illustration is not a rather unfortunate one, in that 42 cents was always high enough to keep out practically the importation of wheat? Isn't that true?

Mr. O'BRIEN. I don't know what "fortunate" in an illustration means. I thought it was fortunate, as illustrating my point, that our tariff is not flexible. It is true that the Hawley-Smoot tariff bill reenacted the 42 cents, which the Tariff Commission has carried the tariff to, but ever since that bill passed, in 1930, it has been within the power of the Tariff Commission, assuming that the President ratified its action, to push that duty either up or down.

Senator HASTINGS. But would it have helped the wheat farmers any, if it had been pushed up?

Mr. O'BRIEN. That is a question on which I ought not to pass judgment, as the Tariff Commission is supposed to be a scientific agency.

Senator GORE. If the duty was made \$100 a bushel, it wouldn't have raised the price of wheat to \$90?

Senator HASTINGS. What is that, Senator Gore?

Senator GORE. I say, if they would raise the tariff on wheat to \$100 a bushel, it probably would not have raised the price of wheat to \$90 a bushel. Let me ask you this, in connection with this wheat: The tariff, before it was raised, was 30 cents a bushel; then it was raised to 42?

Mr. O'BRIEN. Yes, sir.

Senator GORE. Now, doesn't 30 cents more than cover the difference in the cost of production of wheat, between here and Canada?

Mr. O'BRIEN. I would not like to reflect upon the scientific accuracy of my predecessors who were in office 10 years ago, when they raised the duty to 42 cents.

Senator GORE. I appreciate your deference.

Mr. O'BRIEN. In the spring of 1924, when the Tariff Commission, in its bipartisan neutrality and in its deathly search for scientific accuracy, looked into the tariff question, and reached a conclusion

that 42 cents, rather than 30 cents, was the difference in the cost of production of wheat between the United States and Canada, it would be very ill-becoming—

Senator GORE. Possibly they were endeavoring to determine it by looking into the ballot boxes and into the hearts of the farmers.

Senator COSTIGAN. Chairman O'Brien, perhaps it might tend to clear up some confusion on the subject to say that the difference in the cost of production of wheat was intended to apply to the northern hard spring wheat, and was not designed to represent the difference in cost of producing the great bulk of the wheat produced in the United States.

Mr. O'BRIEN. That is a splendid illustration, Senator, of the difficulties of carrying out this law—the number of complications as to what is comparability and what is the chief competing country. Within 3 months the Tariff Commission made an investigation, and I asked, yesterday, the man chiefly concerned with it, about it, and said he: "3 months ago, we took so-and-so as the chief competing country. It is not the chief competing country today; therefore our facts have gone out the window."

I dislike the law very much indeed, the idea that we are to find the difference in the cost of production here and abroad, and to base a tariff on it. I believe nobody, short of omniscience, could do it and stick to it for any length of time, and if we could do it, we ought not to do it. I would like to give very hurriedly, two illustrations. There is a medical produce that can be raised in this country at a very heavy, punishing cost, so to speak. The chemical company, or the apothecary company that deals in it, tells of the great efforts they have made to get that material to grow successfully in this country. "We can make it go. Put on duty enough, and we can make it grow." But it apparently is not good policy, considering that it is a medical article, used by the millions of people in the country.

Now, under the law as it stands, we have but one duty—to go to that article and find the difference in its cost of production here and in the chief competing country, and you would get what from my point of view is an extreme duty, but it would not be a wise thing to do. We could a great deal quicker and more effectively get at it by taking the prices at which the article sells here and in the chief competing country.

Senator GORE. Is there a tariff on that article?

Mr. O'BRIEN. Yes, sir; it is a tariff that does not adequately represent the differences in the cost of production, but, on the general welfare theory, it is probably as high as it ought to be.

There is another article that has come up recently, that I do not think the difference in the cost of production has been enough, or would be enough for a tariff. I refer to beer. When we repealed prohibition here, had there been a scientific ascertainment of the difference of the cost of production between beer in Munich and beer in Wisconsin, let us say, the difference would not have been sensational. It would not have been, in my judgment, great enough to give the brewery interests in the country, in getting back into stride, with some diminishing prestige, because of the long being-out-of-occupation. It would not have given the brewery interest any advantage. The duty should be higher than the difference in cost of production, just as in the case of the medicine it should be lower.

You can go over article after article, and it does not seem to me that the difference of the cost of production is what should be the basis of the tariff.

Senator COSTIGAN. On the article you first mentioned, since the tariff does not represent the difference in the cost of production, and, conceivably, does not represent the difference in competitive conditions, is there any reason for a tariff at all, other than revenue?

Mr. O'BRIEN. Why, yes; a little. The people that are raising that article are very eager to have it raised, and they ask Government institutions like the Veterans' Bureau be compelled to buy the American-raised medical products, regardless of differences in price.

Senator COSTIGAN. Does it not, nevertheless, afford an illustration of articles on which the duty might be somewhat reduced for bargaining purposes?

Mr. O'BRIEN. Possibly, but I should be reluctant to prejudice the producers of this commodity against the pending bill by saying that I agreed with you.

Senator GORE. Let me ask you right there—I judge from what you said, that the cost-of-production theory, in your judgment, is not possible of application, even if it were desirable, and it would not be desirable, even if it was possible?

Mr. O'BRIEN. That is exactly my view.

Senator HASTINGS. Then I would like to know upon what you would base it—on what you would base your judgment?

Mr. O'BRIEN. I would have the Tariff Commission make general economic studies, for which it is wonderfully well equipped, in which we have a great body of scientific experts who do very exceptional work in the finding of facts, having a great deal more time than these committees of Congress do. I would have the Tariff Commission make such economic studies, conduct hearings, if you please, to find out the story, and have its information, contributory to either the President or the Congress, as the case may be, available for the handling of the great tariff questions.

I would not have the Tariff Commission a source of primary power, and my position is vindicated by the fact that you have never made it a source of primary power. Take the great sugar question, which has been decided by this committee within very recent dates. Has the Tariff Commission ever decided that, for the country? Should the Tariff Commission have decided it? We have spent at least \$50,000, on two occasions, in making investigations, which have been worth while, but when it comes to the question of what should be our tariff, it is a question of such ramifications that it belongs very much higher up than with the Tariff Commission.

Senator HASTINGS. But I should like to inquire upon what basis you would fix the tariff? You would not do it upon the difference in the cost of production abroad and the cost at home. I am not inquiring about how we should arrive at it, whether by the Tariff Commission, or some other way, but I should like to get your theory, upon what it should be based.

Mr. O'BRIEN. General welfare, general common sense. There are certain factors that can be brought into that very well. The difference in the selling price of a commodity here and abroad is very immediate, direct, and readily understood. If an article is selling in Montreal, readily, wholesale competitive rates, for 20 cents, and is selling in

New York at 28 cents, here is a very simple question, in which we see that business, in considerable part, should be done in the United States. I would take the difference in selling price as a very pertinent piece of information.

Senator HASTINGS. Well, isn't the selling price very much more apt to vary from time to time than the cost of producing that particular article?

Mr. O'BRIEN. I don't think so. The selling price is a very real thing. Cost of production depends upon whoever sets up the skids, that will determine how the sled shall go. The selling price is a very real thing, that you can get at.

Senator HASTINGS. Selling price at what place?

Mr. O'BRIEN. Wherever you want to have it. That is one of the rather big subjects, right there, on the field of competition.

Senator HASTINGS. Where would you have it?

Mr. O'BRIEN. It would depend upon the article, and the competitive conditions, and where the chief competing market, as the law says, is. But I would handle that with a good deal of common sense.

Senator HASTINGS. Well, if you would just answer me. For instance, can you conceive of fixing a tariff upon some article that was manufactured abroad and imported into New York City--can you conceive of a situation where you might judge the price that is being charged for that article in New York, and base a tariff rate upon it?

Mr. O'BRIEN. You could do that. Look at the country as a whole. Take beer, to which I just referred. It would be a fairly simple matter to decide, what is beer selling at in Germany? Let us assume that is a country that would be a predominant competing country. What do the American producers, the American brewers, sell it for? Look it over, make an economic study of the thing, and make your tariff somewhere along where you want to settle the business. If it is our desire, as I assume it is, in the main, to have most things made here, to have the greater part of the business done in the United States, where it is economical and practical and feasible to do so, place a duty that will make the foreign beers something of a luxury, that will make the people who want to buy the export beer pay a little more for it, at the Occidental Cafe here; but let the figure be at such a level that the great body of the brewing for the American consumption would be done here; and I take somewhat of a general view of the country, as a whole.

Senator HASTINGS. Well, suppose you are dealing with a particular kind of sweater that is made abroad, and is brought in competition with sweaters that are manufactured in this country, and now, all the importer has to do is to fix the price just a little below that which the manufacturer in this country can afford to make it for, to get that business; isn't that true?

Mr. O'BRIEN. It might be, but I wouldn't have that kind of tariff. If it were our decision to have most of the sweaters or all of the sweaters made in this country, if it seemed public policy to do so, I would give a tariff which would keep that business on an even keel, and give the American producer the great body of the business. That is what most of our tariff laws do.

Senator HASTINGS. Well, how would you determine the amount? Where would you pick out the selling price? In Europe, or in this country? Tell me that.

Mr. O'BRIEN. Well, you would pick it out in both. You would ascertain what it costs to bring it into New York from Europe and what it costs to bring it to New York from Connecticut, or from New Jersey, and then put a duty that would let the American producer ride quite comfortably. I could give a long list, here, of the difficulties that we have, or that the institution has, in ascertaining the cost of production. I have been quite disturbed, at these hearings, both here and in the House, by the assumption that we have, in the cost-of-production theory, an instrument of scientific precision, very much like the Weather Bureau. Of course, in the Weather Bureau, you can go out and find the difference in temperature between Buenos Aires and Boston; it is a fixed thing, upon which everybody would agree.

Senator HASTINGS. I do not think anybody assumes that that can be a perfect way of determining.

Senator GORE. It is not a perfect way, but it is the most perfect flapdoodle method known.

Mr. O'BRIEN. I beg your pardon?

Senator GORE. I say, it may not be a perfect way, but it is the most perfect flapdoodle in the world, if I may say so. Would you mind—is there any reason why that should not be inserted in the record, Mr. Chairman?

Mr. O'BRIEN. What put in the record?

Senator CONNALLY. The list of difficulties you are speaking of.

Mr. O'BRIEN. No; that can go in. It was written by Mr. Fox. Mr. Fox, have you any objection to my putting this in the record?

Mr. FOX. No. I just want to make a change, though.

Mr. O'BRIEN. Well, Mr. Fox will make a slight change, or any other change—

The CHAIRMAN. Well, that can go into the record.

(The statement of difficulties referred to is as follows:)

SOME DIFFICULTIES ENCOUNTERED IN APPLYING THE COST-OF-PRODUCTION FORMULA IN SECTION 336 INVESTIGATIONS

1. Difficulty of establishing comparability of domestic and foreign products.
2. Selection of representative period for cost finding.
3. Selection of plants and areas for which to obtain costs in United States and foreign countries.
4. Allocation of costs between products, especially where joint costs are involved. One of the most baffling difficulties of cost ascertainment here presented.
5. Ascertainment of costs for part-time and part-capacity operation.
6. Difficulty in establishing basis for calculating depreciation, depletion, and interest on investment.
7. Uncertainty of the basis for computation of transportation costs.
8. Complications and difficulties involved in securing costs in foreign countries.
9. Where a wide range of costs are obtained, a serious problem is presented of combining the costs into an equitable average cost.

Many other difficulties might be listed, but the most serious objection to the cost formula is as a sole basis for rate adjustment. These difficulties must not blind us to the advantages which commend the use of costs of production as one of the "yardsticks" for measuring the adequacy of a rate of duty. Among these advantages are the following:

1. Costs of production provide a more definite measure than other competitive factors.
2. The cost rule, as applied by the Tariff Commission under the flexible provisions of the Tariff Acts of 1922 and 1930, has resulted in rate changes, both upward and downward, which have corrected some serious maladjustments of duties and have disclosed the existence of other maladjustments.

3. Cost investigations produce many valuable results, such as—
- a. They develop a large amount of definite information about competitive conditions.
 - b. They disclose the comparative efficiency of different industries and of the establishments within an industry.
 - c. They are of value to the industries in that they help them to observe the weak spots within the establishment, and in that they disclose ways to correct the wasteful methods and means for better control of operations.

Mr. O'BRIEN. Another thing I wanted to bring out to this group here, this committee—the present law is Presidential tariff making. The new law is Presidential tariff making.

Senator HASTINGS. I would like you to tell us just how that is. Why do you say it is Presidential tariff making? Do you eliminate from the consideration the entire Tariff Board, under the present law? Is it true that the Tariff Commission, now, has no functions to perform which respect to this principal provision of the tariff?

Mr. O'BRIEN. Why, of course, it has functions to perform.

Senator HASTINGS. Well, does it perform them?

Mr. O'BRIEN. Yes, sir; we bring in quite a few reports from time to time. They must be approved by the President.

Senator HASTINGS. Well, is it or not true that the Tariff Commission exercises an independent judgment; or is it, as I think I saw where you stated before the House committee, wholly subject to and under the control of the President?

Mr. O'BRIEN. The President appoints the Tariff Commissioners. Most men in positions wish to retain them and be reappointed.

Senator HASTINGS. Does that prevent you from doing what you think your duty is under this tariff act?

Mr. O'BRIEN. It does not prevent my doing it, or my associates.

Senator HASTINGS. Do you know of any other member of the Tariff Commission that you think is influenced by a fear that he will lose his job if he does not do what the President suggests with respect to a tariff? I think the country is entitled to know whether we have gone all these years under a false color with respect to that.

Senator CONNALLY. Yes; he will tell you.

Mr. O'BRIEN. The President appoints the members of the Tariff Commission. Every President has views on the tariff, up or down. His friends have views. I would not, for reasons of official propriety, disclose any concrete or specific incidents of this kind, either past, present, or I might say future, but I think that you know, Senator, that you have access to the President of the United States, and that every Senator, particularly of the party of the President of the United States, has access to the President. Tariffs are not a taboo subject. Every President has theories, has beliefs of what he wants to do regarding the tariff. At least, his senatorial and other friends have views of what they want to do. The President appoints the Tariff Commissioners. President Roosevelt will have the privilege, in the term for which he is now elected, of filling 5 of the 6 places on the Tariff Commission, and any President can pick out his kind of members of the opposite party, men who are more or less in sympathy with his point of view, assuming that he has a point of view. At all times, the White House and the Tariff Commission are not unrelated factors in the community. I do not wish to say more than that your own common sense and Washington experience will show you these things.

Senator HASTINGS. Well, I might say this, that I think somebody might be suspicious that that sort of thing was from time to time going on, but the shocking thing, to me, is that the chairman of that board should come before a committee and say that was a fact.

Senator CONNALLY. If it is a fact, why shouldn't he say it?

Senator HASTINGS. Well, I am just trying to find out.

Mr. O'BRIEN. And my statement is that I do not think, for instance that in 1924, the tariff Commission would have brought in a report, changing the duty on wheat from 30 to 42 cents, if they had known it would be received with profound disfavor and disgust by the then President of the United States, who was in that year a candidate for re-election. I do not think that you can separate the Tariff Commission's functions from the President of the United States and his personal interests.

Senator HASTINGS. Well now, let me ask you another question: Are you familiar with a proclamation issued by the President on May 23, 1934, with respect to the laminated sheets?

Mr. O'BRIEN. Yes, sir.

Senator GORE. There is something wrong about your dates, Senator. You said "May 1934."

Senator HASTINGS. May 23.

Mr. O'BRIEN. You mean April?

Senator CONNALLY. May hasn't arrived yet, Senator.

Senator HASTINGS. This comes from the United States Tariff Commission. The Tariff Commission announces that the President has issued a proclamation which becomes effective—

Mr. O'BRIEN. Oh, yes.

Senator HASTINGS. Dated May 23, 1934, decreasing the present rates of duty, 25 cents per pound ad valorem, to 15 cents per pound, and 25 percent ad valorem, on laminated sheets. Now, I would like to inquire whether the President had anything to do with the recommendation of the Tariff Commission with respect to those rates.

Mr. O'BRIEN. Absolutely nothing.

Senator HASTINGS. That is what I hoped.

Mr. O'BRIEN. And, on the other hand, had he or his friends had a very large personal, or political, or other interest in that, he was not required to proclaim that change.

Senator HASTINGS. I understand that.

Mr. O'BRIEN. And we can look back, historically. There have been a good many—quite a few, at least—Tariff Commission recommendations, which have been sent back by the various Presidents, to the Tariff Commission, for reconsideration. There have been quite a few that the President has refused to proclaim or to announce to the world. Now, that result is not because the President has, at the White House, a larger or a more competent, scientific agency for ascertaining the scientific difference in the cost of production here and abroad, that he holds those things up or changes them. I do not say that any President has ever made a mistake in doing that. I do not think that any President ever has. I do submit, gentlemen, for your consideration, if it is not clear, that so long as the President has the power to withhold proclaiming a tariff change or has the power to send it back to the Tariff Commission, which he often does, that the absolutely scientific quality of the cost-of-production idea vanishes.

Senator HASTINGS. But he cannot do it unless the Tariff Commission recommends it, can he? He must have the Tariff Commission recommending it, before his proclamation can become effective, under the present law?

Mr. O'BRIEN. True.

Senator HASTINGS. Well, isn't that a very great difference between the present law and what is proposed here?

Mr. O'BRIEN. I don't think so. The pending law would allow the President to reduce tariffs, we will say 50 percent. Since nobody objects to tariffs being raised, let us discuss this solely as a question of tariffs being reduced. The President has the power now to reduce tariffs 50 percent. He would have, if this bill passes, the power—

Senator HASTINGS. He does not have it, unless he gets the recommendation of this Tariff Commission?

Mr. O'BRIEN. The Tariff Commission is still at his service, will still be at his service as soon as this bill passes, to give him any information and check up.

Senator HASTINGS. Well, now, you have just demonstrated why the Tariff Commission does have some functions which it exercises occasionally, at least. Here is this to which I have called your attention, and with which you say the President had nothing to do.

Mr. O'BRIEN. Right.

Senator HASTINGS. And I assume you think that what the President did is correct?

Mr. O'BRIEN. I do.

Senator HASTINGS. So there is one illustration of a function of the Tariff Commission that was effective, isn't it?

Mr. O'BRIEN. True, it is a relatively unimportant article, but what would you say if—

Senator HASTINGS. I think it is very important to the people that are affected, in this country.

Mr. O'BRIEN. I know, but it is not a subject comparable to sugar and wheat and oil and copper.

Senator HASTINGS. Well, that is the reason I complained about your taking wheat as an illustration.

Mr. O'BRIEN. What I said about the Tariff Commission, the great things in the world, affecting the great basic commodities, like the four articles upon which an excise was put, 2 or 4 years ago this winter, copper coal, and so forth, those were not tariff changes and could not have been made by the Tariff Commission, because I remember they were on the free list; but you take this oil-question—it was not Tariff Commission change, the excise on coconut oil and sesame. It was true, the Tariff Commission had made investigations and reports on that subject, which I hope were of value to this committee, but the great decision rested with the legislative body, here, as in my judgment it should have rested. Now, when you come to presidential—we have now presidential tariff-making. It is useless to walk away from that idea, I meant, metaphorically. I did not see that you had stopped away from your seat. I mean, walk away intellectually. [Laughter.] I beg your pardon.

Senator HASTINGS. I was about to come back, if you were starting to demonstrate that again.

Mr. O'BRIEN. It is impossible for us to get away from the idea that the present tariff law is presidential tariffmaking. One's common

sense and political observation would lead one to think that the changes that the President makes in decision of the Tariff Commission, the failing to ratify the sending back for re-review, and all of that, are not due to his superior scientific equipment at the White House for the scientific ascertainment of the difference of cost of production between this and the chief competing country.

Now, if the President has the power, as he has today under this bill, to reduce tariffs 50 percent, under the present law, I think the reason for doing it, under the proposed law, is a great deal better than the reason under the present law. I think the arguments of Dr. Dickinson and of Dr. Sayre, and others, as to the conditions of our international trade, call very loudly for the grant of power to do something; it should go somewhere where it can be effectively handled in an administrative way, which, of course, is through the President. The President will have just the same privilege of using the Tariff Commission, of having it at his disposal, under the new law, I hope, as he has now, and my hope and belief—I know nothing to the contrary—is that the Tariff Commission would be utilized, just as much to check up on what should be done as to American industries, and to what extent, if any, concessions in tariff should be made, as it is now.

It looks to me that the power that you grant the President, this 50 percent reduction, is exactly the grant he has now, only you have substituted—

Senator HASTINGS. I wonder, just there, do you know whether or not your associates on the Tariff Commission will agree with that statement? Do you think you can get a single one of them to agree with that statement?

Mr. O'BRIEN. I think so. They are all within sight or sound, here. They can all be summoned here. They can all come here, and I would feel very reluctant to express views for them. They haven't, any of them, been to me, to protest over what I said before the Ways and Means Committee.

Senator HASTINGS. Well, remember now what you said. You said that he has power, now, and you said it, time and time again, and I insist that, under the law, he hasn't got it, now, until the Tariff Commission acts, and under your theory, as I get it, the Tariff Commission amounts to nothing, so far as this thing is concerned, so far as this flexible provision is concerned. Do you want to leave the record in that sort of situation?

Mr. O'BRIEN. Not having made that record, I would not like to leave it that way.

Senator HASTINGS. Well, you have just said that, time and time again.

Mr. O'BRIEN. I did not say the Tariff Commission amounted to nothing.

Senator HASTINGS. So far as the flexible provision is concerned.

Mr. O'BRIEN. I said the flexible provision was not flexible. I think I know what the word "flexible" means. I see a lot of things in this world, from air cushions, up and down, that are flexible. I think an agency which holds for 10 years undisturbed a duty on wheat at 42 cents, when wheat has ranged from 40 to \$1.50, in that period, is not altogether flexible. I think that if any President of the United States suggested, through the various agencies that are always open to a

President of the United States—he doesn't have to issue a proclamation of these things—if any President of the United States indicated that it was his desire that the duty of 42 cents should be reduced, I have an idea that common sense will suggest to us that perchance the Tariff Commission might find a means of doing it.

Senator HASTINGS. Isn't there a rule by which the Tariff Commission must act?

Mr. O'BRIEN. Yes, sir.

Senator HASTINGS. You would not violate that rule, just because the President suggested he wanted something done, would you, knowingly violate that rule?

Mr. O'BRIEN. That tariff on wheat could be taken up, with entire propriety, at any time, and the law requires the Tariff Commission to take up the subject that the President or Congress—

Senator HASTINGS. But if you found the facts did not warrant you in recommending to the President that which he wanted done, you do not mean to tell the country and this committee that you, as a member of the Tariff Commission, would do it, do you?

Mr. O'BRIEN. No such situation would arise. Take on the wheat business, why haven't we done anything on that, for so long?

Senator HASTINGS. But you just said a moment ago, if the President should indicate to the Tariff Commission that he wanted a certain thing done, the Tariff Commission would undoubtedly find a way to do it. Now, I ask you the question, whether they would do that, in view of the fact that the law specifically sets forth the rules by which they must arrive at their conclusion?

Mr. O'BRIEN. These things are left in a very vague area. Nobody would be violating any law or any oath of office who reduced the duty on wheat at the present time, or particularly during the year when its selling price was less than its duty.

Senator HASTINGS. Well, suppose the President picked out something other than wheat, and picked out something that the facts would not permit you to do, to carry out his wishes. What would the Tariff Commission do under circumstances like that?

Mr. O'BRIEN. Why, I would go up and talk with the President about it and tell what the difficulties in the thing were, and any President has been very—all the Presidents, through the history of the Tariff Commission, have as a rule been very reasonable minded about it. If you were to prod me too strongly on this, I am afraid my discretion would vanish, and I would tell you of one President under whom I did not serve, who became very angry at the Tariff Commission's attitude, and subsequently apologized to its chairman for speaking to him harshly upon the very issues that you raise. I want only to say that you can see for yourself, gentlemen, the President is accessible to every member of this committee, let us say. Any President has other relations and interests in the world. Does it stand to reason that when there is standing on the President's desk a proposal of the Tariff Commission to reduce the duty of this white paper, let us say, and everybody knows that such a proposition is awaiting the President, a proposal to reduce the duty on that white paper—bad illustration, but I will keep on with it—50 percent, would it not occur to the common sense of all observers, that people could get at the President? I mean, in a perfectly proper and intelligent and patriotic way, to call his attention to how bad we think it would be to

reduce the tariff 50 percent? If that could not be done, just how does one account for the cases upon which the Presidents have not followed the Tariff Commission, the number of things they have sent back for reconsideration? It is no disrespect to the White House Office Building, with its groups of employees, to say that no one would claim that its Bureau of Scientific Investigation was superior to that of the Tariff Commission. In other words, where any President has not followed the Tariff Commission, he has done so for reason other than scientific ascertainment theoretically contemplated by the existing law.

Senator CONNALLY. May I ask you a question, right there? In other words, in the cases in which the President has not followed the Tariff Commission, he had had, on one side, the scientific recommendation by the Tariff Commission, and he has had on the other side, something else?

Mr. O'BRIEN. You are right.

Senator CONNALLY. Motives and considerations of which we are not able to determine, because we do not know what was in the President's mind?

Mr. O'BRIEN. You are right.

Senator CONNALLY. But as between those two considerations, whether they were political or personal, or arbitrary, or "what have you", the President, in those cases where he did not follow your scientific recommendations, acted upon other considerations?

Mr. O'BRIEN. That is an inescapable conclusion. I am not unwilling to say that all Presidents have been always right, in the times that they have turned down the Tariff Commission. I know many times when I think they have been. But the fact remains that you have a list of recommendations made by the Tariff Commission to the President, a certain number of them which have been disallowed, and Senator Connally has stated the inevitable conclusion that the President had, on one side, the so-called "scientific" ascertainment of the Tariff Commission, and he had on another side, something else, and I think it is unreasonable to suppose that he had a superior scientific equipment for handling it in a scientific way.

The CHAIRMAN. Mr. Chairman, before you conclude, I want to get your reaction to this one point. Do you think it is practical, in the framing of this legislation, and in negotiating these reciprocal trade agreements, for us to provide for some form of hearing of those who might be interested, without unnecessarily delaying and unreasonably delaying the negotiations?

Mr. O'BRIEN. It would delay it a little, but I think that would be all right. I wish, however, to say that Mr. Sayre and his group are better people to answer that question than I, as they are the managers, so to speak, in behalf of the administration, on the pending legislation. As far as I am concerned, I should feel very sure that the Tariff Commission, or some other agency, ought to make an economic check-up, let us say, of any proposed tariff reduction. Somebody ought to do it, and I assume it would fall to the Tariff Commission. Now, that check-up might include a hearing. It might include economic studies, might include anything you want, but the only objection, of course, is the objection of delay, and showing your hand to the other side.

The CHAIRMAN. Well, that might be done by a public notice?

Mr. O'BRIEN. Yes.

The CHAIRMAN. That on a certain day, those who are interested might appear?

Mr. O'BRIEN. Just as you have.

The CHAIRMAN. Some agency that the President might designate, or the State Department?

Mr. O'BRIEN. Yes, I think so.

Senator BARKLEY. Well, if the State Department, acting under the direction of the President, should be in the process of negotiation of an agreement with a foreign country, do you think it would promote the consummation of that agreement, for the Tariff Commission, or the Department of Commerce, or the President, to announce a public hearing at which anybody who felt that he might be affected adversely by it, would show up, and then, on the other side, those who thought they might be affected by it beneficially, would have a chance to debate with them, whether they would or would not be—do you think we would ever get an agreement under such a process as that?

Mr. O'BRIEN. I do not think that would be the most effective way of doing it. I think an economic study by the Tariff Commission's expert would be better than the hearing. I have no objection to the hearing. I often get a good deal of information from them, but the general economic study of the thing is a great deal more intimate and vital than the hearing. There is a good deal of stage play at hearings.

The CHAIRMAN. Well, we all realize that. I just wanted to get your personal reaction.

Mr. O'BRIEN. I may have given an example of it, myself.

The CHAIRMAN. Now, is there anything else?

Mr. O'BRIEN. No, sir; I have taken too much of your time now.

The CHAIRMAN. All right, we thank you very much. The Committee will recess until 10 o'clock Monday morning.

(Whereupon, at 12:20 p.m., Friday, April 27, 1934, the hearing was adjourned until 10 a.m., Monday, April 30, 1934.)

RECIPROCAL TRADE AGREEMENTS

MONDAY, APRIL 30, 1934

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

The committee resumed hearings on H.R. 8687, at 10 a.m., in the committee room, Senator Pat Harrison (chairman) presiding.

Present: Senators Harrison (chairman), King, George, Walsh, Barkley, Connally, Gore, Clark, Lonergan, Couzens, Keyes, La Follette, Hastings, and Walcott.

The CHAIRMAN. I will say to the gentlemen who represent the wool-growing and wool-manufacturing interests that we are going to assign to you an hour, and we will let you now get together on who is to present your matter for you. If you want to make your presentation in 3 speeches, that will be all right—4 speeches, 5 speeches, or what not. You will be given an hour.

Senator CONNALLY. Mr. Chairman, do you mean today? Some of the wool people consulted me and said they would rather speak tomorrow if it is agreeable to the committee, since they just arrived.

The CHAIRMAN. We will allow them an hour. Senator Ashurst was just speaking to me about it.

Senator CONNALLY. Let them have a conference to decide that.

The CHAIRMAN. All right. The wool people may confer and decide whether they want to come in in the morning, or not.

Mr. MARSHALL. As far as we know, Mr. Chairman, the wool manufacturers are not here. The wool growers are here, and they are willing to make any arrangement that is satisfactory. We had hoped to have an hour for the wool growers, but as soon as the manufacturers arrive, we will be glad to confer with them.

The CHAIRMAN. Yes; Senator Connally says some of the wool growers are not here.

Senator CONNALLY. No; I say they have just arrived, and they wanted to appear tomorrow rather than today, my group.

Mr. MARSHALL. That would be agreeable to us, and I am sure it would be agreeable to the manufacturers.

The CHAIRMAN. All right. We will take up the wool proposition in the morning at 10 o'clock. In the meanwhile, get together and decide upon the method of presentation and the division of time.

Senator ASHURST. Might I, Mr. Chairman and gentlemen of the committee, at this time first express my gratitude, on behalf of the wool growers, for the time allotted to them at this hearing. You have assigned 1 hour for the presentation of their matter, and do I understand that the hour may be divided as they please?

The CHAIRMAN. Yes.

Senator ASHURST. That is, it may be divided among six speakers, allowing 10 minutes to each, or in any way they choose; is that satisfactory?

The CHAIRMAN. That is satisfactory to the committee. I may say, Senator Ashurst, that considerable time is lost in excusing one witness and putting another witness on, and, while we are giving 1 hour, I hope that you will confine it to as few speakers as possible, so that the committee will not lose any time in calling the witnesses.

Mr. O'MAHONEY. Mr. Chairman, Mr. Mollin, secretary of the American National Ice Box Association is here, and he is on the calendar for today, but he will prefer to appear after the wool growers, or at that time, if that is agreeable.

The CHAIRMAN. Everybody will please understand that these hearings are going to be abbreviated. There were hearings over in the House. We have that record here available. The committee hopes that those who appeared before the House will not repeat what they have said there, because the report of the House hearings is here available, as I say, to the committee, and we want to be fair. We expect to run this afternoon as well as this morning, and then we will run tomorrow morning and tomorrow afternoon, after which the hearings will be closed.

Mr. KRAUTOFF. Mr. Chairman and gentlemen of the committee, Congressman Lozier, who was given the privilege of appearing this morning, desires to have that extended until tomorrow morning, at the same hour.

The CHAIRMAN. All right. Is Mr. Robert Graham here? Mr. Graham is not here. I understand the pottery people want to be heard in the morning.

Then there are the paper and pulp people. How many of their representatives are here that desire to be heard?

Mr. BULLOCK. Mr. Chairman, in order to cooperate with the committee in expediting the matter, I think the paper industry will be able to arrange for the presentation in their behalf of their side of this question through a single speaker only.

The CHAIRMAN. Are you ready now to proceed?

Mr. BULLOCK. We will be, within half an hour or an hour, sir.

The CHAIRMAN. Mr. William C. Lehman; of New York.

Senator CONNALLY. Mr. Chairman, Mr. Derby, representing the chemical people, is here with others of his group, and he has asked to be heard. He is not on the list. I wonder if you could hear him this morning? Are you ready to go on, Mr. Derby?

Mr. DERBY. Yes, sir.

The CHAIRMAN. Mr. Derby, how much time do you want?

Mr. DERBY. All the committee wants me to take.

The CHAIRMAN. Well, the committee cannot give you any great length of time. Was your interest heard over on the House side?

Mr. DERBY. They were not; no, sir. I can be very brief, I think, sir.

The CHAIRMAN. All right, Mr. Derby.

Senator CONNALLY. I suggest you give him 10 or 15 minutes.

The CHAIRMAN. You are the only witness?

Mr. DERBY. I am; yes, sir.

The CHAIRMAN. We will give you 15 minutes, Mr. Derby.

Mr. DERBY. Thank you.

**STATEMENT OF HARRY L. DERBY, NEW YORK, REPRESENTING
THE MANUFACTURING CHEMISTS ASSOCIATION OF THE
UNITED STATES**

Mr. DERBY. Mr. Chairman and gentlemen, I am representing the Manufacturing Chemists Association of the United States. I appear in opposition to H.R. 8087, the reciprocity tariff bill, to this extent: We do not believe that the making of the tariff, which this bill contemplates, should fail to have the supervision of the Senate.

We don't believe that it is a practical thing to change tariff rates to any important extent without first having a day in court.

We think that industry, mining, agriculture, and labor should have an opportunity to be heard, if it is contemplated that the trades that are to be made affect interests of labor and industry.

Ever since the tariff was imposed the Senate and the House have participated in making the schedules. We believe that the membership of those two bodies has peculiar knowledge of the industries and agriculture and labor in their respective districts and that those representatives can more properly safeguard those interests than otherwise.

We have been going through a period of depression. There is great uncertainty on the part of all industries. The chemical industry is one that peculiarly takes in every other industry, because there is no product of industry that does not require chemicals in its production. The research of the chemical industry has brought that industry from the nonefficient group into the efficient group today.

There is about \$14,000,000 spent every year in research. We believe that if this bill is passed as it is drafted, it will be the greatest factor to stop the progress of industry, of anything that could be done, because certainly no industry will be safe in an expansion program, unless it knows that its interests are going to be safeguarded, if they go ahead and spend the money to increase the facilities, and manufacture new products.

The CHAIRMAN. Mr. Derby, one moment please.

Those who are here can cooperate with the committee greatly if you can get together out there and if you can agree on one person to present your matter. I am speaking now particularly to those interests that I see that have made requests to be heard.

There is the paper and pulp, and there are the toy manufacturers, and there is the tanning industry, the glass industry, the lace industry.

Those that are interested in those various industries, or any others that may appear here, if you can meet out there and get together, it will help the committee a great deal.

Go ahead, Mr. Derby.

Mr. DERBY. We have every confidence in the President. We have no doubt whatever of his good intent, and it is the desire of our industry to cooperate 100 percent with him. There are said to be 6,000-odd items in the tariff schedule. It is not physically or mentally possible for any man, as busy as he, to know all the background of all those commodities. Therefore, he must rely on some group of men to determine what it is safe to trade and what it is unsafe to trade. We don't believe that any group of men can safely advise the President unless they are fully informed by those that are directly affected as to what the result might be.

Therefore we feel very keenly that a day in court should be allowed to industry, agriculture, and labor, before any trade change is made.

We believe that the Senate should not surrender the powers and responsibilities that they have ever held over taxation and over the fixing of tariffs.

We are keenly of the opinion that if that is done and there is no assurance on the part of industry as to where it may go by reason of some schedule being traded, that you will retard the development which has now begun to take place, the improvement that is beginning to occur, and that so far as capital goods and the consumption of capital goods are concerned, you will find that there will be a very definite stop.

We saw the same thing happen with reference to the security bill. The progress of development obstructed by the fact that industry could not market its securities retarded development.

Senator BARKLEY. Well, I would like for somebody to prove that. That has been stated over and over again, but nobody has offered any proof of it. Nobody has named any company that has refused to issue securities on account of that bill.

Now, name one.

Mr. DERBY. I think I can furnish you a list, Senator.

Senator BARKLEY. I would like to have one. I have never heard of one who declined to issue any because of that legislation.

Mr. DERBY. I am very sure that there are several that can be provided.

Senator BARKLEY. Can you imagine anything that would affect business more adversely than to have one of these trade agreements hung up in the Senate indefinitely?

Mr. DERBY. Well, yes; I can. I would a great deal rather have it hung up indefinitely in the Senate than to have some situation where a trade would be made and then, afterwards, find that some thousands of men were thrown out of employment.

Senator BARKLEY. Now isn't it the real truth that you are against this bill altogether, and that you would prefer to see it, even if it is enacted, and all trade agreements entered into—you would prefer to see either the Senate indefinitely debate it, or not ratify it at all?

Mr. DERBY. No. I would prefer far rather to see the Senate pass on it. I would prefer to see the Senate, because of the fact that the Senators know, in their districts, who would be affected, and to what extent they would be affected. I would regard them as much more capable to do that thing, in the interests of all, than I would some committee or commission that was appointed and had no responsibility to any constituents.

Senator BARKLEY. Well, what was your attitude when we had up the bills heretofore, that conferred upon the President the power to raise and lower tariffs 50 percent, and we were arguing whether the Congress or the Senate or somebody else should pass on them?

Did you appear then on behalf of this same principle?

Mr. DERBY. I appeared in behalf of the flexible principle, just as it is written in the act of 1930.

Senator BARKLEY. Yes. Well, that did not give either the House or the Senate any authority in the matter of changes.

Mr. DERBY. No; but it did base it on the finding of facts, Senator.

Senator BARKLEY. Yes, sir.

Mr. DERBY. And that is the thing we are afraid of here.

Senator BARKLEY. Not all of it. Section 338 does not base it on any finding of fact.

Mr. DERBY. But section 338 does say that if the President finds that some industry is being injured, he may raise the rates.

Senator BARKLEY. Yes.

Mr. DERBY. It does not say he can lower them.

Senator BARKLEY. He cannot lower them. You are in favor of the President raising them without Congress but you do not want them reduced; isn't that the fact?

Mr. DERBY. If it is necessary, to defend American industry; yes, sir.

Senator BARKLEY. Well, I don't want to take up your time with questions. Go ahead.

Mr. DERBY. Thank you. Our whole thought in this matter is this, gentlemen, that the uncertainty created by a bill which allows no review, which leaves it in the hands of some commission to advise the President, or some committee to advise the President, that it is the perfectly safe thing to do, to our mind is an unsound thing, and is something that is going to retard industrial progress.

We have, in the chemical industry, and chemical service, in the broader sense, something over a million men employed. We don't want to see anything happen that is going to restrict progress in the chemical industry. It is the backbone of national defense.

It is the backbone of industry in the United States, if you please, and prior to the war, the chemical industry, which was frequently said to be a very inefficient industry, by reason of the protection that Woodrow Wilson first proposed, that industry has grown from an investment of something around a billion dollars to over 5 billion dollars.

Senator BARKLEY. Do you believe that we ought to try in some way to expand our foreign markets for American products?

Mr. DERBY. I believe, yes; wherever it is the logical thing to do.

Senator BARKLEY. How would you do it?

Mr. DERBY. I believe also that the foreign consumers will consume our products, if it is to their advantage to do it, but I don't believe that any trade that can be made will result in those foreigners buying our products, if it is not to their advantage to buy them, either by reason of quality, price, or the other factors which enter into it.

Senator BARKLEY. Well, that has not been a moving factor in their purchasing within the last few years, when they have raised tariff walls to a prohibitive extent, where they have issued quotas.

That has not been based on the quality of the goods, but on their desire to keep them out.

Mr. DERBY. Yes, Senator; and we have, in the act of 1930, a provision that our President can do the same thing with reference to foreign commodities, if he wishes to.

Senator BARKLEY. Oh, yes; he can raise it. He could raise the wall so high that nothing could come in, but he cannot lower anything, in order to help get the consumers to buy some of our stuff.

Mr. DERBY. He can, if it is found that the cost of production—

Senator BARKLEY. Yes.

Mr. DERBY. If the cost of production is equalized.

In other words, I think the best tariff bill does just this: It says to the foreigner, "We will let you sell in this market, but we won't let

you sell based upon labor that is about a half or a tenth of our labor, and have the cards stacked against American industry."

Our feeling is that we are perfectly willing to compete with any foreign country, but we want to compete on an equal basis.

Senator BARKLEY. You don't agree, then, with the Chairman of the Tariff Commission, who testified the other day that it is impossible now to secure the cost of production in any country in an accurate way?

Mr. DERBY. That may be true, but I also know that in the tariff law there is a provision that if it is impossible to ascertain the cost in the foreign country, then the selling price of the foreign article in this market may be taken as prima facie evidence of the fact that they have a certain cost.

The CHAIRMAN. Well, Mr. Derby, as I understand your position, you feel that this resolution should be amended, first, to come back to the Senate for ratification; secondly, to provide hearings?

Mr. DERBY. I do; yes, sir.

The CHAIRMAN. That is your position?

Mr. DERBY. That is our position.

The CHAIRMAN. All right. You believe that it should either come back to the Senate for ratification or that there should be provided public hearings.

Mr. DERBY. And I again want to state that we are fully in accord with the idea of cooperating with the President. We want to expand foreign trade where it is logical to do it but we do want a hearing.

The CHAIRMAN. Well, thank you very much.

Mr. DERBY. Thank you very much, gentlemen, for your courtesy.

The CHAIRMAN. Are the tanning people ready? Who represents the tanning industry?

Not here? All right.

On the tanning proposition there was Mr. Lombard, Mr. DeVries, and Mr. William H. Cliff. None of those gentlemen is present.

Mr. CLIFF. I do not represent the tanning industry. W. H. Cliff talking.

The CHAIRMAN. Well, does anybody answer present for any of those? All right.

Mr. Graham is now present.

Senator CONNALLY. Hadn't they better all get together?

The CHAIRMAN. Well, none of them answer.

Senator HASTINGS. I ask that the following telegrams relative to the pending bill be inserted in the record at this point:

WILMINGTON, DEL., April 28, 1934.

Hon. DANIEL O. HASTINGS,
Senate Chamber:

We understand reciprocity tariff bill (H.R. 8687) as proposed may prove very detrimental to industry. We trust you will use your efforts to see that it is properly amended to permit industries affected to have hearing and that also agreements or changes in rates should be ratified by Senate.

J. E. RHOADS & SONS.

WASHINGTON, D.C., April 29, 1934.

Hon. DANIEL O. HASTINGS,
Senate Office Building, Washington, D.C.:

Reciprocity tariff bill (H.R. 8687) in present form most detrimental American business. Certainly every industry affected by proposed trading agreements with foreign countries should be entitled to hearing so all factors involved will

be fully known as well as effect on interests concerned. We request you oppose this Presidential authority and reserve to Senate the right of ratification after full hearings.

C. D. Osborne Co., Superior Glove Co., Ray Bros., Eisendrath Glove Co., Chicago; Milwaukee Glove Co., Netz Glove & Mitten Co., Heller Leather Co., Hanson Glove Corporation, Milwaukee; Sellinger Glove Co., Ross Glove Co., Sheyboygan, Wis.; Morrison Shultz Manufacturing Co., Grinnell, Iowa; Fried Osterman Manufacturing Co., Reinhart Mitten Co., Milwaukee; Fred Burnham Glove Co., Michigan City, Ind.; Ripon Knitting Works, Ripon, Wis.; Berlin Glove Co., Berlin, Wis.; E. J. Strohert, American Glove Co., 20th Century Glove Co., J. A. Dubow Glove Co., Fuxman Glove Co., Grand Glove Co., Reliance Glove Co., Sager Glove Corporation, Chicago.

STATEMENT OF ROBERT C. GRAHAM, VICE PRESIDENT GRAHAM-PAIGE MOTOR CORPORATION; CHAIRMAN OF THE EXPORT COMMITTEE OF THE NATIONAL AUTOMOBILE CHAMBER OF COMMERCE

The CHAIRMAN. All right, Mr. Graham. You are vice president of Graham Brothers motor corporation?

Mr. GRAHAM. Graham-Paige Motors Corporation; yes, sir.

The CHAIRMAN. Graham-Paige?

Mr. GRAHAM. And chairman of the export committee of the National Automobile Chamber of Commerce.

The CHAIRMAN. The committee gives you 15 minutes, Mr. Graham.

Mr. GRAHAM. Mr. Chairman and members of the committee, the National Automobile Chamber of Commerce respectfully urges your approval of the reciprocal-tariff policy proposed by President Roosevelt in bill H.R. 8687.

Senator CONNALLY. Is that this bill?

Mr. GRAHAM. Yes, sir.

Senator CONNALLY. Well, somebody is really in favor of it?

Mr. GRAHAM. Yes, sir.

There are several important reasons why we believe this measure will help restore foreign trade and improve domestic conditions.

One of the chief causes of our economic trouble, not only here but in foreign countries, has been the high tariffs which have placed a great list of major products beyond the reach of the many.

Any reciprocal adjustment of these duties may be expected to have the effect of bringing goods of all kinds better within their purchasing power.

This much-needed adjustment of prices to the income of consumers can, we feel, be achieved if the President is authorized to make and conclude the necessary negotiations in a give-and-take spirit.

The bill as it passed the House of Representatives has the fine features of creating a tariff umpire who would be able to render decisions in the light of national as well as sectional interest.

It means the President, properly empowered, can take action, which will create the greatest number of jobs for the greatest number of people.

The National Automobile Chamber of Commerce believes that there is urgent need for this tariff policy to enable the President to stimulate a two-way flow of trade on a quick and practical basis.

There has already been an improvement in world trade because of the more reasonable spirit underlying the foreign-trade policies of

many countries today. Our willingness to work for a sounder tariff attitude in the United States fits in with this trend and is essential to its further progress.

From a record low of 181,000 American motor vehicles sold outside the United States in 1932 there was an increase to 240,000 units in 1933. During the first quarter of 1934 there has been an encouraging improvement over the same period last year, but the volume is still far short of normal.

Senator GORE. What is normal?

Mr. GRAHAM. Well, by "normal", I would figure, Senator, the figures from 1925 to 1929, which were approximately from 750,000 to a million automobiles exported a year.

However, with the aid of President Roosevelt's tariff policy, this market might well reach the half million mark next year with far-reaching effect on employment and purchasing power.

Beyond the sale of this half million cars in prospect for 1935, the sale abroad of as many as a million American cars in a single year is not beyond the realm of possibility, given a reasonable tariff policy.

Senator BARKLEY. Does your statement contain the average number of automobiles manufactured in this country and the average number, per year, sold domestically?

Mr. GRAHAM. Those figures—I am referring to the million automobiles that could be exported.

Senator BARKLEY. I know. I appreciate that. I am trying to get at what proportion that would be of the total product of American automobiles.

Mr. GRAHAM. It has been about 15 percent, and we have a right to expect about 15 percent export.

The CHAIRMAN. Won't you put into the record, since 1919, the production of automobiles in this country, and the exports of automobiles from this country?

Mr. GRAHAM. Yes, sir.

The CHAIRMAN. Year by year, so we can see the picture.

Mr. GRAHAM. We have that evidence, showing facts and figures, that we would like to present to you.

The CHAIRMAN. All right. Put that in the record.

(The memorandum is as follows:)

Year	United States motor-vehicle exports, number of vehicles	Production of motor vehicles in Canada	Foreign assemblies of automotive parts sent from United States	Total overseas sales of United States design motor vehicles	Production of motor vehicles in the United States
1919.....	82,730				1,933,595
1920.....	171,644				2,237,349
1921.....	38,790	60,246	19,298	124,332	1,616,119
1922.....	78,234	102,033	45,444	225,731	2,544,176
1923.....	151,894	140,436	78,985	374,317	4,034,012
1924.....	178,732	130,246	105,547	419,525	3,602,540
1925.....	302,931	161,970	116,309	581,210	4,265,830
1926.....	308,420	204,727	79,376	589,523	4,300,934
1927.....	384,195	179,054	68,008	631,254	3,401,326
1928.....	507,110	242,382	68,999	816,461	4,358,759
1929.....	536,201	263,295	187,614	987,110	6,358,420
1930.....	237,630	154,192	160,550	552,373	3,355,986
1931.....	128,357	82,621	105,721	316,690	2,389,738
1932.....	66,493	60,816	50,158	176,467	1,370,678
1933.....	107,033	65,924	(1)	(2)	1,959,945

¹ Not available. Estimated at 67,000.

² Estimated total overseas sales in 1933 is 240,000.

Mr. GRAHAM. As it has in the past, our export volume could be made to equal the demand of 28 of our own States. A foreign demand for 1 million cars, for example, would mean that orders would have to be placed by automobile manufacturers for approximately 800,000 tons of steel, 22 million square feet of plate glass, 3½ million gallons of paint, 5 million tires, and for correspondingly large quantities of copper, upholstery, leather, aluminum, and many other products.

Senator CONNALLY. Do you use mohair in upholstering as you used to, or have you quit that?

Mr. GRAHAM. Mohair in some automobiles—I was talking to Mr. Knudsen not long ago—I think it is almost 50-50 in some of General Motors products. In our own particular case it is not quite that heavy, but we are still using mohair.

Every State in the Union furnishes some product for the automobile, the minimum being 2 for any 1 State, like Florida, and the maximum being 17 for Pennsylvania.

The industries that supply these products for automobile exports would be greatly benefited by a rise in the export demand just as they have been hurt in the past by the decline in this foreign demand, a decline which considerably exceeded the falling off in our own country.

Senator GORE. Now, you say 2 in Florida and 17 in Pennsylvania. How many altogether, would you say, different items, that you classify?

Mr. GRAHAM. We have the list, containing facts and figures, Senator Gore, that covers that. I refer you to a booklet published by the Automobile Chamber of Commerce, called "Facts and Figures of the Automobile Industry, 1933 Edition." About 4,500 parts go into an average automobile, made up of 45 principal raw materials produced in the United States.

Senator GORE. Do you have the total number? That is what I was getting at.

Mr. GRAHAM. From all of the States, you mean?

Senator GORE. No; not from all of the States, exactly. You said two of your articles came from Florida.

Mr. GRAHAM. That is the minimum.

Senator GORE. And 17 from Pennsylvania. Now, what would be the total, coming from all States?

Mr. GRAHAM. We have that. Mr. Bauer, you have that right here?

Mr. BAUER. Yes, sir.

Senator CONNALLY. Just put it in the record.

Mr. GRAHAM. Will you read that?

Senator GORE. That is not the point. I don't make the point clear: What is the aggregate of different products coming from all States?

Senator CONNALLY. You have named 2 as coming from Florida and 17 from Pennsylvania. Now, how many are there altogether?

Senator GEORGE. They may be duplicates.

Senator GORE. They may be duplicates. That is what I am getting at.

Senator GEORGE. Senator Gore wants to know how many American products are used in the manufacture of automobiles.

Senator GORE. That is it. How many categories would there be altogether?

The CHAIRMAN. Can you answer that, Mr. Graham?

Senator GEORGE. How many different things are used?

Mr. BAUER. Well, that varies, here, all the way from mercury to manganese.

Senator GORE. You do not seem to get my point.

Senator GEORGE. How many?

Senator GORE. How many, or altogether?

Mr. BAUER. Well, there is some duplication.

Senator GORE. That is not the point. I do not mean duplications. If you haven't got it, pass on.

Mr. BAUER. We can put it in the record.

Senator CONNALLY. Steel, glass, copper, and so on.

Mr. BAUER. Yes. I can give it in the record there, all the products.

Senator GORE. Yes.

Mr. GRAHAM. It is important in this connection to cite that the American automobile has been far more heavily penalized in the course of the past several years by the imposition of high duties and restrictive quotas than any other article of American commerce that we know of.

As an illustration of the extent of these penalties, I have exhibit A here which I will leave with the committee. However, I would like to refer to just three or four items. Approximate ad valorem equivalent duty rates on one of the low-priced American automobiles in the Argentine is 40 percent, Belgium 107 percent, New Zealand 61 percent, and so on down the line.

Senator HASTINGS. Do they manufacture automobiles in those countries?

Mr. GRAHAM. No, sir.

Senator HASTINGS. Do you know the purpose of their tariff on automobiles?

Senator CONNALLY. I suppose the purpose is to get some revenue from the duties.

Senator GORE. Somewhat of a luxury tax, it looks like.

Senator HASTINGS. Do you know the reason for putting those high rates on automobiles coming to those countries?

Mr. GRAHAM. No, sir; but we would be glad, with this list, to give you the reasons.

Senator HASTINGS. All right.

Mr. GRAHAM. The more reasonable attitude in evidence toward foreign trade generally abroad has not yet extended to removing these barriers against the American motor car. Such gains as we have made to date have come in spite of the continued existence of these barriers. Our real hope for extending these gains lies in modifying these penalties by reciprocal bargaining.

We believe the President's reciprocal trade policy will restore many of the jobs that have been destroyed by trade strangulation in the past and, through revival of the purchasing power of our workingmen, will help to reestablish a larger domestic demand for goods of all kinds.

As in any mass-production enterprise, an increase in volume is essential if lower unit costs are to be achieved. It is, therefore, vital to the American consumer that a reasonable volume of exports be

created in order that he may get the maximum benefit from mass production.

The United States accounts for only 7 percent of the world's population, but we possess 24 million of the 33 million motor vehicles in use throughout the world today. The relation of motor cars and highway mileage to the population of other countries, even allowing for lower purchasing power, gives promise of a very large potential market.

The American automotive industry, by reason of its production methods and the inherent quality and value of its product, is equipped to compete effectively for this market, provided the excessive trade barriers raised against it are modified.

The contribution the industry has already made to economic recovery in the United States can be carried much further if its efforts abroad are given the full benefit that reciprocal tariff bargaining can be made to provide.

The National Automobile Chamber of Commerce believes that the accomplishment of these agreements should be pursued vigorously, with due regard to the interests of the Nation as a whole, and with opportunity for a hearing to any industry whose interests may be affected.

We favor this legislation looking toward a broader base for America's foreign trade because we believe, quite frankly, that our own export business will thereby be facilitated, with a consequent increase in employment in our American factories.

We favor this legislation more fundamentally, however, because we believe that an increase in foreign trade will greatly improve domestic conditions. We believe employment will continue to increase, as it has during the past year, coincident with the increase of both exports and imports; and we believe that, as an industry, will benefit still further from these improved domestic conditions.

The National Automobile Chamber of Commerce favors the adoption of this legislation because it believes that the stimulation of America's foreign trade can best be realized by granting the President the negotiating powers he has requested as an essential element in his recovery program.

EXHIBIT A.—NATIONAL AUTOMOBILE CHAMBER OF COMMERCE APPROXIMATE AD VALOREM EQUIVALENT DUTY RATES ON LOW-PRICED AMERICAN ASSEMBLED SEDAN

	<i>Percent</i>		<i>Percent</i>
Argentina.....	1 40.4	Italy.....	1472.9
Belgium.....	1 107.4	Japan.....	35.0
Brazil.....	31.4	Java.....	1 30.0
Canada.....	20.0	Mexico.....	12.5
Ceylon.....	27.5	New Zealand.....	61.8
Denmark.....	40.6	Norway.....	45.0
Egypt.....	17.6	South Africa.....	20.0
England.....	33.3	South Rhodesia.....	25.0
France.....	1 127.5	Sweden.....	20.0
Germany.....	1 60.9	Switzerland.....	1 97.1
Holland.....	15.1		

Spain: Nonpreferential treatment.

Brazil: Low-weight classification.

Argentina: Low-weight classification.

Belgium: Low-weight classification.

Denmark: Low-weight and small motor classification.

¹ Represents increase within past year.

Federated Malay States: Registration fee of 20 percent ad valorem required on non-British cars.

France: Low-weight classification.

Greece: Low-weight classification.

Italy: Prohibitive duty except on very large cars.

Portugal: Low-weight classification.

Sweden: Small motor classification.

Switzerland: Low-weight classification.

IMPORT RESTRICTIONS OTHER THAN EXCHANGE

Austria: 80 cars and trucks per year allowed to enter.

Czechoslovakia: 1,000 cars and trucks per year.

Latvia: Limited to three fourths of 1931's imports.

Greece: Grecian chambers of commerce apportion quotas on the basis of importers' volume during last 3 years.

Poland: Monthly quotas, approximately one half of 1932's imports.

Russia: Government monopoly, importers licensed by Union of Soviet Socialist Republics.

Switzerland: One half of 1932 imports, plus compensation equal to two times corporation's purchases of Swiss watches, based on the wholesale price at factory.

Persia: Import licenses required by the Government.

Iceland: Importation of cars prohibited and the importations of trucks only under special license.

Rumania: Annual quota, 500 automobiles at normal duty rates. Import permits are required.

France: Complete passenger automobiles, automobile chassis and bodies, motorcycles, and certain automobile parts, including motors, rear axles, and wheels, are subject to import quotas.

Denmark: Import permits required, also certain parts for assembly of automobiles must be of Denmark origin.

The CHAIRMAN. Thank you very much.

Senator HASTINGS. Mr. Graham, do the automobile industries import any of the articles used in the manufacture of automobiles?

Mr. GRAHAM. Yes, sir; there are 56 countries that make products that can be used in automobiles.

(The statement shows some of these products:)

FIFTY-SIX FOREIGN COUNTRIES ALSO PROVIDE MATERIALS FOR AUTOMOBILES

Africa (British East), sisal; Africa (British West), skins; Africa (Gold Coast), manganese; Africa (Portuguese), chrome; Africa (Union of South), copper; Algeria, cork; Argentina, antimony; Australia, wool; Austria, magnesite; Belgium, creosote; Bolivia, tin ore; Brazil, manganese; Canada, abrasives; Ceylon, lead; Chile, lead ore; China, nutgalls; Colombia, platinum; Cuba, glycerine; Czechoslovakia, leather; Dominican Republic, sugarcane; Ecuador, petroleum; Egypt, cotton; Finland, paper base; France, ochers; Germany, habbit; Greece, chromite; Gulana, (British), bauxite; Haiti, dyeing extracts; Hong Kong, tin; India, mica; Iraq, mohair; Italy, onyx; Japan, moss; Malaya, damar; Mexico, mahogany; Netherlands, diamonds; Netherlands (East Indies), kapok; Netherlands (West Indies), oil; Newfoundland, lead; New Zealand, wool; Norway, nickel; Peru, lead; Philippines, mangrove extract; Poland, zinc; Portugal, cork; Rumania, petroleum; Soviet Russia, manganese; Spain, mercury; Sweden, kipskins; Switzerland, aluminum; Syria, mohair; Trinidad, asphalt; Turkey, valonia; United Kingdom, china clay; Uruguay, hides; Venezuela, petroleum.

Senator HASTINGS. What is the principal importation? What is the principal article that you import in the manufacture of automobiles?

Senator KING. It would be rubber.

Mr. GRAHAM. Naturally, rubber.

Senator KING. Then the steel companies import a good deal of chrome and manganese, and so on, and you need steel in the manufacture of your automobiles.

Mr. GRAHAM. Yes, sir; and what else is it they import, Mr. Thatcher? We would be glad to give you the list. Mr. Thatcher will give you the list.

Senator HASTINGS. Is there a tariff on any of those articles?

Senator KING. There is a tariff on manganese.

Mr. GRAHAM. Would you like to hear the entire list?

Senator HASTINGS. Oh, no.

Senator GORE. Print it in the record.

Senator HASTINGS. What is the principal one, outside of rubber? Is there a tariff on it?

The CHAIRMAN. There is no tariff on rubber.

Senator HASTINGS. I understand that.

Senator CONNALLY. Plate glass is a big one. There is a tariff on that.

Senator KING. Manganese; there is a tariff on that.

Mr. GRAHAM. Manganese is a big one; lead, platinum, sugarcane, petroleum, cotton, paper bags, mica, mohair, moss, mahogany, oil, wool, nickel, cork, zinc, mercury, aluminum, and so on.

Senator HASTINGS. Would you expect, if this agreement that the President might make with foreign countries, that some of those duties might be lessened?

Mr. GRAHAM. I believe that we would be willing to leave that to the discretion of the President.

Senator HASTINGS. No, no; you evidently do not understand my question.

The CHAIRMAN. I think that is a very pointed answer, Senator.

Senator HASTINGS. It is not satisfactory to me. I wanted to inquire whether the organization which you represent would expect to have the various tariffs on articles that you import and use in the manufacture of automobiles reduced.

Mr. GRAHAM. I still feel that the industry, which is so vitally interested in the common good of this country, would leave that in the hands of the President, and not dictate or even try to dictate in regard to what the item may be.

Senator HASTINGS. That is not your principal reason for urging the legislation, the hope that those tariffs would be reduced on those various articles, is it?

Mr. GRAHAM. I would say that it was not.

Senator HASTINGS. What are the principal countries now manufacturing automobiles?

Mr. GRAHAM. Germany, England, France, and Italy.

Senator GORE. Do they have any higher tariffs than those that do not manufacture?

Mr. GRAHAM. Yes, sir; Italy has, for example, 475 percent tariff.

Senator GORE. That ought to be ample.

Mr. GRAHAM. I would say. We have it here. France has 75, and we had Germany 125, and England 33½.

Senator GORE. Will you print a list in the record, showing that?

Mr. GRAHAM. We have a list which we will submit, Senator Gore. (See exhibit A to Mr. Graham's testimony.)

Senator HASTINGS. Do you know what the tariff is on the automobiles imported in this country at this time?

Mr. GRAHAM. Twenty-five percent.

Senator HASTINGS. Would you expect that to be increased or decreased if this bill went into effect?

Mr. GRAHAM. The industry is not asking for a definite proposition in regard to that, but we are willing to take what is given us.

Senator HASTINGS. I know you have some expectation of some real help for this.

I would like to know how you hope to get it. Do you know how your organization expects this bill to help the automobile industry?

Senator GORE. You would get Italy to reduce her tariff, say, 10 percent, or down to about 450 percent? [Laughter.]

Mr. GRAHAM. I wish you would just repeat that question, Senator Hastings.

Senator HASTINGS. I want to know whether your organization expects the improvement to the export trade in automobiles to come from a reduction of the tariff, or the increase in the tariff.

Mr. GRAHAM. Well, personally, I would say that we have come to the realization that we have to buy, if we expect to sell; that we believe that the whole world has to be able to broaden their purchasing power and to be able to buy and sell commodities of the world, in order to give us the benefit of the purchasing power of the world.

Senator HASTINGS. Would your association be willing that the tariff on automobiles be reduced to 12½ percent instead of 25 percent?

Mr. GRAHAM. I would say that while I am not able to answer for the entire chamber on that point, personally I would say—

Senator HASTINGS. You would be willing to have it reduced 12½ percent?

Mr. GRAHAM. Yes, sir.

Senator HASTINGS. You think that would help the automobile industry in this country?

Mr. GRAHAM. I believe that by showing a more conciliatory attitude toward the countries of the world it would create a more friendly feeling and enable us, therefore, to sell more than we have been selling under existing conditions.

The CHAIRMAN. Well, isn't it a fact, Mr. Graham, that when the last tariff act was written, the automobile interests said they were not interested in the 10- or 25-percent tariff on automobiles?

Mr. GRAHAM. Yes, sir.

The CHAIRMAN. And that they put a 10-percent tariff on the general line, 25 percent on some products, and so forth, with a countervailing duty, and so forth?

Mr. GRAHAM. That is right.

Senator GORE. How much do we import in the way of automobiles? What is the number and what is the aggregate value?

The CHAIRMAN. It is very few. We will have it supplied by our expert.

Senator GEORGE. It is nominal. I think about a thousand units.

Mr. GRAHAM. Senator Gore, it is not to exceed 2,000 a year.

Senator GORE. I do not think the volume would be very great.

Senator HASTINGS. Has Mr. Ford got some factories in Europe manufacturing automobiles?

Mr. GRAHAM. Yes, sir.

Senator HASTINGS. At what places in Europe?

Mr. GRAHAM. Well, he has a considerable number of plants. One of the important ones is outside of London, which is the manufacturing

plant, and then he has assembling plants in practically all the major countries.

Senator HASTINGS. Is he competing in Europe with automobiles manufactured in this country for the European trade? Does that which Mr. Ford manufactures compete with automobiles manufactured in this country for the foreign trade?

Mr. GRAHAM. Well, Senator, I am speaking for the National Automobile Chamber of Commerce, and in regard to competition of Ford, or any other competition, I think it is only natural that there would be competition.

Senator HASTINGS. Do you know whether or not those plants of Mr. Ford have had any effect upon the export trade of the automobile business?

Mr. GRAHAM. Well, I think that, quite naturally, the Ford being one of the great organizations of the world manufacturing automobiles, that they would be an important factor, certainly.

Senator HASTINGS. The proposed change in the tariff law would not in any way affect that competition, would it? It would not eliminate Mr. Ford as a competitor in the European business, would it?

Mr. GRAHAM. I do not think that it would be. I do not think it would be our prerogative to ask that competition be eliminated.

Senator HASTINGS. Well, it wouldn't do any good, if you did ask it, would it, of Mr. Ford?

Mr. GRAHAM. I don't think so, or with anyone else.

Senator HASTINGS. I notice you mentioned Belgium, didn't you, as one of the countries that had a high tariff upon automobiles?

Mr. GRAHAM. Yes, sir.

Senator HASTINGS. Do you happen to know whether the export business of automobiles to Belgium has increased or decreased?

Mr. GRAHAM. I would say that the export business—and we have those figures—has increased slightly, the first quarter. Isn't that so, Mr. Thatcher?

Senator HASTINGS. Well, as a matter of fact, didn't it increase in the year 1933 a great deal, in fact?

Mr. GRAHAM. We have those figures.

Senator HASTINGS. Will you provide those?

Mr. GRAHAM. And put them in the record? Yes.

(The figures are as follows:)

EXPORTS FROM UNITED STATES TO BELGIUM

1928.....	25, 150	1931.....	17, 499
1929.....	29, 883	1932.....	10, 306
1930.....	22, 430	1933.....	12, 278

The larger part of these exports are reexported to nearby countries.

Senator HASTINGS. Can you answer the question? Do you have the figures there? Is that true or not, that they increased from 5 percent in 1929 to 14.1 percent in 1933?

Senator GORE. State that again.

Senator HASTINGS. Is it or not a fact that it increased from 5 percent in 1929 to 14.1 percent in 1933?

What is the figure?

Mr. BAUER. It was up as high as 18 percent, and it dropped down to about 12 percent.

Senator HASTINGS. When was it 18 percent?

Mr. BAUER. 1929.

Senator GORE. You mean the importing into Belgium? I did not understand.

Senator HASTINGS. The export business of automobiles to Belgium.

Senator KING. From the United States to Belgium.

Mr. BAUER. From 1929, that dropped about 79 percent; 79 percent drop from 1929 to 1932.

Senator HASTINGS. Have you got the figure for 1925?

Mr. BAUER. You want to bear in mind that, in connection with Belgium, Antwerp is a distributing center, and many of the cars that are supposed to go to Belgium are really distributed from there to other countries.

Senator HASTINGS. Have you got the figures on Belgium there?

Mr. BAUER. Yes, sir.

Senator HASTINGS. Yes.

Mr. BAUER. We have got some here, but not back of 1925.

Senator HASTINGS. Have you got it for 1929? If you have, give me the number that went to Belgium in 1929.

Senator KING. You are asking, Senator, for the completed automobile or the automobile parts? Those which might have been assembled there?

Senator HASTINGS. Well, I was talking about and asking the figures about the completed automobiles.

Mr. GRAHAM. Then, as I understand your position, the importation of automobiles is not a serious problem with the automobile industry in this country, there being only a thousand or two thousand coming in every year?

Mr. GRAHAM. No; it is not.

Senator HASTINGS. That is not a serious problem?

Mr. GRAHAM. That is right.

Senator HASTINGS. So that if the tariff be reduced on articles that go into the manufacture of automobiles, that would help the automobile industry, would it?

Mr. GRAHAM. Yes, sir.

Senator HASTINGS. And if the tariff could be reduced on other articles, that would cause a friendlier feeling in other countries, that would help, too?

Mr. GRAHAM. Yes, sir.

Senator HASTINGS. So that, from your point of view, nothing that could be done by the President could possibly hurt you, and it might help you? Is that your position?

Mr. GRAHAM. I think I covered it in the brief, that we believe that if the President has the power to act quickly on many of these tariff problems, that we have enough confidence in him to believe that it would aid the country as a whole, and that is the position that we are taking.

Senator HASTINGS. As a matter of fact, in your particular situation, as you see it, the President could not do anything under this tariff agreement that could hurt your industry, and he might do something that would help it; isn't that true?

Mr. GRAHAM. I wouldn't think that we would put it that way.

We have enough confidence in the President's program to believe that he would not do anything to hurt our industry.

Senator HASTINGS. He could not hurt your industry, could he?

Senator GORE. He could raise the tariff on things going into the manufacture of automobiles. That would hurt.

Senator KING. He might raise the tariff on manganese, and put a tariff on rubber, perhaps.

Senator GORE. Yes.

Senator KING. And on these commodities that go into the construction of automobiles.

Senator HASTINGS. Is it your expectation that under this authority given the President, the President could, under any circumstances, work it out, by increasing the tariffs on anything to this country?

Mr. GRAHAM. I believe that that would necessitate a study of the tariff problems, and would be one of the points that would be brought up, if this bill went through, on which the President would make the study.

Senator HASTINGS. Well, now, your association has given a lot of thought to this matter.

I want to know whether, in the practical working of it, it does not mean a reduction of tariffs all along the line, instead of an increase in tariffs? Isn't that your thought, of about the only way in which it could be worked?

Mr. GRAHAM. It may be that there would be a reduction, we will say, of 10 percent throughout the entire list, as a friendly gesture to those countries throughout the world that we are anxious to do business with again, and to show them that the spirit of America is to live and let live, and that we are not expecting to sell without also buying.

Senator HASTINGS. I would like to inquire whether you think it would be helpful to your industry if there was a straight reduction of 50 percent in all the present tariff duties.

Mr. GRAHAM. I do not think that would be in my province to answer, because I think that would result—or the knowledge of that would result from a study of imports and exports, and I surely haven't gone into it that far.

Senator HASTINGS. Are you prepared to say whether, in your judgment, the present tariff rates are too high or not?

Mr. GRAHAM. We feel that if this bill would go through, and the President would have the power to negotiate these reciprocal treaties, that the very thing that you are talking about would be brought out, and we are for that bill, believing and having full confidence in the President's ability to make or have such studies made.

Senator HASTINGS. There are a great many people in this country who think the present tariff laws are too high. I wondered if you agreed with that or if you didn't.

Mr. GRAHAM. That would be another question that I would not answer for the chamber, but I would say for myself that no doubt in many cases they are, because I was quite impressed with the Honorable David Lewis' speech, April 24, to the House, covering this point.

Senator HASTINGS. And you do, then, personally, think they are too high?

Mr. GRAHAM. That a study might show that the many are too high.

We are pleading for a study, rather than trying to tell you honorable Senators and the committee what is the thing to do.

Senator HASTINGS. Does the chamber believe that the Hawley-Smoot tariff bill had any effect upon the export, the lessening of the export of automobiles?

Mr. GRAHAM. I would not answer for the chamber; but for myself I would say yes.

Senator HASTINGS. In what particular countries?

Mr. GRAHAM. We have a list that I think we would like to submit, but I think that, to give it offhand, I would prefer to have the list submitted to you.

Senator HASTINGS. You are in the automobile business?

Mr. GRAHAM. Yes, sir.

Senator HASTINGS. You are in the automobile business yourself?

Mr. GRAHAM. Yes, sir.

Senator HASTINGS. Manufacturing what machine?

Mr. GRAHAM. The Graham-Paige—Graham automobile.

Senator HASTINGS. How many do you export in a year?

Mr. GRAHAM. We exported, to give you the exact figures, in 1928, approximately 11,000 automobiles. That has fallen down to where, last year, we exported about 1,200 to 1,400 automobiles.

Senator HASTINGS. What was the average price of those automobiles you exported in 1928?

Mr. GRAHAM. We had four models, ranging from about \$975 up to about, I would say, around \$1,900.

Senator HASTINGS. Did you sell them at the same price in Europe that you sold to your dealers in this country?

Mr. GRAHAM. Yes, sir.

Senator HASTINGS. Exactly?

Mr. GRAHAM. The same contract.

Senator HASTINGS. The same contract? Has that price gone up since 1928, or gone down?

Mr. GRAHAM. Well, in that time, which covers several years, there have naturally been a great many changes in the automobile industry. There has been a tendency to lighten cars, and because of the—

Senator HASTINGS. I am just inquiring about the price.

Mr. GRAHAM. I am giving that: Because of the lessening buying power of the world, we have tried to bring the cars down to a lower figure. We have lightened the cars up. We have made them as low as we knew how, but the prices today, for example, on a six-cylinder Graham car would be about \$150 less than it was then.

Senator HASTINGS. Was 1928 your high year for exporting?

Mr. GRAHAM. Yes, sir; I believe it was.

Senator HASTINGS. What was it in 1929?

Mr. GRAHAM. It was practically the same; 1928 and 1929 were between 10,000 and 11,000, but I have not the exact figures.

Senator HASTINGS. What about 1930?

Mr. GRAHAM. The figures show that the falling off in export was greater than it was in the domestic market, when it dropped considerably. I have not those figures now, but I would be glad to supply them.

Senator HASTINGS. In 1930?

Mr. GRAHAM. Yes, sir; and 1931.

Senator HASTINGS. You say it was greater in both of those years?

Mr. GRAHAM. It was less. The fall-off was greater than our domestic decline.

Senator HASTINGS. Was that also true of 1932?

Mr. GRAHAM. Yes, sir.

Senator HASTINGS. What about 1933?

Mr. GRAHAM. 1933 showed a slight increase in export over 1932.

Senator HASTINGS. How did it compare with your domestic consumption of sales?

Mr. GRAHAM. I would say, Senator, that it traveled about hand in hand.

Senator HASTINGS. As a matter of fact, from 1928 on, there was not very much difference, was there, in the fall in your export business compared with domestic business; is that correct?

Mr. GRAHAM. In the falling off in export business, it was far more noticeable in exports than in domestic; in other words, the fall was greater at the beginning of 1930 and 1931.

Senator HASTINGS. Was there a very great difference?

Mr. GRAHAM. Yes, sir; I would say considerable difference.

Senator HASTINGS. Have you the figures in Belgium that I asked about a moment ago, and then I won't bother any more.

Mr. GRAHAM. Can we make that available to you later, Senator?

Senator HASTINGS. All right.

Senator GORE. Can you show our exports to Canada from 1928 to date?

Mr. GRAHAM. Yes, sir; we have those. Mr. Bauer will furnish those.

Mr. BAUER. May we also make those available to you?

Senator GORE. You have not got those so that you could read them into the record here?

Mr. BAUER. You wish the exports to Canada?

Senator GORE. The exports from this country to Canada from 1928 to date.

Mr. BAUER. The exports are as follows:

Exports from the United States to Canada

(Number of vehicles only)

1928.....	40, 211	1931.....	7, 579
1929.....	47, 742	1932.....	1, 401
1930.....	22, 235	1933.....	1, 711

The largest part of our export business is in parts for assembly, which represents nine times as much value as cars and trucks.

Senator HASTINGS. May I inquire of Mr. Graham—do you think there is any danger that European countries in anticipation of this authority which the President seeks, of increasing the rates on automobiles for trading purposes, with the President?

Mr. GRAHAM. Personally, I would not think so, because I believe that the attitude would be in the negotiations to start back to where we were at the time the bill was put in.

Senator HASTINGS. You do not think there would be any danger of that?

Mr. GRAHAM. No, sir; I would not think so.

Senator HASTINGS. Take Czechoslovakia, for instance, which is very anxious to send shoes to this country. In order that they may bargain for shoes, do you think there would be any danger of their

putting up the rates on automobiles so that they would be in a better position to bargain for shoes?

Mr. GRAHAM. It is now \$1,200 duty on a \$500 automobile, so I do not think there would be much chance of then asking much more, by Czechoslovakia.

Senator GORE. \$1,200 on a \$500 car?

Mr. GRAHAM. Yes, sir. The duty is now \$1,200 on practically a \$500 automobile.

Senator GORE. Is that tariff leveled at the United States entirely, or is that the general tariff which covers all countries?

Mr. GRAHAM. That is a general tariff.

Senator HASTINGS. Have they any automobile factories there?

Mr. GRAHAM. They have one.

Senator HASTINGS. Is this intended for the protection of that automobile factory, do you know?

Mr. GRAHAM. I should say somewhat.

Senator CONNALLY. Mostly for revenue purposes, isn't it? Regarding cars as a luxury?

Mr. GRAHAM. They also have a quota of 1,000 cars from the United States.

Senator GORE. What was your last statement?

Mr. GRAHAM. That they also have a quota of 1,000 automobiles to come from the United States.

Senator GORE. Do you know whether they go in up to the quota or not?

Mr. BAUER. Only 15 percent of the quota.

Senator CONNALLY. Is it your contention that the automobile industry can successfully compete with the other countries without a tariff? I mean, can the American automobile industry compete with the makers of cars in other countries?

Mr. GRAHAM. I think the American car represents the greatest value and is of the finest quality of any cars produced in the world.

Senator CONNALLY. Can you successfully compete as to price of those qualities?

Mr. GRAHAM. I certainly think so.

Senator CONNALLY. You think you can. How about the wages paid in American factories as compared with wages in other countries? Are they higher or are the working conditions better or worse than they are in foreign countries? I am talking now about wages and so forth.

Mr. GRAHAM. I would say that while our labor costs, our labor rates, are higher, because of the greater efficiency in American plants, our unit cost is now less than cars produced by the foreign companies.

Senator GORE. What about your labor cost per unit?

Mr. GRAHAM. Senator Gore, I would say it was higher.

Senator GORE. The labor cost?

Mr. GRAHAM. Yes, sir; but because of the efficiency and the mass production of the American plants, that our costs per job would be less.

Senator KING. Your utilization of electricity, with all of the benefits derived therefrom, is one of the important factors enabling you to reduce your costs?

Your greater use of electrical energy than that which is utilized in foreign plants is one of the factors enabling you to produce cheaper than they produce; that is as far as the labor question is concerned?

Mr. GRAHAM. Well, I should think that the factors that govern our unit cost would be based on a great many major points, all of which would have to be taken into consideration.

However, I would like to just answer Senator Gore's question further by stating that the difference in the cost between here and abroad would not be enough to surmount the high tariff walls with which we are confronted.

Senator GORE. Mass production is one of your principal sources of economy, isn't it?

Senator KING. Thank you very much, Mr. Graham.

Senator HASTINGS. Just a minute, Mr. Graham. Do you know anything about what Mr. Ford pays his employees in Europe in his automobile factories?

Mr. GRAHAM. No, sir.

Senator HASTINGS. Do you know whether or not he sells the car over there at the same price that he sells in this country?

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

Senator LONERGAN. How many American automobile manufacturers have plants in foreign countries, Mr. Graham?

Mr. GRAHAM. To my knowledge—you are referring to automobile plants? I believe I will let Mr. Smith answer that.

Mr. SMITH. I think Mr. Ford and the General Motors are the only ones going extensively into automobiles.

Senator LONERGAN. I mean plants of all kinds.

Mr. SMITH. Of other nationals?

Senator LONERGAN. All American automobile manufacturers having plants abroad. I want to know how many are in foreign countries.

Senator KING. Senator, if you will pardon me, do you mean automobile plants, automobile manufacturing plants, or assembly plants?

Senator LONERGAN. I mean both.

Senator KING. You had better differentiate.

Mr. SMITH. Ford has his own manufacturing plant in England, and General Motors has its own manufacturing plant in Russelheim, Germany, and in Newton, England. In the case of General Motors, the cars made in those two countries are not competitive as to type with the cars manufactured in America. They are strictly European types of small-bore, low-horsepower cars, which do not compete, for example, with Chevrolet.

Senator LONERGAN. What proportion of their manufacturing business in its entirety, is done in foreign countries by American automobile manufacturers?

Mr. SMITH. In the case of General Motors, I would say about 6 or 7 percent.

Senator LONERGAN. What about Mr. Ford?

Mr. SMITH. I don't know. I should say Ford possibly about the same.

Senator LONERGAN. Are they the only two?

Mr. SMITH. The only two with manufacturing plants abroad.

Senator LONERGAN. Do you know how many persons they employ abroad?

Mr. SMITH. I don't know about Ford, but in our manufacturing plant in Germany, which produces the General Motors noncompetitive car, a car that does not deprive the American factories of any labor, there are some 10,000 employees. Of course the labor is much less

efficient there, and it takes a great many more people to make the same number of cars. In England, some five or six thousand.

Senator LONERGAN. On the cars that are manufactured in foreign countries, do they have to pay any tariff or tax within those countries?

Mr. SMITH. No; those cars manufactured in England and Germany are sold chiefly within England and Germany, where the American cars are practically excluded.

Senator LONERGAN. What about Canada?

Mr. SMITH. General Motors has its own manufacturing plants in Canada.

Senator LONERGAN. The same rule applies there?

Mr. SMITH. Yes.

Senator LONERGAN. Thank you, Mr. Graham.

Senator GORE. You say that labor in Germany is less efficient than here?

Mr. SMITH. It has been our experience, taking that as a criterion, a greater number of men is required to produce the same number of cars in Germany as compared with Chevrolet in England, for example. Mass production, of course, and the enormous domestic background here, probably accounts largely for that difference.

Senator KING. Thank you. Mr. John E. Dowsing, representing the United States Potters' Association, is excused until tomorrow.

Mr. S. L. Wilson, representing the paper and pulp industry authority.

May I say that we have taken nearly an hour with this witness, and at that rate we will never get through. I suggest we try and abbreviate the hearing as much as possible.

Mr. WARREN B. BULLOCK. Senator Harrison asked that the paper group get together and select someone. My name is Warren B. Bullock.

Senator KING. Have you been selected by the paper and pulp group?

Mr. BULLOCK. Yes, sir.

Senator KING. There are a number of witnesses here—five—and you represent the entire group?

Mr. BULLOCK. As far as I know.

TESTIMONY OF WARREN B. BULLOCK, REPRESENTING THE AMERICAN PAPER INDUSTRY

Senator KING. Proceed. Give your name and representation.

Mr. BULLOCK. My name is Warren B. Bullock; I am the manager of the import committee of the American Paper Industry.

Senator KING. Proceed.

Mr. BULLOCK. Mr. Chairman and gentlemen of the committee, the Paper Industry has decided that it will not take your time, with the pressure that you have here, with a long statement of its position. I have with me a statement which Mr. S. L. Wilson, president of the American Paper and Pulp Association, and chairman of the Paper Industry Code Authority, together with Mr. Norman W. Wilson, chairman of the legislative committee of the Paper Industry, will present for your consideration.

I have, also, on behalf of Mr. George W. Gair, of the Robert Gair Co., representing the National Paper Board Association, a separate organization, on behalf of that group. Those will be filed, chiefly, Mr. Chairman, in brief form.

Senator KING. Have you them with you?

Mr. BULLOCK. Yes, sir.

Senator KING. Hand them to the reporter.

Senator WALSH. Are they all in opposition to this bill?

Mr. BULLOCK. Yes, sir. On two points. First on general principles, and second on the proposed repeal of the countervailing clause in paragraph 1402, which affects the paper board specifically with the reduction of duty on Canadian paper board of about 25 percent. That is a concrete case that will be effective immediately. The general theory of tariff legislation we are covering in the brief by those much more conversant with tariff theories than we pretend to be.

Senator GORE. Does this bill do away with the countervailing provision?

Mr. BULLOCK. It does. Paragraph 1402 and other sections of the bill. Paragraph 1402 applies to plain paper boards.

Senator WALSH. How does this bill affect that?

Mr. BULLOCK. The duty in paragraph 1402 is 10 percent on those boards. Canada imposes a duty of 35 percent on those boards, plus an excise tax cumulative of 3 percent, making a net duty of 38 percent.

Senator WALSH. This bill does not do anything unless the President does something.

Mr. BULLOCK. This bill provides for the repeal of those sections.

Senator GORE. I thought it expressly reserved the countervailing duty.

Senator GEORGE. The bill reads:

Section 2 (a) subparagraph (d) of paragraph 300, the sentence of paragraph 1402, and the provisos to paragraphs 371, 401, 1050, 1087, and 1803 (1) of the Tariff Act of 1930 are repealed.

Senator GORE. I think the House report says that it does not affect the countervailing duties.

Senator WALSH. If this law does repeal that section, it will become operative at once, before the President even made reciprocal agreements—is that your contention?

Mr. BULLOCK. My understanding of the bill, Senator, is that the bill itself repeals the countervailing provision, and that that would become effective immediately.

Senator WALSH. And it should not become effective until at least the President decides it should be repealed by making an agreement with the country that will be a substitute.

Mr. BULLOCK. That might be relief.

Senator KING. If it does not repeal ipso facto, then that objection which you are urging would be eliminated from your category of objections?

Mr. BULLOCK. Yes, sir; that precise objection would be.

Senator KING. Thank you very much.

William C. Lehman of New York, representing the toy manufacturers of the United States. Is Mr. Lehman present?

(No response.)

Senator KING. We will pass him. Mr. E. C. Hough, representing toy manufacturers. Is he present?

(No response.)

Senator KING. Arthur B. Dodge, representing the Cork Institute of America.

(No response.)

Acting Chairman KING. They are off the list. William H. Cliff, of Boston, representing the Home Market Club of Boston.

Mr. CLIFF. Yes, sir.

Acting Chairman KING. Mr. Cliff, you appeared before the House Ways and Means Committee, did you not?

Mr. CLIFF. I did.

Acting Chairman KING. Do you desire to make a supplemental statement?

Mr. CLIFF. I do.

Acting Chairman KING. How much time will you require?

Mr. CLIFF. About 5 minutes.

Acting Chairman KING. You may have 5 minutes.

STATEMENT OF WILLIAM H. CLIFF, SECRETARY OF THE HOME MARKET CLUB, BOSTON, MASS.

Mr. CLIFF. Mr. Chairman, and members of the Finance Committee, I am secretary of the Home Market Club and I have also been delegated to express the remonstrances of the Detroit Blanket Co., of New Hampshire, the New Bedford Cotton Manufacturers' Association, of New Bedford, Mass., representing about 11,000 employees, and the Bagshaw Co., of Lowell, manufacturers of pins and needles, and the Hudson Worsted Co. of Hudson, Mass.

The Home Market Club has no desire to offer anything that might impede the administration in its bold efforts to restore national economic prosperity. It presumes that the Democratic Party will adhere to its time-honored policy of tariff for revenue, if its representatives determine to do so.

Acting Chairman KING. Is that an accurate statement of its policy?

Mr. CLIFF. That is what I understand.

Acting Chairman KING. You are wrong, but proceed.

Mr. CLIFF. Thank you. I am glad that I am wrong.

Senator GORE. I am sorry I am wrong.

Mr. CLIFF. It does hope, however, that the representatives of all political parties will respect and abide by the Constitution of the United States, as long as that document remains the foundation of American freedom.

The secretary of the Home Market Club has ever supported Democratic leaders in their opposition to the powers granted to the Executive under the flexible provisions of the tariff law. He endorses the stand taken by the brilliant chairman of this committee when he said:

It is all wrong that such an opportunity as resides in this flexible tariff should be afforded to any President of the United States.

That statement applies, of course, to a Democratic President.

Senator GORE. Did he say that?

Mr. CLIFF. I think he did.

Senator WALSH. He means Chairman Harrison.

Senator CONNALLY. He was talking about a Republican President, though, wasn't he?

Mr. CLIFF. He said it applies to any President.

This H.R. 8687 delegates even greater power. It permits the President to "enter into foreign-trade agreements with foreign governments" without the approval of any legislative body, and without public hearing.

Putnam's Word Book gives the following words as synonymous: treaty, covenant, agreement, concordat, pact, and protocol. Webster's Dictionary defines treaty to be "an agreement between two or more States or sovereigns." Likewise, the definition of treaty by Funk & Wagnall's Practical Standard Dictionary is, "a formal agreement or compact, duly concluded and ratified, between two or more nations." In other words, "a rose by any other name would smell as sweet."

Senator GORE. Under any sort of deal, do you think?

Mr. CLIFF. Is that material?

Senator GORE. I think it is vital.

Mr. CLIFF. Proceeding on the premise that foreign trade agreements with foreign governments are synonymous with reciprocal-tariff treaties with foreign governments, the President has, under article II, section 2, paragraph 2 of the Constitution, "power by and with the advice of the Senate to make treaties, providing two thirds of the Senators present concur." Incidentally, he shall nominate and by and with the advice and consent of the Senate shall appoint ambassadors, * * * judges of the Supreme Court, and so forth. Congress is permitted only by law to best the appointment of inferior officers "in the President alone." It is hardly conceivable that the Senate would waive its constitutional right of concurrence in the appointment of ambassadors to foreign diplomatic posts and judges of the Supreme Court. The Home Market Club respectfully requests that the Senate do not abdicate its constitutional prerogatives of concurrence in the making of treaties with foreign governments.

Acting Chairman KING. Who is the president of the Home Market Club?

Mr. CLIFF. Sinclair Weeks.

Acting Chairman KING. It is composed exclusively of manufacturers, is it not?

Mr. CLIFF. Yes, sir.

Senator HASTINGS. It is located where?

Mr. CLIFF. In Boston, Mass.

Senator WALSH. The membership covers all of New England or just Massachusetts?

Mr. CLIFF. No; the membership goes as far as Kansas City in the West and Texas in the South.

Senator WALSH. Do I understand your organization always opposed the flexible provisions of the tariff?

Mr. CLIFF. Yes, sir.

Senator HASTINGS. How many members does that organization have?

Mr. CLIFF. There are slightly over 400 today.

Senator HASTINGS. Principally in New England, but as far west, as you say, as Kansas City?

Mr. CLIFF. Yes.

Acting Chairman KING. How many are in Massachusetts?

Mr. CLIFF. Well, somewhere between 25 and 33½ percent, I should say.

Acting Chairman KING. Are in Massachusetts?

Mr. CLIFF. Yes.

Senator HASTINGS. Do they cover a great variety of manufactured articles?

Mr. CLIFF. Quite a large variety; yes.

Senator WALSH. Is it similar to another organization in Philadelphia of the same name?

Mr. CLIFF. Not that I know of.

Acting Chairman KING. It is largely woolen manufacturers, is it not?

Mr. CLIFF. No.

Senator CONNALLY. You say you did not favor this flexible tariff act of 1930. Were you opposed to the Tariff Act of 1930?

Mr. CLIFF. No; we were in favor of it.

Senator CONNALLY. It was a flexible tariff act, wasn't it?

Mr. CLIFF. We were opposed to that feature.

Senator CONNALLY. You were against it, but you were for it?

Mr. CLIFF. We are for the provisions of protection, but we are against the flexible feature of giving the power to the President.

Senator CONNALLY. Did you support the bill in 1930?

Mr. CLIFF. Yes, sir; generally speaking.

Senator CONNALLY. You were for it. You testified before the House that you would like to put on embargoes wherever possible, didn't you?

Mr. CLIFF. Today I would.

Senator CONNALLY. So, of course, if you want an embargo——

Mr. CLIFF (interrupting). I say that because I believe that the success of the N.R.A. is predicated on nationalism. That is the only reason I state it.

Senator CONNALLY. In other words, you would not permit any importations into this country at all?

Mr. CLIFF. Not as far as that.

Senator CONNALLY. You said, "I would support an embargo wherever possible."

Mr. CLIFF. Wherever possible.

Senator CONNALLY. It is possible to slap an embargo wherever possible, isn't it?

Mr. CLIFF. If you take a certain book that was written lately, it may be.

Senator CONNALLY. I am not talking about a certain book. You are here to testify.

Mr. CLIFF. I am testifying.

Senator CONNALLY. Then I think you should testify instead of throwing some slur on somebody else. What book are you talking about?

Mr. CLIFF. America Self-Contained.

Senator CONNALLY. Are you here to represent the author of that book or your own views?

Mr. CLIFF. No——

Senator CONNALLY (interposing). Why do you bring that in? Just in an effort to be pert and smart?

Mr. CLIFF. If I appear that way I apologize.

Senator CONNALLY. You thought you would get some headlines if you made reference to Tugwell or Wirt or somebody else, and you would have some reference in the papers?

Mr. CLIFF. No; I did not.

Senator CONNALLY. I prefer to have your views on embargoes.

Mr. CLIFF. Wherever possible, I said.

Senator CONNALLY. So you are in favor of an embargo wherever you can get one?

Mr. CLIFF. Under present conditions.

Senator CONNALLY. That is what I am talking about. That is all.

Senator GORE. Are you opposed to any movement looking toward the enlargement of our foreign trade?

Mr. CLIFF. I think the welfare of America is our first problem.

Senator GORE. Do you think it is serving our welfare by a policy of isolation?

Mr. CLIFF. Not necessarily.

Acting Chairman KING. Do you think it was a disadvantage to our country where we had a foreign trade of between 7 and 8 billions of dollars for 2 years, and our imports were only about 75 percent of that? Thirteen billions of dollars of foreign trade you think is a disadvantage, but you prefer a situation—

Mr. CLIFF (interposing). No; but I prefer to see us back to 90 billions of domestic trade before we are back to 13 billions of foreign trade.

Acting Chairman KING. You think it was a disadvantage to us to sell to Canada between 8 and 900 millions of dollars worth of American commodities for a number of years, and receive in return less than 500 millions?

Mr. CLIFF. No.

Acting Chairman KING. Do you think it was a disadvantage for us to have an export trade with Great Britain of over 865 millions of dollars?

Mr. CLIFF. No.

Acting Chairman KING. And imports from Great Britain of approximately four or five hundred millions of dollars, with a balance of trade between three and five hundred millions of dollars in favor of the United States? Was that a disadvantage?

Mr. CLIFF. I do think it was a great disadvantage probably to some of our agricultural producers to have 500 millions of dollars of importations from there.

Acting Chairman KING. Would you expect us to sell to England eight or nine hundred millions of dollars worth of commodities and take nothing in return?

Mr. CLIFF. I do not; no.

Acting Chairman KING. That would be a very foolish position, wouldn't it?

Senator GEORGE. Do you expect to see our trade go back to 90 billions of domestic business without some foreign business?

Mr. CLIFF. I should expect to see it go back there sooner than I would expect us to go back to an international trade of 13 billions.

Senator GEORGE. That is not my question. Do you expect it to go back to 90 billions without some export trade?

Mr. CLIFF. I would not predict that far. We are bound to have some export trade. They are bound to buy things from us. Our exports are picking up now, and our imports are picking up.

Senator GEORGE. Our domestic business will not pick up unless our exports should pick up, will they?

Mr. CLIFF. I do not quite agree with that.

Senator GEORGE. You do not?

Senator GORE. You do not think the surplus fixes the price of the whole output of the entire commodity?

Mr. CLIFF. I did not get that question.

Senator GORE. You do not think the surplus fixes the price of the whole output of the commodity.

Mr. CLIFF. In many cases, yes.

Senator GORE. If you have a surplus in any line, and refuse to ship it abroad in exchange for their stuff, doesn't that surplus fall back in our lap and hammer down the price here at home?

Mr. CLIFF. Yes; but was that not largely due to the inflation of the post-war times?

Senator GORE. What is that?

Mr. CLIFF. Wasn't that surplus largely due to the inflation of the war and post-war times?

Senator GORE. It may have been. Lending money abroad to buy goods, and so forth.

Senator GEORGE. It was due largely to a lack of distribution, in my own judgment.

Mr. CLIFF. That is one of our most pressing problems, the distribution problem.

Senator GEORGE. Certainly it is the problem of the post-war period. We had production during the war, and the war distributed it, and it does seem to me that now we face a period in which distribution is our main problem, both at home and abroad.

Mr. CLIFF. Yes.

Senator GORE. Would you put an embargo on our exports as well as on our imports?

Mr. CLIFF. No, not necessarily.

Acting Chairman KING. Would you?

Senator GORE. Do you think we could ship stuff out and not let stuff come in?

Mr. CLIFF. I think it is possible, particularly if we are going to lend them our money, we can ship it out. If our bankers prefer to send a lot of money abroad, they will be able to.

Senator HASTINGS. I would like to inquire whether any of your members are engaged in exporting any of the articles they manufacture.

Mr. CLIFF. I think they are, Senator. I could not say just which ones.

Acting Chairman KING. That is all. George de Vries, representing the canning industry.

Mr. CLIFF. He has just stepped out.

Acting Chairman KING. I understand from the secretary that he desires to submit a brief. It will be submitted and incorporated in the record. Mr. J. H. Schermerhorn, representing the Lead Pencil Industry.

TESTIMONY OF J. H. SCHERMERHORN, REPRESENTING THE LEAD PENCIL INDUSTRY

Mr. SCHERMERHORN. Yes, sir.

Acting Chairman KING. How much time do you want, Mr. Schermerhorn?

Mr. SCHERMERHORN. A very few minutes, Senator. I will offer my brief, but there are just one or two little features that I would like

to emphasize. I do not know that I want it necessarily put on the record, but just for your own information, I would like to show you here these samples. I have the quotations.

Acting Chairman KING. Let the record show that the witness exhibited two trays of lead pencils.

Senator HASTINGS. Hadn't you better have him state for the record the purpose?

Acting Chairman KING. He will do so.

Mr. SCHERMERHORN. I will submit my brief.

Acting Chairman KING. State the object for which you submitted these two trays if your brief does not.

Mr. SCHERMERHORN. My brief does not. Just simply as a matter of illustration of the competition we are up against with the minimum wage cost in our factory of 40 cents an hour. Pencils like these were brought in last year, and the average price in Japan when a yen was 20 cents, the average price of these pencils from Japan was 22 cents a gross. Our labor cost alone on corresponding pencils will run from 60 to 70 cents a gross, without the material costs.

Senator CONNALLY. Exchange conditions had a lot to do with that, didn't they?

Mr. SCHERMERHORN. But the yen today is 30 cents, and a slight fraction, Senator.

Senator HASTINGS. With the yen at 30 cents, what will it make in comparison?

Mr. SCHERMERHORN. About the same ratio in view of our advance in wages since June of last year.

Senator HASTINGS. What are your wages now per gross?

Mr. SCHERMERHORN. On one pencil here, the labor is 62 cents a gross, the material cost is 34 cents a gross. On another one the labor is 72 cents, and the material 49 cents. With the corresponding pencil of Japanese production that was sold in Japan at 22½ cents a gross when the yen was 20 cents, so you can figure it out. I am very glad to leave it here if you like.

Acting Chairman KING. Just as you wish.

Senator HASTINGS. What is the tariff on lead pencils now?

Mr. SCHERMERHORN. Thirty or thirty-five cents.

Senator HASTINGS. Don't you know what it is?

Mr. SCHERMERHORN. I am spending so much time in the Canadian factory—all of the American factories have established factories abroad, some in recent years, and some prior. One American factory had a pencil factory in Germany, 2 American factories have pencil factories in England, and 3 American factories have factories in Canada. The reason we had to put the Canadian factories in was because of nationalism. They won't buy "Made in U.S.A." goods. In other words, I am working at plans now to use Canadian graphite to make Canadian pencils.

Senator GEORGE. You say they won't buy United-States-of-America-made goods?

Mr. SCHERMERHORN. No.

Senator GEORGE. Why not?

Mr. SCHERMERHORN. Nationalism.

Senator GEORGE. You think it is a good idea to continue the nationalistic movement?

Mr. SCHERMERHORN. It is over my head, Senator, because to me the mighty dollar means more than nationalism when I want to buy a suit of clothes. When I tell that story in England they say, "The English are just like you, but on an even break they will buy the English-made goods." There is a slogan all through England, "Don't buy German goods and throw England's employoes out of work."

Senator HASTINGS. Is that nationalism in force by slogan only? It is not by law?

Mr. SCHERMERHORN. Entirely by slogan; but in Canada where I have very intimate acquaintance, because I am up there about every 6 weeks, the provisions of the Dominion, the provisions of the Province, and I think in the cities and towns is, "First choice, Canadian-made goods; second choice, British Empire goods; third choice, general."

Senator HASTINGS. I would like to inquire what these Japanese pencils that you have just exhibited sell wholesale, compared with what you sell your pencils for?

Mr. SCHERMERHORN. They will sell for whatever they can. Whatever they can get for them, but as a rule, about 25 percent lower than our wholesale price.

Senator HASTINGS. Has that had any effect on your business?

Mr. SCHERMERHORN. In my brief I say that—

Senator GORE (interposing). Are you speaking of the Japanese now?

Mr. SCHERMERHORN. Yes; but I am speaking generally also.

Acting Chairman KING. I suppose you would object to Japan buying large quantities of American cotton, as she is doing, wouldn't you?

Mr. SCHERMERHORN. I am tickled to death to have them. I am tickled to death to have them ship tea and things that we cannot raise here.

Senator HASTINGS. What I would be interested is in knowing whether you would be willing that that should be done at the expense of your business.

Mr. SCHERMERHORN. I would prefer to have it done on quotas. I do not think that a country that shipped in to us here 4 or 5 years ago 10 or 11 gross of pencils should be given a quota equal to probably more than 25 percent of all of the foreign goods brought into this country.

Senator GORE. You do not mean all of the foreign goods?

Mr. SCHERMERHORN. Yes, sir, Senator Gore.

Senator GORE. Does Japan send in a quarter of all of our imports?

Mr. SCHERMERHORN. Of lead pencils.

Senator GORE. What were the importations last year of Japan?

Mr. SCHERMERHORN. I think it was about 147,000 gross.

Senator GORE. What is the total consumption here?

Mr. SCHERMERHORN. In 1930, 5,386,000 gross; in 1931, 4,650,000 gross; in 1932, 3,926,000 gross; my figures on 1933 are a little uncertain, but about 3,750,000 gross.

Acting Chairman KING. That is the consumption in the United States?

Mr. SCHERMERHORN. Yes, sir. Of American-made pencils.

Senator GORE. And they sent in about 140,000 gross?

Mr. SCHERMERHORN. I think it was 147,000 gross, Senator Gore.

Senator GORE. Japan is not self-sustaining, and she has to import a lot of raw material from foreign countries, and some from the United States. She is selling her exports pretty low. Is she doing that from choice, or is she doing it because she has got to have these goods, cotton produced here, and other raw materials? She has to buy those things, no matter how low she has to put her stuff.

Mr. SCHERMERHORN. She has only been in the pencil business about 4 years, Senator Gore.

Senator GORE. The point is, perhaps she was driven into it in order to have something or other, in order to exchange for our cotton. She cannot get out cotton unless she gives something for it, and she is bound to have it, and she has got to put her stuff down low enough to get it. Isn't that true? No matter how low she has to sell her stuff?

Mr. SCHERMERHORN. I presume that is true.

Acting Chairman KING. Japan's imports then are about one fiftieth of our domestic manufacture on pencils?

Mr. SCHERMERHORN. I have found the actual figures, Senator King. Last year, from all countries, this country brought in 228,000 gross, of which 171,000 was from Japan. I can go back.

In 1929 Japan sent to this country 24 gross, and that was the year that every exporter in foreign countries was sending lead pencils to this country for fear of a high tariff, and the total exported goods brought into this country of lead pencils was 186,263 gross.

Senator GORE. You do not regard that as dangerous at all? That percentage of exports, as related to domestic production?

Acting Chairman KING. The duty on pencils is 50 cents per gross, and 30 percent ad valorem. I might add that the N.R.A. has fixed a quota, as I recall, of about 140,000 for the whole import of pencils.

Mr. SCHERMERHORN. Senator King, will you permit me to raise one question in this discussion, and that is that the Tariff Commission recommended that a minimum price of \$1.50 a gross be placed on imported pencils, Japanese, as a protection to the domestic wage scale, but this was waived by the State Department and not included in the agreement. We are not afraid of the world competition, if we get somewhere near an even break. If we have to, we will build factories in foreign countries, as we have done in Canada.

Acting Chairman KING. How many factories have you built in Canada?

Mr. SCHERMERHORN. There are three factories in Canada.

Acting Chairman KING. Do you export from Canada to the other countries?

Mr. SCHERMERHORN. A little, or nothing.

Acting Chairman KING. Do you export into the United States from Canada?

Mr. SCHERMERHORN. No, sir. You see, the minimum wage scale in the Province of Ontario is \$10 a week.

Acting Chairman KING. I was just trying to find out whether you are exporting from Canada.

Mr. SCHERMERHORN. Only to the British Empire.

Acting Chairman KING. Then you do export from Canada to the British Empire.

Mr. SCHERMERHORN. Well, you know they do not use that word "export" when they ship from Canada to England.

Acting Chairman KING. Do you ship any pencils out of Canada?

Mr. SCHERMERHORN. Only to England.

Acting Chairman KING. Only to the British Empire.

Mr. SCHERMERHORN. Yes, sir.

Acting Chairman KING. How many gross do you ship to England?

Mr. SCHERMERHORN. Last year we sent them about 12,000 gross.

Senator COUZENS. Don't you send to the other British colonies or possessions?

Mr. SCHERMERHORN. No, sir; we cannot compete with the foreign made goods in other parts of the British Empire.

Senator CONNALLY. Here is a pencil I picked up on the street the other day marked "A. W. Faber. Made in Bavaria." Tell me about that. Is that a high-priced pencil?

Mr. SCHERMERHORN. They are.

Senator CONNALLY. Does that come in here and pay the duty and still compete?

Mr. SCHERMERHORN. Yes, sir.

Senator CONNALLY. Why is that? Is the graphite superior or something of that kind? Why can they make that high-priced, expensive pencil and pay the duty and still compete?

Mr. SCHERMERHORN. They are the oldest existing pencil company in the world, and whereas we manufacturers do not concede that it is any better than our best class of pencils, it is just like the man that thinks that he has got to go to Tiffany if he buys a good piece of jewelry. The draftsman, the German draftsman, would rather pay twice as much for that pencil because it is an A. W. Faber, made by the oldest pencil house in the world, than he would to buy anything domestic, or anything else.

It is a very highly advertised pencil.

Senator WALSH. There has been tremendous progress made in machinery for manufacturing pencils in recent years.

Mr. SCHERMERHORN. It was mostly done in Germany, and most of our machines that we have in this country we bought from Germany.

Senator WALSH. Are the machines that the Japanese use from Germany also?

Mr. SCHERMERHORN. So I understand.

Senator WALSH. So you also have the same facilities for production and use the same machines.

Mr. SCHERMERHORN. Yes, sir. I do not understand that they have to pay the duties on their graphite. For instance, we pay 30 percent duty on graphite that we pay on pencil lead.

Senator WALSH. I have seen your factory in Hoboken. It is a marvelous institution.

Senator HASTINGS. Let me inquire whether you make the same pencils in this country that you do in Canada.

Mr. SCHERMERHORN. Relatively yes, Senator; except this——

Senator HASTINGS (interrupting). I do not want the details.

Mr. SCHERMERHORN. Let me say this. This is one country in the world which predominates with a tip and rubber, which costs 50 cents a gross more than without a tip and rubber. We sell many more there without the tip and rubber.

Senator HASTINGS. What I want to get at is if you can tell me, comparatively, the difference in the cost of labor on a gross of pencils in Canada and this country, on pencils of a like character?

Mr. SCHERMERHORN. The difference in the cost of labor, running under the same unit of production, the cost of labor, is about 25 percent lower, but because of the low unit of production—I am speaking now of my own company, which I know more about—in this country we can turn out 720,000 lead pencils a day, where up there we only can turn out—we cannot turn out more than 10,000 pencils a day.

Senator HASTINGS. Suppose you have the same quantity being produced in each day in each factory, what would be the difference of a cost of gross of pencils between Canada and this country? The labor cost?

Mr. SCHERMERHORN. At least 50 percent cheaper.

Senator HASTINGS. Can you give us the figure on a particular pencil per gross in labor cost in this country? You did give it awhile ago as 62 cents or something of that kind.

Mr. SCHERMERHORN. Sixty two cents?

Senator HASTINGS. Under the same conditions, manufacturing the same number of pencils, as I understand you, that labor cost in Canada would be 31 cents?

Mr. SCHERMERHORN. No; with a tip and rubber on, I would say a very conservative figure would be about one third less.

Senator HASTINGS. About one third less?

Mr. SCHERMERHORN. Yes.

Senator HASTINGS. About 50 percent?

Mr. SCHERMERHORN. No. You see there is rubber that comes in there, and the nickel tip, and putting them on.

Senator WALSH. And the cost in Japan you said was 22 cents for the same pencil?

Mr. SCHERMERHORN. Yes. That pencil was brought in here, and the price in Japan—I have the pencils here—was 22½ cents a gross. That was brought in in August 1933.

Acting Chairman KING. If you had had your plants in Canada equipped with the same amount of machinery and the same kind of a plant in which you are producing now 720,000 pencils a day here—

Mr. SCHERMERHORN. When we are running full.

Acting Chairman KING. Supposing you should move that plant there with all of its efficiency or lack of efficiency and you employed people in Canada to operate your plant, and had the same electric power and the same advantages that you have here, what would be the difference in the labor cost? Don't you pay labor there as much as you do in the United States?

Mr. SCHERMERHORN. No, sir; we pay them 10 percent above their minimum rates. Why we do not dare pay them any higher in the Province of Quebec there, where the minimum wage is about half of what it is in the Province of Ontario—

Acting Chairman KING. Then they have different wages in that country in the different Provinces?

Mr. SCHERMERHORN. Yes. You see, their Provinces are like our States.

Acting Chairman KING. I understand. You need not explain that.

Mr. SCHERMERHORN. The head of the company that is in the Province of Quebec said that they were paying girls in their factory \$5 a week. I said he should be ashamed of himself. I said, "Our minimum wage in our Canadian factory is \$11 a week."

Senator WALCOTT. You said in answer to Senator Hastings that your labor cost, given the same conditions, and the same quality of pencil, would be about one third less in Canada.

Mr. SCHERMERHORN. Yes. As compared to this country.

Senator WALCOTT. You have a base price there of 22½ cents a gross from Japan?

Mr. SCHERMERHORN. That is the selling price; f.o.b., Japan.

Senator WALCOTT. What would be the corresponding price for the same grade of pencil in Canada and in this country? Can you give us that?

Mr. SCHERMERHORN. That pencil in this country would cost 96 cents. That pencil in Canada, and bear in mind it is a tip and rubber pencil, so I have to do a little guessing about it—my estimate is it would be somewhere between 75 and 80 cents.

Senator WALCOTT. That it would sell for.

Mr. SCHERMERHORN. Cost.

Senator WALCOTT. And yet it sells for 22½ cents?

Mr. SCHERMERHORN. In Japan. That is the Japanese made pencil.

Senator WALCOTT. I am speaking of that.

Mr. SCHERMERHORN. But their labor gets about 5 or 10 cents a day.

Senator WALCOTT. That is what I am trying to get at. The total cost in this country you say is 96 cents a gross?

Mr. SCHERMERHORN. Yes, sir.

Senator WALCOTT. In Canada that would be a third less.

Mr. SCHERMERHORN. Approximately that.

Senator WALCOTT. What would that be in Japan?

Mr. SCHERMERHORN. I don't know.

Senator HASTINGS. He has already given us what it cost there.

Mr. SCHERMERHORN. You see, the trouble is, the selling price of the pencils in Japan is less than our material cost—no consideration for labor.

Senator HASTINGS. Let me inquire whether your opposition to this bill is based, for instance, upon the fear that, in order to increase our exports of cotton to Canada, the President may find it advisable to reduce the tariff on pencils?

Is that how it might affect you?

Mr. SCHERMERHORN. I am not thinking so much of that, but you used a very appropriate word that affects my feelings, "fear." We are more afraid of fear than everything else. If every country in the world—there is Chile, there is Mexico, there is Canada, there is Germany and its subdivisions, there is France, and there is England, all manufacturing lead pencils, and if everyone of those countries who only shipped to this country 4 or 5 years ago, 4 to 40 gross, were given a proportionate quota of 125,000 gross a year, without some minimum value for duty purposes, so that they could not affect or could not be a serious menace to our labor cost, then I would not worry about it; but my fear is that if we give Japan, who only 4 years ago sent 40 gross of pencils to this country, an allocation or allotment of 125,000 gross, on a basis of something that my selfish motive prompts me to view from, and that is the lead-pencil business, I am scared as the devil of what you are going to do or what the President may do with these other several countries.

The CHAIRMAN. Thank you very much.

BRIEF FOR AMERICAN MANUFACTURERS OF WOOD-CASED LEAD PENCILS

(By J. H. Schermerhorn)

The domestic production of wood-cased lead pencils has for many reasons been steadily declining from its peak in 1927, the decline to 1932 being about 40 percent.

Production in 1927, 6,100,349 gross; in 1932, 3,926,937 gross.

The industry price average has suffered even more, having by 1932 declined about 43 percent from its peak.

Average in 1920, \$3.25 per gross; in 1932, \$1.86 per gross.

Since 1927 three new domestic manufacturers have established themselves in the South to compete for this dwindling pencil business, with the result that in 1932, under much lower labor and material costs than the industry is now paying, it lost 7 1/2 percent on its gross sales.

To add to our difficulties in 1933, which became so severe that our whole industry produced less than 1 1/2 million gross of pencils during the first 6 months, and coincident with our voluntarily raising wages in June in cooperation with the President's recovery program, this market suddenly became flooded with cheap lead pencils from Japan.

The Japanese get an average of about 22 cents a gross for these pencils, less than half of the labor cost alone for making comparable pencils in this country. They sell here at less than half the wholesale price at which we can supply comparable pencils, with the result that these Japanese imports jumped from 10 gross of pencils in 1931 to 171,600 gross in 1933. This is more pencils than have been imported from all countries combined in any one year, excepting 1929, when imports were abnormally large in anticipation of the 1930 tariff law.

Now, since this hearing bears upon a proposed reciprocal tariff bill, under which the administration can alter domestic tariffs in bargains made with foreign nations, and without giving any opportunity to domestic producers to sit in or be heard while these bargains are being concluded, we want this committee to know about the first such bargain which our State Department concluded under section 3E of the National Recovery Act. This was a bargain made with the Japanese pencil manufacturers in order to give our industry relief from their ruinous competition.

One of several remedies which we suggested in our complaint was that pencil imports be put on a quota basis, the quota for each country to be limited to the average number of gross imported from that country during the 4 years from June 1929 to June 1933. The State Department must have liked the quota idea, but although nothing in the National Recovery Act required that the Japanese manufacturers be consulted, they were the only ones consulted in the bargaining process; our manufacturers were never consulted, never knew what was going on at all until the deal was made and we learned with dismay that the quota given to the Japanese manufacturers was 171,600 gross a year.

So far as the records show, this quota is greater than the total pencil imports from Japan from the dawn of history right up to the time when we filed our complaint. It is 16 times the imports from Japan in 1932 and 2,560 times our record of Japanese imports in 1931. It is over twice the total imports of pencils from all countries other than Japan in 1932 or 1933. It is a quota that will replace 12,500 days of American labor each year.

But you cannot appreciate how ruinous and unfair this quota is until you consider the nature of these Japanese imports and what the State Department knew about them from our own representations and from findings of the Treasury Department.

These imports violated section 337 of the tariff act because of unfair competition and unfair trade on the part of the exporters. A great percentage of them were stamped with the United States registered trade marks of American manufacturers, and were held by the Customs Department to so infringe. Many were returned to Japan, in some cases penalties were imposed on the importers; in some cases the infringing pencils came in and were distributed before we learned about them. In addition, all of these pencils by name, packing, and general appearance simulated the domestic product so exactly that the American public were confused and misled.

These pencils were also being imported to this country under prices and conditions involving dumping. In September 1933, after an investigation by the anti-dumping unit of the Treasury Department, they asked the Secretary of the Treasury to make a finding of dumping against them, but so far as we know he has taken no notice of this.

We must feel that these matters were ignored when the bargain was struck for an import quota of 125,000 gross of Japanese pencils. We are sure that we would have been more fairly treated if we had been consulted in any way during the progress of the bargaining, and we must still work and pray for a more equitable adjustment of this matter.

In any event, it must be plain to your committee that this quota of 125,000 gross for Japanese pencils, plus the normal imports from other countries, will increase the total pencil imports to about three times what they were in 1932, and at least twice what they averaged during the last 10 years.

It must be plain to your committee that with our labor costs greatly increased under the pencil code; with all material costs likewise increased; with production and consumption steadily declining because of the wide-spread use of mechanical pencils, fountain pens, and all manner of mechanical business devices; with pencil exports way off because of general conditions and Japanese competition in foreign markets; and with more domestic manufacturers to share the business that is left, our industry cannot survive a reduction in the tariff rates or any other results of a reciprocal tariff act that would further increase imports of wood pencils.

We respectfully request your earnest consideration of these matters in behalf of the labor and capital that is employed in the domestic pencil industry.

Respectfully submitted.

J. H. SCHERMERHORN,

Chairman Tariff Committee, Wood-Cased Lead-Pencil Industry.

THE CHAIRMAN. Are there any witnesses here who desire merely to present their briefs into the record, so that they may appear in the hearing?

If they do, we can get through with you gentlemen now, before we recess for lunch.

(No response.)

Senator WALSH. Will Mr. Sargent come to the clerk's office, please?

THE CHAIRMAN. Mr. F. E. Mollin, of Denver, Colo., American National Live Stock Association. Is Mr. Mollin in the room?

(No response.)

THE CHAIRMAN. I understand he wants to appear tomorrow. Mr. V. G. Lombard, Girard, Ohio, representing the Calf Tanners' Association.

STATEMENT OF VICTOR G. LOMBARD, DIRECTOR OF THE TANNERS' COUNCIL OF AMERICA, PRESIDENT OF THE CALF TANNERS' ASSOCIATION, GIRARD, OHIO

MR. LOMBARD. Mr. Chairman, you had the honor to address our industry in New York. I have been delegated to represent the entire industry, representing the Tanners' Council. That really is the Tanning Industry and the Calf Tanning Association.

This hearing came on me rather suddenly, Mr. Chairman, and it is quite hard to cover an industry like ours in the short space of time that is allocated to me, due to the fact that the tanning industry is divided, as you know, Mr. Chairman, and others here, Senator Walsh and others, among others it is divided into various groupings. Each group is an entirely independent industry of its own.

For instance, in the State of Wisconsin you have calf and upper-leather tanners. You have the sole-leather tanning industry, which is an entirely independent industry from the calf-tanning industry. You have the goat-skin industry, and it is a distinct industry, just as distinct as tin-plate is from steel. In New England, especially in the State of Massachusetts, there is some goat-skin tanning, but principally calf-tanning. Some of the other States are all sole leather,

but each one of these industries is distinct, separate, and alone; and to try and explain, and to go into the whole situation and cover it all within the brief space of time that you have allocated to me, I will not attempt to do, because there are too many on your Board here, especially your members on this committee, that are quite familiar with our industry, and I have had the opportunity of appearing before you in the meetings of your committee.

I will just read this brief, which is a summary in digest form of our industry, and then I hope you will grant me the privilege to file facts and figures later as a supplementary brief, without taking up your time.

The CHAIRMAN. You may do that.

Mr. LOMBARD. The leather industry, like most of the other industries in the United States, is in favor of the negotiation of commercial treaties with the object of expanding the export trade of the United States and facilitating the movement of imported goods when such movement would not be prejudicial to domestic agriculture and manufacture. In other words, it favors commercial bargaining with other nations but will not hurt home industry at a critical time like the present. But there are two phases of the subject that our industry wishes to bring to the attention of the Senate Finance Committee at this time. One has to do with representations by industry and the other the life of the proposed treaties.

I. PROVISION FOR HEARINGS

The domestic tanners have faith in the traditional policy of referring all commercial treaties to Congress. Members of Congress represent the popular will and they are in a position, as a result of direct contact and public hearings, to express that will with a clear understanding.

The pending bill (H.R. 8687) makes no provision for direct or indirect contact with the President's tariff aids with respect to any treaty negotiations and any industry whose product is affected by such negotiations would not know what had occurred until the results of the bargain had been made public.

It is conceivable, of course, that there are rates on some commodities that might be reduced without causing any disturbance to domestic business, but any change in the meager 12½ to 15 percent tariff on leather would, at this time, be disastrous to our industry.

I want to elaborate on that for one moment, and that is that the tariff on leather ranges from 12½ percent on the sole leather to 15 percent on the calf leather. That means on cattle hides, the import duty on cattle hides is 10 percent. The duty on raw calfskins is 10 percent, and figuring our unit of value which has been set up by the Tariff Commission as a unit of the import raw material, especially on our particular type of leather, would make our duty a protective duty of 6¼ percent, whereas our duty in our particular type of leather, such as manufactured in my State—we are the only tannery in our State outside of the tanners in the State of Wisconsin, where the duty is 15 percent, which means that we have actually a duty of 6¼ percent. That affects only the New England manufacturers.

All calf hides and skins of that type, buffalo hides, and so forth, did carry an import duty of 10 percent. So when I speak of 15 percent, that does not mean that we have a 15-percent duty except for the manufactured product.

Already one branch of the industry, namely, calf leather, is the sufferer from heavy importations—the imports exceeding 25 percent of domestic production last year.

At the present time the imports of calf leather alone outside of the other leather is exceeding 25 percent. Prior to the imposition of the duty of 15 percent, you will see by this chart the imports of calf leather reached the enormous amount of 57 percent.

Senator HASTINGS. What year?

Mr. LOMBARD. In the year of 1929.

Senator WALCOTT. What was your low figure?

Mr. LOMBARD. The low figure was in 1923, before the Germans got back into manufacturing condition.

Senator WALCOTT. You had an increase there of about 500 percent in ten years.

Mr. LOMBARD. Yes.

Senator WALSH. What effect has the tariff duty in the last act had?

Mr. LOMBARD. It has had this effect, it has retarded the imports of calf leather to the extent of approximately about 25 percent, but there is still over 25 percent coming in.

This is a very vivid graph which shows you how those imports jump.

I do not want to take up too much of your time; after I am through I will be glad to answer any questions.

As I say, at the present time the imports exceed 25 percent.

It will be seen, then, that arbitrary decisions, on any commodity, without hearing the industry concerned is unthinkable. In whatever action, therefore, that is taken on the pending bill, the leather industry states, it is necessary that provision be made in it for a hearing on any commodity that is considered in reciprocity conversations before a treaty is entered into with any nation. In other words, our industry asks for the same treatment under this bill that has heretofore been accorded by Congress or the Tariff Commission when a change in a rate was under consideration. Heretofore, when Congress was engaged in a general tariff revision business was affected by uncertainties but, at the same time, it had the satisfaction of knowing that it would be given a hearing and further, everything connected with the revision was open to it. That is precisely what the leather industry thinks should be the case with proposed negotiations.

This is a most delicate time in the history of the industries in this country. In their struggles to get back on a solid footing they are faced by unstable currency in international trade, lack of facilities for properly financing their home industry and a new burden of increased wages and other costs placed on them by the National Recovery Act, and, finally, in defraying their part of the heavy costs of the Government at this time and tremendous volume of future taxation growing out of the extraordinary appropriations for public works. In short, the very existence of the industry is at stake and, as a consequence, it can not afford to have any action taken now that may diminish its home market without full opportunity to be heard.

The leather industry does not look with much hope to a wide expansion of markets abroad because it knows, as everyone familiar with foreign conditions does, that outlying sections of the world are slowly but surely developing home manufactures that are meeting a large part of their domestic needs, and, therefore, outlets for

fabricated products of United States and Europe have been and will be reduced accordingly. And, for this reason, the home market in the United States is the one that should be safeguarded for home industries.

II. IMMEDIATE TERMINATION OF UNWORKABLE AGREEMENTS

The leather industry thinks that in the provision in the bill which limits activities under it for a period of 3 years it ought to be stated that an agreement with any nation which is found to be unworkable or unsatisfactory may be terminated immediately instead of waiting for the expiration of a 3-year period. If this were not done an irreparable injury might be done to any industry in the United States.

Senator HASTINGS. Let me inquire whether the operation of the N.R.A. has had any effect as far as you know upon importations.

Mr. LOMBARD. I cannot say that the N.R.A. has had any effect on importation except to this extent, and that is that our domestic costs have gone up an average of about 40 percent. Our wage increases have been from 15 to 25 percent in our own case. I cannot speak for the other fellows. The chemicals and supplies and processing tax on oil and other ingredients which are largely used in the manufacture of leather, have increased the cost of manufacturing leather approximately about close to 40 percent.

Senator WALSH. Forty percent, you say?

Mr. LOMBARD. Close to 40 percent.

Senator HASTINGS. That includes wages?

Mr. LOMBARD. That includes wages.

Senator HASTINGS. Have any of these things had any effect upon the cost of the importer of these various articles?

Mr. LOMBARD. The importer at the present time, owing to the long working hours, close proximity to chemicals, and especially in Germany I am speaking of, having been an engineer and acted as efficiency man for the German tanners, in years back—they are close to the largest chemical works in the world, Ludwigshaven, at which dyestuffs and other ingredients used in the manufacture of leather are right close to their home markets, and close to—within 40 to 50 kilometers or 20 or 30 miles away from some of the most important manufacturers of leather in Germany. That means they can produce, with their proximity to those chemicals, and their labor and so forth, they can produce the same type of leather that we would sell, from 3 to 4 or 5 cents a foot less than we can produce it. In other words, to illustrate that, for instance, we will say, a skilled worker, what we call a shading type of worker, the one who shades the skins, and what we call our middle skilled worker, he makes an average of 76 cents an hour in our plant. That same worker, figuring it on the differential between the depreciation of 40 cents against a normal exchange of 90 pfennings, would have brought his wages around 20 cents, and figuring that would bring it around say to 35 cents an hour, so that he would make just one half, and be allowed to work a 48-hour week, where our men are working a 40-hour week. He would make just one half, and anyone that thinks that a German skilled worker is not as good as any worker we have, I think, Senator, you would find differently, because I have had the opportunity of supervising thousands of them in my experience in Germany.

Senator HASTINGS. What I wanted to find out was this: You have stated that the N.R.A. has increased the cost of your production about 20 percent.

Mr. LOMBARD. Yes, sir.

Senator HASTINGS. The tariff on these articles has not in the meantime been changed.

Mr. LOMBARD. No, sir.

Senator HASTINGS. I want to know whether that increase in cost of what you produce has had any effect upon the importations into this country.

Mr. LOMBARD. Yes, sir; it has brought them up until they have jumped, as we can show you in a supplementary chart, from 10 or 11 million feet to practically 20 or 25 million feet.

Senator HASTINGS. In what time?

Mr. LOMBARD. Since the N.R.A. was written.

Senator BARKLEY. How far does the 40 percent increase lack of going all the distance back to the cost of production at the time the present tariff law was enacted in 1920 or 1930?

Mr. LOMBARD. My dear sir, since that tariff law was enacted—I don't know, of course, the entire cost of the different manufacturers. I am only speaking for my own.

Senator BARKLEY. I am speaking about yours.

Mr. LOMBARD. About 40 percent, as I stated.

Senator BARKLEY. It has gone back up the hill 40 percent from the low?

Mr. LOMBARD. That is from around 1926. We will use that as an index.

Senator BARKLEY. Do you mean that it is costing you more to make your stuff now than it did at the time the present tariff law was under consideration in 1929?

Mr. LOMBARD. Absolutely, because we were working a 48-hour week, and now we are working 40 hours. We were paying 4 cents for our bichromates, which is one of the largest chemicals used in the manufacture of chrome leather, we were paying 4 cents, and now we are paying 6½.

Senator BARKLEY. What were you paying in your wages in 1929?

Mr. LOMBARD. About 15 percent less than we are paying now.

Senator BARKLEY. How many men are you employing now, compared to those you were employing then?

Mr. LOMBARD. We were employing at that time around 700 men, that is all employes, boys and girls and everybody—I am speaking for myself—we were employing at that time about 700, and now we are employing close to 1,000. I can give you the entire industry if you so desire.

Senator BARKLEY. I am just asking you about yours. How many were you employing in 1932?

Mr. LOMBARD. We were employing about 700.

Senator BARKLEY. You have not had any great fluctuation.

Mr. LOMBARD. Not until this.

Senator WALSH. In other words, the reduction in the number of hours, and the increase in the hourly wage has resulted in your paying higher wages today than ever.

Mr. LOMBARD. Yes, sir. We had to put on, through the N.R.A. alone, just in practically one section of our works, 127 additional men.

Senator WALSH. It does not mean that the average employee gets a larger weekly wage than he formerly got.

Mr. LOMBARD. No.

Senator WALSH. But he gets more for the limited number of hours.

Mr. LOMBARD. But he gets the same amount in 40 hours that he got in 48.

Senator BARKLEY. How much has your selling price increased?

Mr. LOMBARD. Our selling price, I am sorry to say, has not increased, due to the fact that we are doing everything we can to meet this foreign competition. We have to meet that.

Senator HASTINGS. I want to be certain that I understood you. I thought that in answer to Senator Barkley you said that this 40-percent increase was over the cost in 1926. While I thought you said to me—

Mr. LOMBARD (interrupting). There was not any change, practically, Senator, from 1926, to 1932.

Senator HASTINGS. I wanted to make certain that I understood you. I understood that the N.R.A. had increased the cost of your production about 40 percent; is that right?

Mr. LOMBARD. Yes.

Senator WALCOTT. Since the act was passed?

Mr. LOMBARD. Yes, sir.

Senator WALSH. To offset your fear which you indicate, haven't you just as much right to assume that the President will take into consideration all of these factors?

Mr. LOMBARD. I hope so. I have nothing against the reciprocal tariff, but Mr. Senator, here is the whole question. Our industry gets in bad and in such a position that we appeal to the administration, and Senator Copeland shortly requested your honorable committee to pass on the resolution. I do not just recall the number of that Senate resolution, but I think many of you gentlemen here voted on that resolution to make an investigation regarding the costs in the foreign markets, as compared to our own. That is called the Copeland resolution.

We are perfectly willing to stand on the reports of the Tariff Commission. They sent a committee abroad to make these investigations and report back to the Commission, and they have all of these facts at their finger ends.

Senator WALSH. If this bill passes, why shouldn't you urge that upon the President in any agreements he may make with foreign countries?

Mr. LOMBARD. That is the very thing I would like to do. The only thing we ask, Senator Walsh, is that we be given fair and equitable investigation before a treaty of this kind is entered into, and we leave it to your own body, that is, by the act of your own body, of your own resolution, to make an investigation as to whether we are telling the truth or not.

Senator WALSH. All the President's representatives have said again and again and again that they are going to do that most meticulously.

Mr. LOMBARD. All right, gentlemen. I am not going to take up any more of your time.

Senator BARKLEY. There is nobody, including yourself, who has any assurance, or can say with any degree of certainty, that the

product in which you are interested will ever be the subject of one of these agreements.

Mr. LOMBARD. Perhaps not, but we are the byproduct of an agricultural product, and as such, naturally, if you see the house on fire, you want to run out with a fire extinguisher.

The CHAIRMAN. Thank you very much. The committee will recess until 2 o'clock, and resume in the District of Columbia Committee room. Those who are here may come over there, and may get an opportunity to be heard at that time.

(Whereupon, at 12:15 p.m., a recess was taken until 2 p.m. of the same day.)

AFTER RECESS

The committee met at 2 p.m., in the District of Columbia committee room.

The CHAIRMAN. The committee will come to order, so we can proceed.

Is Mr. Harwood here, of the Lockport Felt Co.?

Mr. Harwood is not here. All right.

Senator WALSH. Is Mr. Sargent here?

The CHAIRMAN. Mr. Sargent? All right.

Senator WALSH. Mr. Sargent, give the name of your company.

Mr. SARGENT. The Merrimac Hat Corporation.

Senator WALSH. Where is that located?

Mr. SARGENT. Amesbury, Mass.

The CHAIRMAN. All right, Mr. Sargent.

STATEMENT OF B. L. SARGENT, REPRESENTING THE WOOL HAT MANUFACTURERS ASSOCIATION

Mr. SARGENT. Mr. Chairman and members of the Finance Committee, I represent the Wool Hat Manufacturers Association, consisting of 10 concerns, employing approximately 3,500 people, located in New York, Connecticut, Pennsylvania, and Massachusetts, mostly in small towns, where the industry is the main support of the community.

We protest the passage of this bill for the following reasons:

Its enactment makes it possible for one person to practically annihilate our industry, which furnishes employment for the majority of the people in the communities where the plants are located.

The purpose of the National Recovery Act is to create more employment, but if this bill were passed, it would be possible to throw thousands of people out of employment. Our particular industry receives certain tariff protection under the Hawley-Smoot bill of 1930, and we had hardly started operating under this, under the tariff schedule, before we were subject to an investigation under the flexible clause of the tariff act, the consequence of which was to have our ad valorem duty cut 26 percent.

This change was made after we had been operating but 9 months under the new bill.

For the last 5 years only about one third of the domestic market has been supplied by the domestic manufacturers; the other two thirds has been supplied by the importers. All members of our industry operated under the President's blanket code, and under our own code after it was accepted.

Obviously, with the increased costs under the Recovery Act, it was even more difficult to compete with the importers; so, under clause 3 (c) of the National Recovery Act we filed a petition for relief.

On January 26 we had a hearing before the Tariff Commission but up to the present time we have had no action on our petition.

From the above you can see that our experience with the tariff laws makes us hesitant to subscribe to the bill under discussion.

We, therefore, feel that the passage of this bill may work a great hardship on the communities where our industry is located.

Senator KING. The first Tariff Commission investigation was the result of complaints that your charges were too high, was it not?

Mr. SARGENT. Not that I know of, sir.

Senator KING. Well, it reduced the tariff?

Mr. SARGENT. Yes, sir.

Senator KING. I suppose you had witnesses there, producing your side of the question?

Mr. SARGENT. Yes, sir.

Senator KING. When was that hearing, by the way?

Mr. SARGENT. I think it was in 1931.

Senator KING. And after a complete hearing the Tariff Commission decided that the tariff should be reduced?

Mr. SARGENT. Yes, sir.

Senator KING. That finding evidently was based upon the ground that your rates were too high, or that there was no justification for such high tariff rates.

Mr. SARGENT. Yes, but we had not been operating, we had not had a year under the tariff.

Senator KING. Well, apparently you had succeeded so well that in less than a year your rates were so high that the Tariff Commission was induced to—and that was a Republican Tariff Commission, by the way, and I don't say that by way of any criticism—reduced the rates?

Mr. SARGENT. In the last few years there have been at least 3 members of our industry go out of business, and there are at least 3 more who are on the verge of it, Senator.

Senator KING. Well, was there any monopolistic contention?

Mr. SARGENT. Not that I know of, sir.

Senator KING. What kind of felt hats do you manufacture?

Mr. SARGENT. Wool felt.

Senator KING. What is your output?

Mr. SARGENT. Well, our own factory, you mean?

Senator KING. How many factories have you?

Mr. SARGENT. Well, I represent the Merrimac Hat Corporation. There are about nine other factories besides our own.

Senator KING. In the United States?

Mr. SARGENT. Yes, sir.

Senator KING. How many does your company own?

Mr. SARGENT. Two.

Senator KING. And what is the combined output of the 9 and the 2, making 11, as I understand you?

Mr. SARGENT. No; making 10, in all.

Senator KING. Oh, making 10?

Mr. SARGENT. Yes.

Senator KING. I beg your pardon.

Mr. SARGENT. There are 8 outside of the 2 that I am connected with.

Senator KING. Do you know what the combined output is, per annum?

Mr. SARGENT. I should say for the last 2 or 3 years that the combined output has been somewhere around 700,000 to 800,000 dozen.

Senator KING. Seven to eight hundred thousand dozen?

Mr. SARGENT. Yes, sir.

Senator KING. Is that a cheap hat or a medium hat?

Mr. SARGENT. Well, I would say it is mostly for women's felt hats.

Senator KING. Oh, yes.

Mr. SARGENT. We sell to manufacturers who fabricate them into trimmed hats, who have no facilities for making bodies.

Senator KING. They are made of wool entirely?

Mr. SARGENT. Well, wool and voile, which is a byproduct of wool entirely.

Senator KING. Where are the 10 factories, in all?

Mr. SARGENT. Well, 1 is located in Amesbury, 1 is located in West Upton, which is between Milford and Worcester, in Massachusetts; 1 in Milford, Mass., 2 in Beacon, N.Y., 1 in Reading, Pa., 1 in Denver, Pa., 1 in Adamstown, Pa., and 1 in Danbury, Conn.

Senator KING. Is it an ad valorem tax, or do you have a specific tax, as well?

Mr. SARGENT. Both.

Senator KING. Both?

Mr. SARGENT. Yes, sir.

Senator KING. What is the ad valorem?

Mr. SARGENT. Fifty-five percent.

Senator KING. Fifty-five percent?

Mr. SARGENT. Yes, sir.

Senator KING. And what is the specific?

Mr. SARGENT. Forty cents a pound.

Senator KING. Forty cents a pound?

Mr. SARGENT. Yes, sir.

Senator KING. How many hats can be made out of a pound?

Mr. SARGENT. Approximately 2 dozen to the pound.

Senator KING. You want a higher tariff?

Mr. SARGENT. At the present moment—

Senator KING. With the 55-percent ad valorem and a 40-percent specific?

Mr. SARGENT. At the present time we are getting more protection than we have had for several years, on account of the two factors, one the higher cost of raw materials in Italy, which is our chief competing country, and, secondly, the lira is, of course, higher, but in spite of that—of course, the lira has been very high for some time, but in spite of that—

Senator KING. On the gold standard?

Mr. SARGENT. Well, that is since we deflated the dollar. It has not changed materially since.

Senator KING. Well, it is on the gold standard, I mean?

Mr. SARGENT. I should say that is correct.

Senator KING. That is to say, we have devaluated our gold.

Mr. SARGENT. That is correct. We still are getting much less than half of the domestic production, or we have had, up to now, at least.

Senator KING. Of course, you don't know what will be done under this grant of authority?

Mr. SARGENT. No, sir.

Senator KING. That is all.

The CHAIRMAN. Mr. Bevans, of the National Council of American Importers. Is Mr. Bevans in the audience?

Mr. BEVANS. Yes, sir.

The CHAIRMAN. All right, Mr. Bevans. How much time do you want?

Mr. BEVANS. I should say about 10 or 15 minutes.

The CHAIRMAN. All right; we will give you 10 minutes.

STATEMENT OF JAMES W. BEVANS, NEW YORK; REPRESENTING NATIONAL COUNCIL OF AMERICAN IMPORTERS

Senator WALSH. Proceed. What is your full name?

Mr. BEVANS. James W. Bevans.

Senator WALSH. Whom do you represent?

Mr. BEVANS. I represent the National Council of American Importers and Traders.

Senator WALSH. How large is that organization?

Mr. BEVANS. The membership is between 350 and 400 at the present time.

Senator WALSH. Where is it located?

Mr. BEVANS. In New York. Its membership, however, is located all over the United States.

Any American citizen or partnership or corporation consisting of American citizens, or of whom American citizens shall be controlling or managing directors or members, importing merchandise into the United States or its territories, or dealing in imported merchandise, or interested in the tariff laws, are eligible to membership.

Now, the council's object: It shall confine itself to the administrative and legislative measures of the administrative and special provisions of the tariff act, and such other customs questions as affect the membership generally.

It shall not, as a council, concern itself with rates of duty, as such, either in the direction of recommending or opposing it.

It may, however, express itself on the general principles involved in establishing customs duties. The protective principle, itself, shall not be questioned, but prohibitive measures will be objected to as improper and as calculated to result not only in unfair discrimination at home but in adverse effects on our international trade in general.

Now, gentlemen, I have read you that because not only am I speaking for the national council today but I am also somewhat personally interested from the farmer's standpoint, so certainly the statements I make here today you will see from the objects of our organization are my own personal opinions.

Now, I would like to digress for just a moment and say that the last witness, Mr. Sargent, while he stated that they had enjoyed the high rate of duty in the Tariff Act of 1930, for only 9 months, when it was reduced by the President on recommendation of the Tariff Commis-

sion, did not state that immediately the domestic manufacturers filed a protest under section 516 of the tariff act and the lower court, on the hearing of that protest, decided that the President's proclamation was void because of certain—as the court thought—defects in the Tariff Commission's procedure.

As soon as that protest was filed, liquidations at the lower rates of duty proclaimed by the President were suspended. That case went to the appellate court and was decided, I think, a month or 2 months ago, so that during all that period of time the domestic manufacturers enjoyed the benefits of that higher rate of duty, because, until the entries were liquidated, under the final decision of the court, no importer could take the risk of fixing his selling price on anything but the high rates of duty.

The national council is in favor of the enactment into law of H.R. 8087, to amend the Tariff Act of 1930, to authorize the President of the United States to enter into trade agreements with foreign countries.

It was passed by the House of Representatives on the 29th of March. We believe that the promotion of foreign trade is absolutely necessary, if we are to regain the business prosperity enjoyed by this country prior to 1930.

Under the unusual economic conditions now prevailing, a more or less direct exchange of commodities between countries, through reciprocal trade agreements, when such bargaining is clearly to the national interest, seems to offer a worth-while way to increase our exports of surplus production of all kinds.

Foreign countries cannot buy—in some cases, will not buy—more of our surplus products unless we are willing in return payment to take some of their exportable commodities. The Tariff Act of 1922 provided the highest duties of any tariff act enacted up to that time, and the Tariff Act of 1930 carried those duties to new heights.

We are now confronted with tariff barriers in practically every foreign country, we believe largely as a result of the activities of those whose inordinate demands for so-called "protection" resulted in unparalleled rates of duty in the acts of 1922 and 1930.

Now, in 1929 or 1930 some 1,200 economists signed a round robin as to the almost certain effect of further increasing the tariff rates.

We, too, through our organization, made some representations to Congress. As I recall, the Republican President then in office was somewhat dubious about the Tariff Act of 1930, and I think he said he was going to sign it and would make adjustments through the medium of the flexible provision of the tariff act.

Now, when we consider the thousands of rates in the tariff act and the necessary length of time for the Tariff Commission to make investigations, you will soon see how impractical that method is of revising an entire tariff act, where such revision is necessary.

Senator KING. Have you ever estimated the number of commodities that come within the tariff schedules, by and large?

Mr. BEVANS. I have not, Senator.

Senator KING. I have heard the statement repeatedly made that it was 29,000.

Mr. BEVANS. I think that certainly is not too high.

Now, not content with the higher rates of the Tariff Act of 1930, those advocates of high duties—what they really want is embargoes—continued their efforts to hinder and retard imports by invoking the antidumping act, the marking of country of origin provision

of the tariff act, and the administrative sections of the tariff law, and in this they had the greatest cooperation from the administrative office of the Government.

Senator KING. You mean the Tariff Commission or the Treasury?

Mr. BEVANS. I mean the Treasury Department, sir. I would like to say that these barriers are just as effective and are just as sure to provoke retaliation as high-duty barriers.

Senator KING. You mean administrative barriers?

Mr. BEVANS. Yes, sir.

Now, only recently section 3 (e) of the National Industrial Recovery Act has been resorted to.

Complaints have been filed under section 3 almost as soon as the code has been approved. In one instance the complaint was filed simultaneously with the code.

Now, these complaints allege that by reason of the increased costs through restrictions imposed under the code, the foreign manufacturer is enabled to deliver his goods here cheaper than the domestic product, and therefore they are unable to carry out the provisions of the code.

Senator KING. Isn't it a fact that since the N.R.A. went into operation, our exports, while they are very low, have increased?

Mr. BEVANS. Our exports have increased and, while there is an apparent increase in our imports, we must consider that where you take value, that the value of our imports has been increased by reason of the depreciation of our dollar in terms of many foreign currencies.

Senator KING. In quantity, what?

Mr. BEVANS. I haven't the quantities, Senator. They would, of course, be an aggregate of all the different articles that are imported, and I don't know that you could get one minimum quantity of imports.

Some of it comes in pounds, some in tons.

Senator WALSH. What industry filed this petition?

Mr. BEVANS. There were five petitions filed, I think—the manufacturers of lead pencils, the manufacturers of cotton floor coverings, the manufacturers of matches, and the manufacturers of wool felt hat bodies, and I think there was one other.

Senator KING. You mean they filed petitions to increase the tax?

Senator WALSH. Yes, following the codes being signed.

Mr. BEVANS. Yes. Now; the cotton floor-covering manufacturers' code went into effect, I think, about the 27th of July in 1933, and this petition was filed within 2 months, asserting that they could not carry out the provisions of the code, by reason of the increase in imports, in ratio to domestic production.

A hearing was held by the Tariff Commission and you gentlemen have, in the Congressional Record of April 13, a very eloquent address of my opponent in that case, Mr. O. Max Gardner, which was spread on the Congressional Record.

Senator KING. Did the Tariff Commission make any decision?

Mr. BEVANS. That we don't know, because their report is made direct to the President.

Senator KING. Well, it has not been promulgated yet?

Mr. BEVANS. No; but it did develop, however, at that hearing, that the domestic manufacturers had increased the selling price of one of their rugs immediately after the code became effective, 102 percent,

and another rug, 74 percent, as I recall those prices were twenty-and-some-odd percent increases on the selling prices of the same rugs in 1929, and they did not assign, however, any loss of business to that 100 percent increase but as they said to increased imports.

Senator KING. Was there anything to indicate that after the N.R.A. went into effect their production was diminished perceptibly?

Mr. BEVANS. That is very difficult for the importer to get.

In their cotton floor coverings, about one of the only commodities that did not show a decrease during the depression—in fact, these floor coverings, the manufacturer was constantly increasing.

The demand was increasing, and the rugs that they were complaining about, they admitted they did not make in the United States, and were the type of rugs that were sold in the chain stores at a low price level to a particular class of buyers.

Now, in each of these complaints, as I recall, the President was asked to fix a quota.

As I recall, in the lead-pencil companies' case the quota was to be an average of certain years, and the Chairman of the Tariff Commission at the hearing called their attention to the fact that the years that they were going to take the average of, there were practically no imports, so that a quota fixed upon that period, the imports during that period would practically be nil.

Now, President McKinley said that, "Commercial wars are unprofitable."

The student of history, the last 5 years, I think, will be fully convinced of the accuracy of this statement.

Now, our exports have declined from over \$5,000,000,000 in 1929 to \$1,000,000,000, in round figures, in 1933, a decrease of over three and one half billion dollars.

That is about 68 percent, I think, imports, and we used to collect considerable revenue from our imports, declining from \$4,300,000,000 in 1929 to \$1,449,000,000 in 1933, a decrease of \$2,800,000,000.

Senator BARKLEY. Have you any figures that are in any way reliable as to the number of men involved in employment per billion dollars of exports?

Mr. BEVANS. No, I haven't. There are certain tables that may give something on that, in the Tariff Commission's calculations, a report under Senate Resolution 325, a very comprehensive report.

I know they have many tables there. It may be in that, Senator.

It is stated that in 1929 we exported 49.2 percent of our cotton, 41.2 percent of tobacco, 33.3 percent of lard, 17.9 percent of wheat, 36.4 percent of copper, 31 percent of lubricating oil, 23 percent of farm machinery, 10 percent of automobiles, 20 percent of locomotives, 29 percent of printing machinery, and 41 percent of typewriters.

Considering some agricultural items, to get an idea of what has happened, in 1929 to 1933 there was a decrease in 1933 in the export of—

White potatoes.....	bushels..	1, 823, 000
Canned vegetables.....	pounds..	72, 932, 000
Asparagus.....	do.....	11, 966, 000
Soups—of which, of course, vegetables and meats, in which the farmers are interested, enter in.....	pounds..	27, 285, 000
Ketchup and tomato sauces.....	do.....	8, 396, 000
Rye.....	bushels..	2, 338, 000
Wheat.....	do.....	45, 251, 000

Wheat flour.....	barrels.....	7, 808, 000
Biscuits and crackers.....	pounds.....	6, 731, 000
Wheat breakfast foods and cereal foods.....	do.....	3, 132, 000
Cottonseed meal.....	tons.....	27, 000
Barley.....	bushels.....	22, 480, 000
Malt.....	do.....	3, 142, 000
Corn.....	do.....	25, 859, 000
Cornmeal.....	barrels.....	117, 000
Oats.....	bushels.....	3, 123, 000
Oatmeal, flaked and rolled oats.....	pounds.....	57, 081, 000
Meat products.....	do.....	254, 517, 000
Lard.....	do.....	283, 120, 000
Condensed milk.....	do.....	29, 740, 000
Evaporated milk.....	do.....	9, 638, 000
Cornstarch and corn flour.....	do.....	182, 990, 000

and so on through the various farm products. And yet, one of the main reasons stated at the time for enacting the tariff act in 1930 was to help agriculture.

I remember one article that was stressed, and that was tomatoes.

Senator WALSH. I suppose the depression was a contributing cause to this decrease in exports?

Mr. BEVANS. The depression probably was a contributing cause, Senator, but the articles that I was reading are good products.

People only do without essential food products when they are in the greatest extremity. It is not like other articles that they can buy or not buy.

Now, I remember tomatoes very well, because we raise a lot of tomatoes in my section of the country, in Maryland. The duty was made 3 cents a pound on the tomatoes in the natural state, and 50 percent prepared or preserved in any manner.

Now, the price paid to the canneries at that time in Maryland was \$15 a ton. It dropped to \$12 and then to \$7.50 a ton. As was stated on the floor of the Senate at that time, you can not help the farmer by raising the tariff on agricultural products if at the same time you increase it on all manufactured articles he has to buy.

Now, the point that I am raising is this: We have heard a lot of talk about plowing under productive acreage in the United States.

It is our point that unless we open the door to freer imports, unless we break down these tariff barriers, it will take a whole lot of plowing, when we consider that the farmer has got to export, as I said, 41 percent of some, and 49 percent of his other products.

Inasmuch as the United States started the various countries, in my opinion, the various countries of the world, in the race to see which could erect the highest tariff wall, it is appropriate, it seems to me, that this country should be the first to adopt a policy of removing existing obstructions to healthy international trade, and we believe that this action should be taken expeditiously, and we are of the opinion that the action cannot be done through the legislative machinery that now exists.

We are, therefore, of the opinion that the President, as contemplated by the proposed act, should be authorized and empowered to negotiate foreign trade agreements.

The giving of this power to the President is not such a great innovation. I call attention to section 336 and section 338, and section 3 (e) of the National Industrial Recovery Act.

Under section 336—

Senator WALSH. Those sections have been thoroughly discussed.

Mr. BEVANS. Yes.

Senator WALSH. They are all in the record.

Mr. BEVANS. I just wanted to add this, that under section 336 there is an apparent limitation—that is 50 percent—but there is also a provision in section 336 which gives the President the right to change the basis of the assessment of ad valorem duties from foreign value to American selling price, and there your limit disappears altogether.

Now, recently, one of the last acts of the last administration was to change the basis of the assessment of the ad valorem duty of 60 percent on imported binoculars from foreign value to American selling price.

A foreign binocular is \$12. Sixty percent duty was \$7.20. The selling price of the domestic article was \$26.60, net price, and 60 percent of that is \$16. When you add the \$16 to the foreign cost, you get landed cost, without freight and insurance, without any profit or overhead, greater than the selling price at wholesale of the domestic article.

In other words, you increase that rate of duty from 60 percent to 133½ percent, so there is really not such a limit on the powers in section 336 as it might seem.

The CHAIRMAN. Well, Mr. Bevens, your time is overtime.

Mr. BEVANS. Yes, sir.

Senator WALSH. Can you put that in the record?

The CHAIRMAN. If you want to extend your remarks in the record, we will be glad for you to do it. I am sorry the committee just cannot extend your time, but, really, we have invited a number of these people to come here, in opposition to the proposition, this afternoon, and I think we ought to be pretty equitable in the distribution of the time, so you may hand to the reporter anything further you wish, to be placed in the record of this hearing.

Mr. BEVANS. It is true that section 336 provides as a guide differences in cost of production but there is nothing more difficult to ascertain than accurate costs of production. Different accounting methods produce different costs of production and an advantageous set-up is sometimes not difficult.

Section 337, which gives the President power to exclude articles from entry in the case of unfair competition, provides that the unfair acts must have the effect of tendency to destroy or substantially injure an industry, efficiently or economically operated in the United States.

I cannot understand why this language was inserted in section 337 and not in section 336. It is difficult to see why anyone is not entitled to protection against unfair competition—as unfair competition is known in law—irrespective of whether his business is or is not economically conducted, while on the other hand it is just as difficult to comprehend why rates of duty should be increased to protect an industry that is not efficiently or economically operated.

The people, through Congress, having given to the President the broad powers under the laws referred to and also under the several laws which have been enacted as a part of the new recovery program, it is difficult to see how the wisdom of empowering him to negotiate pacts, as proposed in H.R. 8687, can be seriously questioned.

We believe, therefore, that the proposed legislation is in the nature of emergency legislation and merely broadens the powers of the President under the so-called "flexible provision" in section 336 of the Tariff Act of 1930, to permit tariff adjustments in the expeditious manner so urgently necessary at this time in order to insure the regaining of our foreign markets, which have been practically lost to us in the last few years, very largely, in our opinion, as a result of the tariff barriers in the form of exorbitant duties and unnecessary administrative restrictions contained in the Tariff Act of 1930.

The CHAIRMAN. Are the glass people ready? I think we have here Mr. Monro. Mr. Monro is not here.

Well, of course, the committee cannot get along, gentlemen, if names are placed on our list and the witnesses are not here when they are called. We will just have to pass them up.

Now, what is your name, please?

Mr. MATTHEWS. My name is William J. Matthews, appearing in the middle of the page of the printed calendar, and I can be very brief.

The CHAIRMAN. Did the glass people get together, and you are speaking for them?

Mr. MATTHEWS. That is right.

The CHAIRMAN. How much time do you want?

Mr. MATTHEWS. I can be very brief, and I think I can say, not to exceed 10 minutes.

The CHAIRMAN. All right, Mr. Matthews. Thank you very much.

Mr. MATTHEWS. Can I be heard now?

The CHAIRMAN. I don't think any of these interests may feel that they have got to get into this record, for fear that if this legislation is passed, they might want to come back and say, "Well, we presented our observations to them."

Senator WALSH. I think many of them are hoping the President, before he makes a tariff rate, will read this record.

Mr. MATTHEWS. There are a number of interests that I represent.

Senator WALSH. Give your name.

Mr. MATTHEWS. William J. Matthews.

The CHAIRMAN. You represent the Cain American Plate Glass Co.?

Mr. MATTHEWS. No, no. It is on the docket that I am representing the Linoleum and Felt-Base Manufacturers Association.

There is a slight inaccuracy, I might point out, in that regard. Instead of the association, I represent, as far as those manufacturers are concerned, the particular manufacturers whose names I will list.

These individuals, I understand, have been communicating with possibly members of the committee and Congress, and have requested permission to be heard and, agreeable to the exchanging of wires between the clerk of the committee and these gentlemen, they have agreed that I should speak for them.

The CHAIRMAN. Yes.

**STATEMENT OF WILLIAM J. MATTHEWS, ON BEHALF OF THE
LINOLEUM AND FELT BASE MANUFACTURERS ASSOCIATION**

Also representing the following companies: Armstrong Cork Co., Lancaster; Bon-A-Fide Mills, Inc., Brooklyn; Carthage Mills, Inc., Cincinnati; Congoleum-Nairn, Inc., Kearny, N.J.; Delaware Floor

Products, Inc., Wilmington; J. C. Dunn & Co., Camden, N.J.; Mannington Mills, Inc., Salem, N.J.; The Cott-A-Lap Co., Inc., New Jersey; The Paraffine Companies, Inc., San Francisco; Sandura Co., Inc., Philadelphia; Sloane-Blabon Corporation, Trenton, N.J.

Mr. MATTHEWS. If I may, I would just like to read the names of the companies I represent, so there will be no inaccuracy in that regard:

The Armstrong Cork Co., Lancaster, Pa.; The Bon-A-Fide Mills, Inc., Brooklyn, N.Y., with a factory in Maine; Carthage Mills, Inc., Cincinnati, Ohio; Congoleum-Nairn, Inc., Kearny, N.J., where its principal plant is located, and subsidiary plants in Maryland and Pennsylvania; Delaware Floor Products, Inc.; Mannington Mills, Inc., Salem, N.J.; The Cott-A-Lap Co., Inc.; The Paraffine Companies, Inc., San Francisco; The Sandura Co., Inc., Philadelphia; and the Sloane-Blabon Corporation, Trenton, N.J.

The CHAIRMAN. I am wondering now if it will be necessary for Mr. Czekala, who represents the structural glass industry, Mr. William Matthews, who represents the Cain Plate Glass Co., and Mr. William L. Monro, representing the American Window Glass Co., to appear. You appear for all of them?

Mr. MATTHEWS. I have no connection with those interests at all.

The CHAIRMAN. I was in hopes that you might all confer this morning, at the suggestion of the chairman, so that we could save some time. All right; proceed.

Mr. MATTHEWS. Well, I beg your pardon. Those other names are listed there.

In addition to those, Mr. Chairman, I also represent, pursuant to wires exchanged, the National Association of Wholesale Floor Covering Distributors, and they have submitted this statement, which I would like to read. It is brief:

This association, representing the wholesale floor-covering trade of this country, doing an annual volume of business estimated at \$170,000,000, is absolutely opposed to any amendment to the tariff bill which presents even a remote possibility of the admittance into this country of foreign-made floor coverings at a lower tariff rate than now prevails.

At the present time a large portion of our industry is suffering on account of the direct competition offered by floor coverings made in foreign countries, which are sold at so low a price as to forbid a legitimate profit on the sales of domestic manufactured products.

We are opposed to any amendments which would permit tampering with the tariff laws without there first being a public hearing of firms whose products are affected. The proposed amendment to the present tariff act would have a tendency to aggravate an already serious condition in the trade.

It would not prevent wholesalers handling domestic products from feeling that a disturbed market condition can be created overnight by the exercise of arbitrary powers, without notice, by the Government.

In view of the fact that the entire attitude of the Government under the "new deal" is one of constructive effort toward recovery, we are of the opinion that the passage of any legislation giving power to change tariff provisions, at will, will be instrumental in retarding recovery and otherwise being harmful to the industries whose products are to be affected, as it would create an unsafe condition in the market.

I would like to file that as a statement of the National Association of Wholesale Floor-Covering Distributors.

The CHAIRMAN. Very well.

Mr. MATTHEWS. Now, it is not my purpose to reiterate many of the arguments that have been presented here, but I do want to state, since I am here on behalf of these manufacturers of linoleum and

felt base, just a word or two, to this effect; namely, that we have had a number of meetings, all of those members, and have discussed this tariff bill considerably in detail, and they are very much concerned about it, and very definitely and positively opposed to it.

Now, as I say, without reiterating some of the arguments that have been presented, but subscribing to a good many of them, some questions have been asked with reference to the relation or possible effect that the N.I.R.A. has upon the operations of these plants and, if I can have the time of the committee for just a moment—I won't go into detailed figures—I would like to make a statement citing a few basic figures of how the N.I.R.A. has affected these particular plants.

Since July of last year—and they have been operating under the code of fair competition—they have added 2,000 employees to the number of employed, bringing the total number of employees, to date, in the 11 plants, 10 of which plants I have mentioned here, as representing them—in those 11 plants, up to just about 8,000 employees.

That is more than the industry has at any time in the past employed numerically.

In addition to that, there have been very substantial increases in the rates of pay and I can state it accurately in dollars, that that increased number of employees, during the last 6 months of 1933, has added exactly \$1,937,000 to the total pay roll.

Senator COUZENS. Has it increased their business?

Mr. MATTHEWS. The business has not been increased substantially.

As a matter of fact, taking linoleum, separating it from the felt-base products, we go from a peak period in 1927 of just about, in round numbers 50 million square yards of linoleum, and last year there were only 14 million square yards of linoleum, of all kinds of linoleum, not felt base, sold in this domestic market. That is illustrated by that chart.

Mr. MATTHEWS. Now, as regards the felt base, it has not suffered quite so much.

The peak period, the most which was ever marketed in the domestic market, of felt-base goods, was a little over 112 million square yards.

Last year, because of a couple of pretty good months, they had a fairly good year, 92 million yards, in round numbers.

Senator WALSH. What is the increase in price, this year?

Mr. MATTHEWS. The increase in price?

Senator WALSH. Linoleum and the felt base.

Mr. MATTHEWS. I have a memorandum there. There have been two increases in price in the last year. There was one increase of 7½ percent on heavyweight felt, and 10 percent on lightweight felt, and another increase of 10 percent on heavyweight felt, and 10 percent on lightweight felt, but, of course, I cannot say anything about the increase in raw materials which they use—linseed oil and any of those things, which have been very seriously increased.

Senator COUZENS. Was there an increase on linoleum, too?

Mr. MATTHEWS. I don't have any memorandum on that, and I cannot state offhand. I will get that and put it in the record, though, if possible.

The CHAIRMAN. Yes; put it in the record.

(The memorandum referred to was not presented.)

Mr. MATTHEWS. As regards the imports, I will just make one allusion:

In 1927 the imports of linoleum other than inlaid—according to the way the reports came in, those were segregated: Inlaid and then all other kinds of linoleum—taking the other kinds of linoleum the imports in that year, 1927 were 1.48. In 1933 the imports of the same class of goods were 11.2.

Senator WALSH. Of the total consumption?

Mr. MATTHEWS. Yes.

Senator WALSH. The percentage of the total consumption, Mr. Matthews?

Mr. MATTHEWS. Yes; of the domestic consumption. That is the way those have been going.

Now, I just allude to those things so that it can be weighed.

Senator WALSH. Is the Armstrong Co. a factor in the trade?

Mr. MATTHEWS. Quite a large factor, very large. They and the Congoleum are the largest, substantially the largest.

The CHAIRMAN. Well, thank you very much, Mr. Matthews.

Mr. MATTHEWS. Yes, sir; thank you and the committee.

The CHAIRMAN. Mr. Wood.

STATEMENT OF EDWARD S. WOOD, PRESIDENT, STEEL PEN MANUFACTURERS ASSOCIATION OF UNITED STATES OF AMERICA

Mr. WOOD. There are five factories in the United States manufacturing steel pens.

These have been operating from 30 to 75 years. Over 80 percent of the people employed in the steel-pen industry are employed in productive labor, and who are directly affected by the continuance of operation.

The wages we pay are well over twice those paid abroad. England is our chief competitor.

The reduction in imports of steel pens into the United States from 1930 to 1933 has been approximately 9 percent, while the volume produced by American manufacturers has declined approximately 30 percent with a corresponding drop in employment.

The exports from the United States have declined more than 70 percent.

Why this reduction in exports? The reason is that the manufacturers in the United States had been able to produce some specially designed pens that because of design were pleasing to the British users—I am using British as meaning the Empire—irrespective of price, but now the Buy-British movement has effectually stopped the use of these pens unless they are made in England, thereby reducing the possible production in American factories.

At the present time no goods, even though they be British made, are permitted to be exhibited at the British industries fairs unless more than 50 percent of the capital stock of the companies exhibiting is British owned.

We have just been most unfortunate. Our invitations have gone out throughout, pretty much throughout the country, and we were unceremoniously ousted from the British industries fairs because 50

percent of our capital was not owned in England, although pens were being made there for us.

Indicating that there is no possibility of breaking down this resistance.

I am speaking now of goods that are represented in the personal-preference class, where the user buys the goods that he prefers.

In our judgment, England has come back much more rapidly than America because of support given industry by the Government and by public sentiment educated by Government propaganda of the most intense type to buy only British merchandise.

Those of you, of course, who have traveled in England know that large posters, similar to the one which I now exhibit to the members of the committee, appear everywhere throughout the empire, at home and overseas. You cannot go anywhere in Great Britain without seeing them.

You also probably saw in the papers of the 21st the movement headed by Sir Oswald Moseley, which has attracted considerable attention from the present Government, in which he says:

No tariffs, no quotas, but simply exclude all importation of all items which can be manufactured in Great Britain, in the colonies, and then buy food and raw materials only from those countries which buy English goods.

The CHAIRMAN. Well, Mr. Wood, you remember we had a big propaganda on in this country to buy American-made goods?

Mr. WOOD. Yes, sir. I tried my best to help it along.

The CHAIRMAN. I think the Senate passed an innocuous resolution to that effect. I don't just recall what it was.

Senator BARKLEY. What was the net result of that effort, Mr. Wood?

Mr. WOOD. In Great Britain?

Senator BARKLEY. No; in this country.

Mr. WOOD. So far as I can see, practically nil; and if you will take the advertisements of the haberdashers' stores, you will see the shoes from certain European streets—I do not remember the streets—hats, and Harris tweeds.

The United States Tariff Commission in 1931 made a thorough investigation of the steel-pen industry both here and abroad, and recommended the continuance of the present duty, which was approved by the President.

Since the investigation by the Tariff Commission, the pen industry has complied with the Government's wishes, operating under the fabricated-metal code in connection with the N.R.A., and has increased wages and reduced working hours, thereby materially increasing the costs of manufacture in this industry compared with those existing at the time the Tariff Commission made its investigation.

Senator COUZENS. Could you define what you mean by "materially increasing the costs"?

Mr. WOOD. Fifteen percent.

Senator COUZENS. Fifteen percent is what you would call a material increase?

Mr. WOOD. Yes, sir.

Senator COUZENS. And have you increased the price at all, Mr. Wood?

Mr. WOOD. We have made no increase in price.

Senator COUZENS. No increase in price?

Mr. Wood. Any reduction in the present duty on pens will increase the proportion of steel pens imported into this country and subject the American manufacturers to increased pressure of low-priced competition from abroad, thus seriously affecting their ability to meet the increased costs under the "new deal."

We ask how the administration can put the proposed plan into practice and live up to its agreements in the N.I.R.A., section 3, paragraph (e), which assures protection to any industry to cover its newly created obligations.

We oppose the proposed legislation, and feel that it is unfair to American industry and to American labor.

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

Mr. Wood. Thank you for your courtesy, Senator.

The CHAIRMAN. Mr. Edward J. Czekala. How much time do you want?

Mr. CZEKALA. Just a few moments.

The CHAIRMAN. Representing the structural glass industry.

STATEMENT OF EDWARD J. CZEKALA, REPRESENTING THE STRUCTURAL GLASS INDUSTRY

Mr. CZEKALA. The structural glass industry manufactures a vitreous slab material which is obscured by coloring prior to solidification.

The tariff on our product is provided for under subsection D of paragraph 222 of the existing tariff act.

Information has reached us that our product has been included in the list of dutiable articles, of which imports do not exceed 5 percent of domestic production, and consequently one of the commodities to be used for bargaining purposes.

Structural glass is used in building construction, repairs, and improvements. The building industry today is operating at about 10 percent of the 1928 peak. Since 1929 we have been operating at a loss and today are compelled to sell our product below its cost of production, due to a sadly curtailed market and the drop in prices of competitive products.

Not only do we have domestic competition, but also foreign competition, and, if the present tariff is reduced, its effect will spell ruin to our industry.

The structural-glass rate is the same as the plate-glass duty. We do not have a rate structure of our own, and no provision has been made in the act as drawn to afford our industry the right to be heard and present statistics in support of the rate now applicable.

To our understanding, a reciprocal agreement can be made with other nations affecting the material on which our rate is based and we, without a right of recourse or appeal, be subjected to this lower rate which would prove ruinous.

As stated before, our industry has been operating at a loss. Despite that fact we acquiesced in the administration's recovery program by signing the P.R.A. and subsequently increased our employment, wages, supply, and material costs to the extent of approximately 25 percent.

We had anticipated an early restoration of our price structure to a figure equal to or above our cost of production which would counter-balance increased costs.

This, we feel, will be possible, providing we are not subjected to an increased import volume and ruinous foreign competition which can only be on a price basis. Comparatively, our costs are considerably higher than European costs, and we obviously cannot maintain our present wage scales and continue in our campaign to stimulate remodeling work, which results in increased employment, if we are compelled to compete with a product which can be sold in this country at a price lower than our cost.

Furthermore, section 3e of the N.I.R.A. contained a provision which we felt was a contract on the part of the administration with American industry, guaranteeing freedom during the reconstruction period from excessive foreign competition.

There is free and open competition among the producers of this commodity in the United States.

We have, among us, developed the market which exists for the product by expensive advertising and extensive missionary work.

The industry belongs to America but can only be maintained here if existing tariff rates applicable to our product are permitted to remain unaltered or rates specifically covering our material to be applied irrespective of the duty on plate glass.

In summary we oppose the passage of the bill as now written:

First. Because it does not provide a means for our industry to present its specific problems in defense of the existing rate before any change shall be made.

Second. Because no provision is made for notice of a change in rate to enable our industry to adjust itself, which must result in uncertainty.

Third. Because no Government department contains adequate statistical or commercial data upon which to base any alterations in our rate of duty, we not heretofore having been requested to submit any such facts.

Fourth. Because the inducing of any import volume at this stage of our recovery will effectually prevent the restoration of our price structure to a figure equal to or above our cost of production, it being obvious that foreign competition can only be on a price basis.

Fifth. Because any readjustment of our tariff rates at this time will most seriously discourage any attempt to comply with the spirit of the administration's recovery program as embodied in the N.I.R.A.

We respectfully submit that if it is the sentiment of the committee to report favorably on this bill, or any similar bill, that provision or amendments should be made therein covering the suggestions herein contained.

Senator WALCOTT. I would like to know how much, if any, you think the N.I.R.A. requirements have increased your costs.

Mr. CZEKALA. I should say approximately 25 percent and, while the costs have been increased, we have not been able to sell our material below or above the cost of production.

Senator WALCOTT. So that you must be losing money.

Mr. CZEKALA. We are.

Senator COUZENS. Have you increased your price at all?

Mr. CZEKALA. Increased the price 10 percent, but it was not sufficient to cover our loss, and, if we are going to have to compete with the character and price of foreign materials which will be imported

into this country, it will have the virtual effect of putting us out of business.

We cannot compete with their wage scales, because ours is approximately from about 400 to 500 percent higher.

Senator WALCOTT. I did not think you made it quite clear in your report there whether you wanted an additional increase in protection duty, whether you depended on that, or whether you were reasonably satisfied with what it was today, provided you were left alone.

Mr. CZEKALA. Well, our understanding is that glass is one of the commodities which is going to be used for bargaining purposes.

Senator BARKLEY. How do you understand that? The Department, themselves, say that they haven't any idea what commodity will be used as a basis.

Mr. CZEKALA. It is an article, Senator, that appeared in the New York Times, I believe a week ago last Sunday. It was based, I recall, on the request of the importers.

Senator BARKLEY. Well, that wasn't from any authoritative governmental source, the authorship of the article? Do you remember who wrote the article?

Mr. CZEKALA. I do not recall.

Senator BARKLEY. Somebody projecting with the subject, then, I suppose.

Mr. CZEKALA. Well, naturally, it would arouse fears to our industry, particularly since our rate is the same as the rate on plate glass, and we are not plate-glass manufacturers.

Senator BARKLEY. What is the proportion of imports of your article?

Mr. CZEKALA. That is something that is very hard to determine, for the reason that all plate glass imported into this country, including the material referred to as structural glass, is under the same heading, and they are not separated or defined, so we cannot say how much of the imports constituted our material.

Senator BARKLEY. Well, the total. What is the total proportion including yours and plate glass and all of it?

Mr. CZEKALA. I could not say. I could not answer that.

Senator BARKLEY. Did you state, a while ago, that it was less than 5 percent?

Mr. CZEKALA. That was obtained from the same article that I was referring to, as appearing in the New York Times.

Senator BARKLEY. You don't know whether you are correct or not?

Mr. CZEKALA. I haven't substantiated it, but I understand that information was obtained from the recommendations made by the importing group.

The CHAIRMAN. Well, don't give too serious consideration to it.

Senator BARKLEY. It would all depend on whether there was any country that would be willing to enter into any agreement to buy something from us, that they are not now obtaining, and in return for some concession on glass, otherwise there wouldn't be any incentive for either country to enter into an agreement; so it is purely speculative, isn't it?

I say, it is speculative as to whether any commodity may be affected, depending on whether the other country, or any other country, would be willing to enter into an agreement that would affect your commodity, or anybody else's?

Mr. CZEKALA. Well, we would request, if glass is going to be considered as a reciprocal article, that the material referred to as structural glass be divorced from the general classification and a rate applied to our material, to protect the industries operating in this country.

Senator BARKLEY. Well, of course, the President, in making agreements, would not be bound by any classification—that is, either in the tariff act or any report of the Tariff Commission.

I mean, he could not violate the law of our country in that regard, but he could take separate items out of any tariff schedules and make an agreement with respect to them, without including the whole, or he could leave out any of them.

Senator COUZENS. How many men are employed in your industry?

Mr. CZEKALA. Taking the installation units and distributors I should say it would reach between two and three thousand men.

The CHAIRMAN. That is all.

Senator BARKLEY. How does that compare with the number employed in 1926, 1927, and 1928?

Mr. CZEKALA. It is less.

Senator BARKLEY. It is less, but how much less? Do you know what the figures are? There hasn't been very much building going on to require structural glass in the last 3 or 4 years.

Mr. CZEKALA. No. That is what has hurt us more than anything, particularly since we are dependent exclusively on the building industry, and, while there hasn't been any building going on, our costs have remained constant.

The CHAIRMAN. Mr. Disston? How much time, Mr. Disston?

Mr. DISSTON. Mine is very short, but I have been asked, with your permission, to also read or present a statement from the machine-knife industry.

The CHAIRMAN. I hope you will put that in the record, the machine-knife industry.

STATEMENT ON BEHALF OF THE MACHINE-KNIFE INDUSTRY OF THE UNITED STATES

The machine-knife industry finds itself in a very peculiar and certainly not a pleasant situation. The industry has cooperated with the National Recovery Administration. It has prepared and secured the approval of a code of fair competition for the industry.

The industry insofar as domestic manufacturers are concerned is complying closely with the code, but insofar as foreign competition in the United States is concerned we often find ourselves out on a limb so to speak, in that contrary to our expectation and advice prior to the signature of our code the foreign manufacturers selling knives in the United States are not bound by the provisions of the code and are free to practice such competition as they may see fit.

We cannot bring ourselves to believe that the President of the United States, nor the Congress, in the passage of the National Industrial Recovery Act ever contemplated for one moment tying the hands of domestic manufacturers by closely restricting them to code provisions and at the same time render them defenseless against the foreign manufacturers who, after they pay the import duty, apparently are free to practice any sort of competition they may desire.

To our minds this is an entirely indefensible policy and we believe sooner or later will be rectified, but we are experiencing some especially savage competition from some of the foreign manufacturers.

It is the English competition which at the moment is particularly savage.

During the past week one of our American manufacturers has lost important business to an English concern. It has been lost partly because of lack of knowledge as to what their price was, they apparently not being required under the code governing this industry to file with the code authority prices, terms, etc.

We have been attempting to get statistical information from the Department

of Commerce broken down into some detail to give us definite and real information. So far we have not been able to secure this information, but we are reasonably certain from the reports which have come to us, that sales of foreign knives have greatly increased since our code went into effect.

If foreign manufacturers of machine knives cannot be brought under our code and cannot be made to observe the standards we have set up for our industry, the only thing we can do, and which we as American citizens have a perfect right to ask, is that our industry be given protection from this competition through the raising of the tariff to levels which will compel foreign manufacturers to observe the standards which our industry has voluntarily accepted under its code of fair competition.

The CHAIRMAN. You are representing the saw industry now, Mr. Disston?

Mr. DISSTON. That is correct.

STATEMENT OF WILLIAM D. DISSTON, PRESIDENT SAW MANUFACTURERS ASSOCIATION OF THE UNITED STATES

Mr. DISSTON. The Saw Manufacturers Association of the United States respectfully requests that H.R. 8087 be rejected by your committee and the United States Senate.

We believe it unwise to change fundamental tariff-making policies now. Specifically we object to part III, section 350 (a).

Under the National Industrial Recovery Act the saw industry has extended itself to the limit in increasing employment. Currently, we are doing less than half the volume of business we did in 1920, yet we are employing four fifths of the workers we did in 1920 at within 3 percent of 1920's real wages. In the decade prior to 1920 pay roll accounted for slightly less than 40 cents out of the dollar paid by the customer who bought a saw. Today pay roll is approximately 50 cents of the sales dollar. The average hourly rate of pay in this industry is \$0.538.

The saw industry has thus placed itself in an exceedingly vulnerable position with regard to tariff changes, and foreign competition. We are opposed to having this vulnerability increased the point of peril by the tariff policies incorporated in H.R. 8087.

Senator BARKLEY. What is the proportion of saws imported into this country of the domestic production?

Mr. DISSTON. I imagine about 3 percent, something like that.

Senator BARKLEY. Do we export any saws?

Mr. DISSTON. Yes.

Senator BARKLEY. What is our proportion of exports?

Mr. DISSTON. Before the war it was about 33½ percent of the sales of the American manufacturers. Right after the war it went to between 20 and 25 percent, and it is now about 7 or 8 percent.

Senator BARKLEY. So that while we have about a 3 percent importation of saws, we have at this time an exportation of 7 or 8 percent?

Mr. DISSTON. That would be my judgment; yes.

Senator BARKLEY. Where do we export to?

Mr. DISSTON. South America and Africa.

Senator BARKLEY. Well, you needn't give all of them?

Mr. DISSTON. Mostly England. Practically entirely from England.

Senator BARKLEY. All right.

The CHAIRMAN. Thank you very much.

Senator WALCOTT. Mr. Chairman, I would like to ask Mr. Disston a question or two.

This knife industry, from which you have submitted an opposing argument to this bill, is a very important industry in New England.

Are you familiar with any of the statistics of that business?

Mr. DISSTON. No; I am not.

Senator WALCOTT. You are not?

Well, with reference to your own, why are you particularly solicitous about your own, or have you any indication that you might come under this bill for reciprocal agreements?

Mr. DISSTON. We do not know; we are afraid.

Senator BARKLEY. You know you don't want to; that is it?

Mr. DISSTON. That is right.

Senator WALCOTT. You are praying to be left alone?

Mr. DISSTON. That is true. That is true.

Senator WALCOTT. And how much has the N.R.A. code increased your costs, approximately?

Mr. DISSTON. About 25 percent.

Senator WALCOTT. That seems to be pretty general, from all the various trades we have heard from. Several have mentioned 25 percent. That is partly wages, I suppose, partly a reduction in hours?

Mr. DISSTON. Yes.

Senator WALCOTT. And the employment of more men to do the same work?

Mr. DISSTON. Yes. Then, of course, the raw materials have gone up, too, Senator.

Senator WALCOTT. The raw materials have gone up?

Mr. DISSTON. And supplies.

Senator BARKLEY. Well, if all these companies have increased their costs, 25 to 30 and 40 percent, and haven't increased their selling prices, they certainly must have been in better condition than they claimed they were when the depression was on, or when many of them borrowed money from the Government through its various agencies, to keep going.

Mr. DISSTON. We did increase our prices, I should say, approximately 10 percent since N.R.A. went into effect. For the past 7 years the industry has earned 2 percent on its net worth.

Senator COUZENS. How many men are employed?

Mr. DISSTON. Two thousand seven hundred.

Senator BARKLEY. You have, you say, increased your labor cost, now, about 50 percent?

Mr. DISSTON. Yes, that is right; of the sales dollar.

Senator BARKLEY. And the 20 percent increase of the sales dollar, or 10 percent increase, on the sales dollar, if it was absorbed altogether by the increase in cost of labor, would make it about a 20 percent increase in labor? If labor, representing half the cost, 10 percent on the total, would be about a 20-percent increase on labor?

The CHAIRMAN. All right. Thank you very much.

Senator WALCOTT. Just one more question, Mr. Chairman, if you please.

Is it a matter with you of tariff protection, from now on, or is it a matter of domestic consumption, or both?

Mr. DISSTON. I should say it was both.

Senator WALCOTT. Which is the more important? Would you, off-hand, demand greater protection by an import duty?

Mr. DISSTON. There are certain items, such as narrow band saws, that could be protected higher, but, generally speaking, I should say that the reason the industry is not in better shape is because the lumber production is less than it used to be.

The saw industry is not an expanding industry, such as the automobile trade, for instance, and the refrigerator trade—trades like that.

Senator WALCOTT. And steel structures, of course?

Mr. DISSTON. Yes. And for that reason, the competition is very keen.

The CHAIRMAN. Well, let me ask you if the passage of this bill should add to the export of timber and if the passage of this legislation should add to the exportation in our lumber industry and some branches of it, would it not help your industry?

Mr. DISSTON. Yes; it would.

The CHAIRMAN. That is all.

Senator BARKLEY. Would you be willing to give up the 7-percent export that we now enjoy in order to keep out the 3 percent that comes in?

Mr. DISSTON. Personally—I am only speaking for our company now—yes; I would.

Senator BARKLEY. You would?

Mr. DISSTON. Yes.

Senator BARKLEY. But I mean, speaking now of the saw industry as a whole?

Mr. DISSTON. I should think we would; yes.

Senator BARKLEY. What advantage would you obtain by keeping out 3 percent, and keeping in 7?

Mr. DISSTON. Well, the only reason—

Senator BARKLEY. Seven seems to be the low ebb. It has been up as high as 25. What advantage would the saw industry gain by keeping out 3 percent of the imports and keeping inside the United States 7 to 25 percent?

Mr. DISSTON. Well, of course, England is our biggest competitor on saws, and they have been reducing the cost of their manufacture.

We have been increasing ours, and we feel that that makes us very vulnerable and, in fact, at the present time, I was only in New Orleans on Thursday and I saw English saws, hand saws, in the hardware stores there.

Senator BARKLEY. Well, if that sort of a situation were brought about, you would have to find a market in this country for as many saws as are now being imported, in order to keep from reducing your output?

Mr. DISSTON. Yes. Of course, we feel that the United States is self-contained and can keep foreign competition of all lines out, that we will be better off than allowing foreign competition to come in here and hurt our industries.

Senator BARKLEY. Well, you know that theory flies in the face of history, with every commercial nation since the beginning of time?

Mr. DISSTON. Well, of course, this country—but I don't want to get into any argument.

Senator BARKLEY. I don't either, but it is a very interesting subject of discussion.

Senator COUZENS. Of course, it is very apparent that if you put the tariff on you destroy your price structure, and the 3 percent admission would not make much difference, would it?

Senator BARKLEY. The 3 percent of the importations is not as slight, in proportion to the peak of importations, as the 7 percent exportation now is, compared to the peak of exportations, so that we have always sold to other people more saws than we have bought.

Mr. DISSTON. Yes. Since the Civil War, that is correct.

Senator BARKLEY. Yes.

The CHAIRMAN. All right, Mr. Disston. Is Mr. Bernard Davis here, representing the Cotton Rug Association?

A VOICE. No, sir. He will be here tomorrow.

The CHAIRMAN. There are several representatives of the lace industry here: Mr. Phillips, Mr. Turner, and Mr. Higgins. Do you speak for them?

Mr. PHILLIPS. Mr. Phillips.

The CHAIRMAN. Do you speak for the other two?

Mr. PHILLIPS. No; they will speak for themselves, but they won't take up much of your time.

The CHAIRMAN. How much time do you want?

Mr. PHILLIPS. Well, 10 minutes.

STATEMENT OF H. ALBERT PHILLIPS, BRIDGEPORT, CONN., ON BEHALF OF THE LACE MANUFACTURERS OF AMERICA

Mr. PHILLIPS. I am speaking for the lace manufacturers of America, and I want to speak in opposition to the reciprocity tariff bill.

We, as lace manufacturers, feel particularly keenly about this bill, since our industry has been mentioned on many occasions in recent months as being particularly well adapted to be bargained away.

The lace industry has been referred to by Secretary Wallace as an inefficient industry. Of course, only those not familiar with the process of manufacturing laces could apply that term to one of the most efficient and highly developed industries in the world.

It is proposed in this reciprocity bill that Congress give the President the power to negotiate bargaining treaties. It has been fully explained what this means. It has even been stated that industry shall not even have so much as a hearing before those who will be empowered under the proposed act to negotiate such treaties.

Our destinies will be placed in the hands of a few men who under this proposed act can bargain away and ruin the existing industry through competing imports from low-wage countries.

It may be argued that there is no such intention, but in the case of our lace industry the intention of using it for bargaining purposes has been specifically mentioned by the spokesmen of our Government, so we must presume that if this bill is passed in its present form the duties will be reduced from 90 percent to 45 percent ad valorem.

This would mean the prompt stoppage of all employment in the lace and kindred industries. Indeed, a very serious situation will arise.

So that your committee may be informed, let me call to your attention the following facts:

The manufacture of lace and kindred articles in the U.S.A. was attempted on so many occasions without success prior to the year 1910.

What amounted to virtually a recommendation from this Government came with the Payne-Aldrich tariff bill of 1909 when lace machinery, especially the type known as "Levers lace machines", was allowed entry free of duty for a period of 18 months and the rate of duty on laces, or the product of those machines, was made 70 percent ad valorem.

Prior to the year 1910 there was practically no lace industry in this country. The lace industry was brought into existence through the encouragement of the Government itself. Shortly after the adoption of the Payne-Aldrich bill in 1909, lace mills were established, so that today we find well-established lace mills in eight States, namely, Rhode Island, Pennsylvania, Connecticut, Ohio, New York, Massachusetts, New Jersey, Illinois.

The CHAIRMAN. How has your industry fared? Have you got along fairly well?

Mr. PHILLIPS. Well, it has gotten along fairly well. We are having our troubles.

The CHAIRMAN. Well, everybody has had their troubles, but has this industry prospered?

Mr. PHILLIPS. The industry has developed; yes, sir.

The CHAIRMAN. It has prospered?

Mr. PHILLIPS. Yes, sir. Many people labor under the erroneous idea that the lace industry is largely a hand-work industry or home-work industry. Nothing could be further away from the facts.

The lace mills as established today represent a capital investment of at least \$20,000,000 and give employment to 8,000 people.

The machinery employed is highly developed and requires skillful, trained mechanics for its operation.

In the enactment of the tariff law of 1922, laces were given a rate of 90 percent ad valorem, which rate was again established in 1930, after most intensive investigation on the part of officials of the U.S. Tariff Commission.

Importations of laces and nets emanate mostly from France, but England and China also play an important part, shipping large quantities into the United States.

Some idea of the difference in production costs as between the United States and France may be gleaned from the following statistics:

	Wages paid in United States	Wages paid in France
Lace weavers.....	\$55.00	\$14.00
Warpers.....	42.00	9.00
Brass bobbin winders.....	30.00	7.50
Slip winders.....	22.50	7.00

Senator COUZENS. Are our employees more productive than the French?

Mr. PHILLIPS. I would not say that they are more productive. They use exactly the same method, exactly the same tools, but, as far as all manufacturing equipment and running a plant, is concerned, we are more efficient than what they are in France, or else we could not

even compete on a 90 percent, because our wages here are four times as much, and in many cases more, than what they are in France.

You see, we do everything here in our own plants. In France a great deal of it is farmed out, one process after another, which breaks up the cost of production, bringing it up somewhat over ours, when the different hours are consumed——

The CHAIRMAN. We increased, in the last tariff act, the duty on laces, did we not?

Mr. PHILLIPS. No; in 1922 it was increased.

The CHAIRMAN. In 1922?

Mr. PHILLIPS. In 1930 we kept it the same. We attempted to increase it.

The CHAIRMAN. You attempted to?

Mr. PHILLIPS. But it was not.

The CHAIRMAN. I recall the fight.

Senator BARKLEY. There are no handmade laces made in this country?

Mr. PHILLIPS. No; not for commercial purposes.

Senator BARKLEY. All machine; and no hand-made laces are now permitted to come in?

Mr. PHILLIPS. Oh, yes.

Senator BARKLEY. To speak of?

Mr. PHILLIPS. Hand-made laces are coming in from China.

Senator BARKLEY. From China?

Mr. PHILLIPS. Yes.

Senator BARKLEY. But we produce none at all of that type of hand-made laces in this country?

Mr. PHILLIPS. No.

Senator BARKLEY. So that that is not competitive, except insofar as a woman might prefer a hand-made piece of lace to one of your machine-made pieces?

Mr. PHILLIPS. It is very competitive——

Senator BARKLEY. First, most women prefer hand-made lace?

Mr. PHILLIPS. Yes; they do.

Senator BARKLEY. But you would rather not cater to that feminine desire to buy hand-made laces coming in?

Mr. PHILLIPS. Well, 90 percent placed on the Chinese valuation means nothing, because they pay no wages in China.

Senator BARKLEY. Has the depreciation of our currency had any effect upon the lace business?

Mr. PHILLIPS. It couldn't have any effect on the Chinese situation. It has had effect on the importations from Europe.

The CHAIRMAN. From France?

Mr. PHILLIPS. From France and England; yes.

Senator BARKLEY. I notice that we, with 90 percent duty, in 1927, imported \$463,000 worth of laces, and manufactured \$2,865,000 worth.

Mr. PHILLIPS. Well, that would not be the right comparison.

Senator BARKLEY. Well, that is what the Tariff Commission reports.

Mr. PHILLIPS. Well, then, that report is wrong.

Senator BARKLEY. It shows here, in 1932, while we manufactured nearly four million dollars worth of laces in this country, we only imported \$44,000 worth.

Mr. PHILLIPS. You must compare——

Senator BARKLEY. I am speaking of machine-made laces now.

Mr. PHILLIPS. Oh, no; the production of machine-made laces in this country is by far more than \$4,000,000, and the importation of machine-made laces is far more than \$4,000,000.

Senator BARKLEY. Well, the Tariff Commission is wrong, then?

Mr. PHILLIPS. They are absolutely wrong, if those figures are from the Tariff Commission.

Senator BARKLEY. Well, how much are they, then? How wrong are they?

Mr. PHILLIPS. Because I happen to be in the import business of laces, myself, our own concern, and we imported more than \$400,000 worth of laces.

Senator BARKLEY. In what year?

Mr. PHILLIPS. In any one year in the last 5 years.

Senator BARKLEY. Machine-made laces?

Mr. PHILLIPS. Machine-made laces; yes, sir. Only machine-made laces.

Senator BARKLEY. Well, what are you doing importing machine-made laces if you are seeking a high tariff for our own domestic product?

Mr. PHILLIPS. I am not seeking a higher tariff on our own domestic product.

Senator BARKLEY. You don't want it lowered, though?

Mr. PHILLIPS. In 1922, when we received only a protection of 90 percent, that was not enough to keep us in the business, and we therefore kept on manufacturing those goods in this country, in which we could compete, and those where we could not compete, we imported them.

The CHAIRMAN. Well, you were making money up to that time weren't you?

Mr. PHILLIPS. Up to 1922?

The CHAIRMAN. Up to 1930.

Mr. PHILLIPS. Well, we have had years when we have made money and we have had years when we lost money freely.

The CHAIRMAN. Of course, but, on the whole, the industry progressed and was quite prosperous?

Mr. PHILLIPS. It was.

The CHAIRMAN. Up until 1930?

Mr. PHILLIPS. Yes, sir.

The CHAIRMAN. And then it was that you sought an increase from the 90 percent, wasn't it? One hundred twenty-five percent?

Mr. PHILLIPS. Well, we added a specific at that time which would have it around 125.

The CHAIRMAN. And that was adopted in the Senate, as I understood you to say, but it was knocked out in conference?

Mr. PHILLIPS. Yes, sir.

The CHAIRMAN. And, following that, if I recall correctly, my mind is a little hazy about it at this time, there was quite a commotion over in France?

Mr. PHILLIPS. That is right.

The CHAIRMAN. And Ambassador Edge, who had given support in the Senate to the bill in the beginning, having been appointed over there, had to go out and quiet the multitude, didn't he, in France?

Mr. PHILLIPS. Yes, he did. Apparently he tried to.

The CHAIRMAN. And they inserted appeals in behalf of this Government and so on about this lace proposition? You remember all that?

Mr. PHILLIPS. I remember it well.

The CHAIRMAN. Now, did you know anything about your industry getting out a circular against this bill, and putting it out among employees?

Mr. PHILLIPS. We did.

The CHAIRMAN. You did do that? Is that a copy of the circular, Important Notice to All Lace Manufacturers, and so on?

Mr. PHILLIPS. Yes.

The CHAIRMAN. I notice in your closing item you say:

Power such as this bill contains will make industries afraid to protest to Washington about anything.

Mr. PHILLIPS. I did not hear that statement.

The CHAIRMAN. Well, that is pretty strong language, Mr. Phillips.

Mr. PHILLIPS. I did not hear that statement, Senator.

The CHAIRMAN. I say, in the closing phrase of this admonition that you sent out to the employees and the other lace manufacturers, you say, in the eighteenth reason against the bill, this:

Power such as this bill contains will make industries afraid to protest to Washington about anything.

And:

When it is known that by one stroke the Government can ruin an entire industry. * * *

Mr. PHILLIPS. Pardon me. May I see that?

The CHAIRMAN. Yes.

Mr. PHILLIPS (Examining). That is right.

The CHAIRMAN. That is right.

Senator BARKLEY. Well, did you have any such fear when the act of 1930, in section 338, gave the President the power to increase by 50 percent?

Mr. PHILLIPS. To increase duties?

Senator BARKLEY. Yes.

Mr. PHILLIPS. Well, I have personally never been in favor of the flexible tariff provision.

Senator BARKLEY. You did not come down here and protest against it, though, at that time?

Mr. PHILLIPS. I did not protest the flexible tariff provision; no.

Senator BARKLEY. Do you think that any industry that requires nearly 100 percent tariff in order to enable it to run is a very efficient, very economic industry?

Mr. PHILLIPS. Yes, sir; I do, sir. I do.

The CHAIRMAN. I notice in this letter that you gave to the employers that you say, among other things, that:

If the tariff bill is passed it means the lace industry will probably soon be wiped out and, if the industry goes, your jobs go, too.

Mr. PHILLIPS. Naturally.

The CHAIRMAN. Naturally? That is the way that you felt about it?

Mr. PHILLIPS. Yes, sir.

The CHAIRMAN. And that is the way you wrote to them about it?

Mr. PHILLIPS. Yes.

The CHAIRMAN. And brought it to the attention of all the employees that you could in the lace industry?

Mr. PHILLIPS. Yes, sir.

Senator BARKLEY. Does that circular advise them to write to their Congressmen and Senators?

The CHAIRMAN. "The only way to prevent this from happening is to let your two Senators know that you do not want this tariff bill passed."

Is that right?

Mr. PHILLIPS. That is right. That is right.

The CHAIRMAN. It had already passed the House; that is right?

Senator WALCOTT. Well, Mr. Chairman, I will say, as one of the Senators, that I have not heard from one of them. I do not see any reason why an employer should not advise, if he thinks his industry is going to be destroyed, why he should not advise the people that are working there to try and save their jobs by protesting against the passage of legislation that they think is inimical.

The CHAIRMAN. I think that this witness is very frank and candid, and I want to congratulate you on the candor that you are displaying.

Mr. PHILLIPS. Thank you, sir.

The CHAIRMAN. Of course, you had a right, if you wanted to, to do that.

I was just bringing it to your attention. I wanted to get that authenticated. That is all.

Senator WALCOTT. Mr. Chairman, I want to bring out a point or two with reference to Chinese competition.

That loomed up very big when we were discussing the question of the tariff protection in 1930, our retaining the old 90 percent.

As I recall it then, Mr. Phillips, you made the statement that the Chinese total cost of lace, hand-made, was slightly less, after paying the 90 percent, at that time, on certain things, as I recall, doilies, for instance, the body of doilies, in using linen, than your machine-made lace?

Mr. PHILLIPS. Yes; a great deal.

Senator WALCOTT. Is that still correct?

Mr. PHILLIPS. Yes; even today it is, on articles that might be compared.

There are at least 70 or 80 percent less after 90 percent duty is paid on them, because those goods have no value in comparison to our values.

The Chinese worker possibly gets 50 cents to 75 cents a week, for a whole week's work.

Senator WALCOTT. Do you know that that figure is approximately correct?

Mr. PHILLIPS. Absolutely.

Senator WALCOTT. 50 to 75 cents a week?

Mr. PHILLIPS. Yes.

Senator WALCOTT. And your minimum wage is \$11 a week?

Mr. PHILLIPS. \$13.

Senator WALCOTT. How much?

Mr. PHILLIPS. \$13.

Senator WALCOTT. \$13?

Mr. PHILLIPS. Yes, sir.

Senator WALCOTT. Against 75 cents?

Mr. PHILLIPS. Yes, sir.

The CHAIRMAN. All right; proceed.

Mr. PHILLIPS. These statistics were compiled several years ago and would today show an even larger differential especially with the additional restrictions placed upon us through the operation of the National Industrial Recovery Act which imposes shorter working hours and higher minimum wages.

While the lace industry may be regarded as one of the newer industries in the United States, it nevertheless has grown from its inception in the year 1910 to the present and is counted today among the well-established industries of our country. Since the establishment of the industry, laces, nets, and so forth, and other products of the lace machines have become real commodities to the masses.

Prices have been brought to a commercial basis, whereas before the establishment of the industry in this country laces, nets, and so forth, were distinctly considered in the luxury class, due to the higher prices charged in the markets of the U.S.A. by foreign producers owing to what virtually amounted to a monopoly which they enjoyed.

It should also be taken into consideration that the lace machines of America are potential arms of defense in that they produce bobbinet or what is commonly known as mosquito netting, required by the Army, Navy, and Marine Corps, as well as the medical divisions of these services.

So true is this that during the late World War practically all of the machinery of the Levers lace-manufacturing branch was operating on Government contracts for much-needed material in the program of national defense.

The business of lacemaking during the past 24 years has been painstakingly built up, step by step. It has taken courage, energy, grit, and a lot of hard work by all those connected with the industry to bring it to the position where it stands today. And now it is proposed in this reciprocity bill to give the President the right to bargain it away so that we may increase our exports of some other commodity. Gentlemen, just picture this.

As said before, there are about 8,000 people employed at lacemaking in the United States of America. If the tariff rate is reduced these people will be without a livelihood. There will simply be that many more unemployed.

It may be possible to purchase the laces which at present are made in this country, from some European or Asiatic country; but forget not that their wages amount to less than 25 percent of those which our workers receive, and in the case of China they amount to practically nothing. In other words, with the passage of this bill you will destroy the purchasing power of 8,000 American workers, all of whose earnings are expended in this country and you will transfer this pay roll to workers in other countries who receive less than 25 percent of the American standard of wages. I ask what can these foreign lace people purchase with these small incomes, of our American products? In their daily purchases they will only have the opportunity to expend a very small fraction of their earnings in our products. For every dollar of pay roll either entirely destroyed or reduced in this country,

we can at best expect only a possible replacement expressed in a few cents in foreign markets.

In the National Industrial Recovery Act, enacted into law last June, appears a provision that the President may raise duties on imports which arise in competition with products of industries, which have complied with the provisions of N.I.R.A. Furthermore, the President was empowered to specify "such terms and conditions and subject to the payment of such fees and to such limitations in the total quantity which may be imported as he shall find necessary to prescribe in order that the entry thereof shall not render or tend to render ineffective any code or agreement under this title." In other words, the proposition of rising costs under the N.I.R.A. with its higher wage scales, shorter working hours, and restrictions on machine-hour regulations was recognized by the framers of the bill, so that in case of increasing foreign competition prompt relief might be obtained so as to not render ineffective any code or agreement under this title.

The lace industry is working under code no. 6. The reciprocity bill here before us provides bargaining or reciprocal treaties lasting 3 years, with provisions in it diametrically opposed to the provisions in the N.I.R.A. These treaties with foreign countries once made cannot be disregarded or repealed. The other countries will have all the advantages, we all the disadvantages.

I express the hope that you will not enact this bill into law. Please consider what it will mean to our investment, and to our stockholders, and to our employees and their dependents, and furthermore to those who are given employment by our supply houses.

I want further to bring to your attention the lace industry's interconnection with other industries. It is today a large user of silk, rayon, metal, wool, and cotton yarns; practically all of which are purchased from American mills, and this business will be lost to mills in other countries, causing further unemployment in this country. And furthermore I cannot help but mention that in our tariff laws never was there a differentiation made between laces and lace articles, lace-trimmed articles, lace garments, and lace-trimmed garments. With a reduction in the tariff on laces (par. 1529a) all these items and many more will be included and they will therefore be manufactured in foreign countries and imported into the United States. These industries engaged in the manufacture of lace-trimmed or lace dresses, lace underwear, lace night wear, neckwear, scarfs, and curtains employ approximately 187,500 wage earners. If you enact this reciprocity bill you play with the destiny and personal welfare of all these people. No one should be empowered to file a decision so far-reaching without first obtaining full and detailed information from those who may be affected by the decision.

Remember also, gentlemen, France is the largest producer of laces and 75 to 80 percent of her production is exported to the United States.

In other words, France practically only makes 25 percent for the rest of the world, and all the rest of the laces she sells here.

If this bill becomes a law, she will have all the lace-manufacturing business once more and we in the United States of America will have no part of it. They will practically have a monopoly and that, gentlemen, will mean higher prices again for the American consumer.

For the lace industry, this bill means extinction. It means lower

duties on laces and higher prices to the consumer by enriching the lacemakers in foreign countries.

The CHAIRMAN. You say if this bill becomes a law, all of that will happen.

Mr. PHILLIPS. I believe so; yes, sir.

Senator BARKLEY. What makes you say that?

The CHAIRMAN. If I were you and were in that industry, I would not give any hint to that effect.

Mr. PHILLIPS. Why not? It is a fact.

The CHAIRMAN. If it is a fact, we will pass on.

Mr. PHILLIPS. Everybody knows it.

Senator BARKLEY. You mean you think that it is a foregone conclusion that the President will reduce the tax or tariff on laces?

Mr. PHILLIPS. He is going to use this for reciprocity, according to Secretary Wallace.

Senator BARKLEY. Of course he is going to use it for reciprocity, but Secretary Wallace is Secretary of Agriculture, and these agreements will be negotiated through the State Department. It just so happens that Secretary Wallace, in a speech, referred to laces, because there was less than 5 percent of the imports, and the type of industry that required an unusual tariff in order to enable it to live. That does not mean that the President is going to use laces. It might never figure in one of these agreements.

Mr. PHILLIPS. Well, I look at this proposition this way. Here is a bill which gives the President power to negotiate these tariffs. I know that the President cannot go personally into all of these details. That is humanly impossible. Therefore he listens, naturally, to the spokesmen of the Government, who are the greatest sponsors of this bill, and that is Secretary Hull and Secretary Wallace; and Secretary Wallace has shouted it from the housetops for the last 6 months that laces are an inefficient industry. That is not only—

Senator BARKLEY (interposing). I do not know how long he has been shouting, but we did a good deal of shouting along in 1930 when the Hawley-Smoot bill was up.

The CHAIRMAN. Some of the rest of us said something about the industry, too, when you tried to get 125 percent increase.

Senator BARKLEY. In view of the small amount of laces brought in, and even the insignificant amount of American production of laces, compared to industries generally, how much reciprocity do you suppose we could get out of any other country by making laces the basis of a treaty?

Mr. PHILLIPS. That is just in my concluding statement, Senator. I will just speak on that.

The CHAIRMAN. All right. Give us your concluding statement.

Mr. PHILLIPS. Yes, sir; it won't take long. In conclusion: The lace industry to us, as manufacturers, seems important and big. To this committee and to those who have in mind using it for bargaining purposes it may seem small and unimportant in the industrial fabric of this Nation. If it is a small industry and an unimportant industry, then what can this country gain in increasing exports? Certainly, under bargaining treatment, we are not going to sell any more in amount than what we buy, and vice versa.

To me, frankly, this whole reciprocity proposition looks very amateurish. It has already been indicated by those sponsoring the

bill that there is hardship and distress ahead for American industries and American work people now employed in the industries, to be made subject to reciprocal treaties.

The rest of the world does not possess anything we want and which we are not buying at this time, and it is unreasonable to expect that other countries will ever purchase goods in any other but the cheapest markets, treaties or no treaties.

I predict that the treaties made under this bill will not aid at all in the restoration of prosperity. These treaties can only act as instruments of despair for merchants and manufacturers and employees.

The whole conception of reciprocity is bound to fail, for if and when treaties are applied and enforced, they will dislocate established American industries and bring no benefits to others.

Senator BARKLEY. Why do you think the other nations of the world are in a race to make reciprocity trade treaties if they are no benefit to anybody?

Mr. PHILLIPS. Well, now, I doubt that the other countries are so anxious to make such treaties.

Senator BARKLEY. They have made more than 150 of them in the last 12 months.

Mr. PHILLIPS. Treaties may be made with countries who are on the same level, and that is an entirely different matter than making treaties between countries that have a different standard of living of 100 to 200 percent.

Senator BARKLEY. They are not all on the same level—those who have made those agreements.

Mr. PHILLIPS. If they have made those treaties during the last 12 months, that does not say that all of those treaties are good treaties, or that they will all be effective, or that they all will produce what those who made them expect them to produce.

Senator BARKLEY. They are good to the extent of preventing us from selling any goods, and they are monopolizing the markets of the United States.

Mr. PHILLIPS. I do not think we have much proof of that, either.

Senator BARKLEY. Well, we have not been selling very much lately, compared to what we did before.

Mr. PHILLIPS. But our exports are still higher than our imports.

Senator BARKLEY. Yes, a little.

Mr. PHILLIPS. Yes, sir. If we want to be fair to the rest of the world, like so many people want us to be, and like so many patriotic Americans say we should be, we certainly cannot expect to sell them much more than we buy, can we? If we are selling more than we do, we must buy from them? How can we even expect to increase that?

Senator BARKLEY. Do you mean to say that you do not want to impose on them any more by selling any more stuff?

Mr. PHILLIPS. If they want our commodities, like a great many commodities which we produce and manufacture—if the rest of the world wants them, they will come here and buy them.

Senator BARKLEY. If they can get them.

Mr. PHILLIPS. If they can get them; yes, sir.

Senator BARKLEY. It is one thing for the people of a country to want our goods, and it is another thing for the government of that

country to bargain so they are not allowed to get them, by making a preferential agreement with some other country.

Mr. PHILLIPS. Well, now, that preferential agreement I claim will not hold water if they can buy those same commodities cheaper in the United States.

Senator BARKLEY. That would be true if the Government did not issue quotas against our exportation of the article into their country, but however much the people of France may want automobiles or anything that we sell, wheat or cotton, if the government of France fixes a quota beyond which we cannot send to that country, they cannot obtain it.

Mr. PHILLIPS. Let me make a statement regarding France and the automobile industry. In the last tariff act of 1930, the automobile industry was very active to see that laces were not raised in the tariff. The automobile industry was active and said, "If you raise our tariff on laces, you cannot sell automobiles to France." And France raised their tariff on automobiles after the automobile industry was partly instrumental in preventing that rise.

Senator BARKLEY. Not on account of laces, though.

Mr. PHILLIPS. At that time I looked it up and I found that the American lace people, the people employed in the American lace business, bought three times as many automobiles in America than all of the lace makers of Europe combined.

Senator BARKLEY. Of course the purchase of automobiles in Europe is not limited to lace makers.

Mr. PHILLIPS. No; that is true; but it is another factor to consider, and having passed through those times, and through those experiences, they are naturally within my head.

The CHAIRMAN. I understand that you think that the tariff now on laces is a very bad tariff.

Mr. PHILLIPS. It is a bad tariff; yes.

The CHAIRMAN. You are not seeking an increase.

Mr. PHILLIPS. I am not seeking an increase. I did not speak of the rate. I only speak on this proposition which has come up.

The CHAIRMAN. Of course you are familiar with the fact that in this bill there are certain checks and balances upon the President.

Mr. PHILLIPS. Yes.

The CHAIRMAN. What are they?

Mr. PHILLIPS. I did not hear you.

The CHAIRMAN. In negotiating these reciprocal bargains and agreements, there are certain checks and balances on the President.

Mr. PHILLIPS. Yes, sir.

The CHAIRMAN. Give the committee your views on what those checks and balances are.

Mr. PHILLIPS. I will have to go over the whole bill with you.

The CHAIRMAN. You have advised your employees that they are going to lose their jobs if this bill passes, and it is going to destroy the industry. You have told the industry that you knew that. What are those checks and balances?

Mr. PHILLIPS. I could not explain it offhand without referring to the bill.

The CHAIRMAN. Thank you. Is there anybody else here representing the lace industry?

Mr. CHARLES H. TURNER. Yes, sir.

TESTIMONY OF CHARLES H. TURNER, REPRESENTING NATIONAL ASSOCIATION OF LACE CURTAIN MANUFACTURERS

The CHAIRMAN. State your full name and representation.

Mr. TURNER. My name is Charles H. Turner, representing another branch of the lace industry?

I represent the National Association of Lace Curtain Manufacturers. All the plants of the United States are members and have been operating since November 13, last under their own approved code of the National Industrial Recovery Act.

Senator WALCOTT. Is that code no. 6 also?

Mr. TURNER. No, sir; that is an entirely distinct and separate code. This particular industry is not operating under paragraph 1520, but its duty is 60 percent under paragraph 920, and the industry, incidentally, is very much older than the one for which Mr. Phillips spoke.

Apparently the aim of the proposed tariff bill is the restoration of the United States to its former place in the world trade, thus bringing about the abandonment of the present agricultural crop restriction programs. The assumption is made that to accomplish these ends reduction of tariffs to successfully negotiate trade agreements is necessary.

Others have either already stressed, or will do so, the many basic objections to this bill such as concentrated power in a single hand, no notice to industry of its inclusion in any trade arrangement, nor appeal therefrom, in fact what appears to be usurpation of the liberty which our Constitution guarantees.

But who is there today who can tell precisely what are the benefits that could accrue from this experiment. Does anyone know that the crops from our 50 million acres of cultivable land that constitutes our surplus will be taken abroad and that there will be an appreciable gain in employment resulting from this exchange of our agricultural products for foreign articles which will displace our own kind from those industries thus placed on the sacrificial altar?

Our whole industrial recovery program is inconsistent and out of line with any proposal to increase foreign trade. Our first care should be the protection of our own market which normally absorbs 90 percent of what we produce. Yet after we raise wages and shorten hours under National Industrial Recovery Act, with the avowed intention of raising price levels, we are asked to share our market with others paying only a pittance for labor and working without restrictions in hours.

The operation of the reciprocal tariff agreements will probably require the acceptance by us of a volume of commodities containing many more man-labor-hours than the volume of commodities which we could export. In other words, the commodities we import will have given more employment to the foreign workers and relatively less employment for American workers on the commodities we export. Our problem now is to find enough man-labor-hours for American—not foreign—labor.

Our industry has been in continual operation since 1890 and has vindicated its right to exist over a period of years by reducing retail prices to the consumer and furnishing distinctive American designs and fabrics. There are now some 482 machines in use which were imported under a 45 percent duty. They represent duty paid and

with plant required for their operation about \$35,000 per machine. It is worthy to note that these machines can only be installed in special types of buildings and are not capable of being diverted to any other form of production.

Over two thirds of the yarns we use are spun in this country in the Southern States and the balance are imported from England because their use is restricted to lace making and they are not obtainable in this country. Our industry, therefore, is one of the largest importers of fine cotton yarns in the United States. Should it happen that our production is curtailed as a result of treaty negotiations it would be wise in the first place to consider as an offset the loss in southern mill employment, the loss in customs duties of foreign purchased yarns as well as the loss in the foreign trade thereof, and the utility of the lace curtain machines for war-time products. During the late war our industry made some millions of yards of netting for our Government.

Obviously such an investment as we have would have been made only in the belief based upon formal legislative acts of the Government, that the equitable relation established between duties on curtains, raw materials, machinery, and other competing foreign goods would not be changed suddenly and without due consideration to these conditions.

This industry requires such highly skilled labor that our employees are very much exercised as to what is to happen to them if our duties should be reduced to the specified limit. The social implications involved in the pending bill may assume the absorption of these people in perhaps a Southern cotton mill or an Indiana hog farm. Actually the way human nature is constituted they are more likely to become public charges.

We, therefore, feel that American industries should not at the present stage of recovery be subjected to the new difficulties of foreign competition without permitting the people affected to be given an adequate hearing.

The CHAIRMAN. Now, Mr. Turner, I will ask you the same question that I asked Mr. Phillips. You are familiar with this bill, aren't you? You have analyzed it from every standpoint?

Mr. TURNER. No; I cannot say that I have. Not from the real technical analysis of that bill.

The CHAIRMAN. You know what the purpose of the bill is?

Mr. TURNER. Of course.

The CHAIRMAN. What are the purposes?

Mr. TURNER. I have been concerned with the fact that there has been so much publicity given to this particular article.

The CHAIRMAN. I can understand that.

Mr. TURNER. Naturally, it causes worryment that perhaps that will be one of the first things, and without due consideration, and as I understand it the bill gives the President unlimited power or power within the specified limits to make such changes as he sees fit.

The CHAIRMAN. You understand, though, that what he does is based upon a certain background, and there are certain checks and balances, do you not?

Mr. TURNER. I did not so understand that.

The CHAIRMAN. You did not understand that?

Mr. TURNER. No, sir.

The CHAIRMAN. It might be well for me to tell you, because your industry seems to be pretty much interested in the proposition.

Mr. TURNER. Absolutely.

The CHAIRMAN. The President does not act, you will find in the bill, except "whenever he finds that any existing duties or other import restrictions are unduly burdening and restricting the foreign trade of the United States"; that is, either in this country or the other country. That is one condition.

And "that the purpose above declared will be promoted by the use of the powers herein conferred", and those above declared are "for the purpose of expanding foreign markets for the products of the United States (as a means of assisting in restoring the American standard of living, in overcoming domestic unemployment and the present economic depression, in increasing the purchasing power of the American public in the present emergency," and so forth. If the President should make a reciprocal trade agreement here that should throw all of these people out of employment, it would not be carrying out that particular part of the bill.

Mr. TURNER. No; Senator, but I think the fear—

The CHAIRMAN (interrupting). So it goes on after the statement of these purposes. To throw people out of employment and destroy a live industry is not increasing the purchasing power of the American people, is it?

Mr. TURNER. Of course not.

The CHAIRMAN. Especially those people now employed. So I say to you that I think that you and Mr. Phillips and others ought to analyze the bill before you serve notice on all employees in the country engaged in that industry that they are going to be thrown out of their jobs.

Mr. TURNER. I think the fear rises out of the fact that there is nothing to serve as a check, that the decisions may be of a political nature than based on facts.

The CHAIRMAN. Well, there has probably been too much politics in the lace industry.

Senator WALCOTT. I would like to ask you a question. Has your cost been advanced by the provisions of the N.R.A?

Mr. TURNER. The N.R.A. has increased our wages 17 percent from last November, and then of course we are paying more for our materials.

Senator WALCOTT. And you have not been able to offset that additional cost?

Mr. TURNER. Yes; we have raised our wages for the industry approximately 10 percent, and in the last 6 months it has gotten back to its original basis, because of the competition that exists.

Senator WALCOTT. But you are worse off now with the N.R.A. provisions than you were before the N.R.A. provisions were passed?

Mr. TURNER. No; I won't say we are worse off. I am willing to say that the N.R.A. has helped, and will help as time goes on.

Senator WALCOTT. In other words, you would like to keep some of the provisions of the N.R.A. for your protection?

Mr. TURNER. I think it would be a great mistake to go back to the old conditions of hours and wages.

Senator WALCOTT. Having increased your costs, you can less well afford a reduction in the tariff now than a year ago?

Mr. TURNER. Absolutely.

Senator WALCOTT. What is your minimum wage? The same as in the other schedule?

Mr. TURNER. Thirteen dollars and that only applies to a very small proportion of the labor.

Senator WALCOTT. Have you any idea of the value of the English yarns that you have to import to fill your line of goods?

Mr. TURNER. Yes, sir.

Senator WALCOTT. About what is it?

Mr. TURNER. In dollars?

Senator WALCOTT. Or in pounds.

Mr. TURNER. Taking it duty paid, I would say the average yarn would run a dollar a pound.

Senator WALCOTT. And how many pounds?

Mr. TURNER. One third in dollars of our total yarn bill comes from abroad, from Great Britain.

Senator WALCOTT. What is that?

Mr. TURNER. I have not those figures available.

Senator WALCOTT. You might send them for the record.

Mr. TURNER. I could get them from the industry, of course.

Senator WALCOTT. Then the other two thirds would be Southern yarns?

Mr. TURNER. Southern cotton.

Senator WALCOTT. Any linen?

Mr. TURNER. No; all cotton.

Senator WALCOTT. Those would be combed yarns?

Mr. TURNER. Partly combed and carded.

Senator WALCOTT. Long staple yarns?

Mr. TURNER. Yes.

Senator WALCOTT. That is all I have.

The CHAIRMAN. Thank you, Mr. Turner. Is Mr. Dowling in the audience?

Mr. DOWLING. Yes, sir.

The CHAIRMAN. You represent the linen industry?

Mr. DOWLING. Just my own business, not the whole industry.

Senator WALCOTT. He is not on the list, is he?

The CHAIRMAN. No; but I understood he wanted to make a brief statement. Proceed, please.

STATEMENT OF WILLIAM T. DOWLING OF THE STEVENS LINEN WORKS, OF DUDLEY, MASS.

Mr. DOWLING. Mr. Chairman and members of the Committee on Finance: My name is William T. Dowling and I represent the Stevens Linen Works, located in the town of Dudley, Mass., which has been operating since 1846.

We manufacture pure linen toweling and towels and cooperate with the National Recovery Administration by producing under the cotton textile Code. Because of increased wages and shortened hours, our manufacturing costs are substantially higher. This situation has stimulated importation of competing products. As imports increase, the domestic employment situation suffers.

Our mill employs more than 1,200 persons in normal times and is considered the mainstay, insofar as steady employment is concerned,

by the towns of Dudley and Webster, which have an aggregate population of close to 20,000 people.

We are cooperating in every possible way with the administration in its endeavor to create employment opportunities by providing work for a greater number of people. Because we visualize danger both to wage earner and employer, if hastily negotiated tariff treaties are consummated, we respectfully offer our opposition to the pending reciprocal tariff legislation and sincerely request that, if same is enacted, the right of protest and review be incorporated therein.

The CHAIRMAN. Thank you very much. What other gentlemen are here that have given in their names and desire to be heard now?

Mr. SNOWDEN. Yes, Mr. Chairman.

TESTIMONY OF JOHN W. SNOWDEN, REPRESENTING THE NATIONAL UPHOLSTERY AND DRAPERY TRADE ASSOCIATION

The CHAIRMAN. Whom do you represent, Mr. Snowden?

Mr. SNOWDEN. I represent the National Upholstery and Drapery and Textile Association, 185 Madison Avenue, New York City, composed of about 55 manufacturers of upholstery and drapery fabrics. Personally, I am the president of the Stead & Miller Co., of Philadelphia. I have not any figures on the amount of business or the amount of imports, but I do feel, though, that our industry ought to be represented in this way, because it is a luxury and it is affected very much by uncertainty in business, and we feel that in case this bill should become a law, that everybody would feel that their industry is going to be affected; and if they had any money to spend for interior decorations, whether it was furniture or draperies or carpets or house-furnishing goods, they just simply would stop buying, and it would have a very detrimental effect on the business.

As I say, I am speaking in behalf of the National Upholstery and Drapery Textile Association, 185 Madison Avenue, New York City.

Might I say to you, as representing the industry for which I speak, that the people of these United States do not regard with equanimity the tendency on the part of the Congress to abrogate its powers delegated to it by the Constitution, to the Executive. Citizens, by long habit and practice, regard the legislative branch as particularly close to themselves, and the medium through which the individual citizen may speak and act.

In the presence of an extraordinary economic crisis, our people acquiesced in the grant of extraordinary powers to the Executive, which we were assured were purely temporary during a hoped-for period of recovery. That these measures should go to the length of rewriting our Constitution, without the mandate of the people, is unthinkable.

In the nature of the case, blows must fall, from time to time, upon every industrial community or class. These may be due to wars or failure of the harvest, or to conflagrations and floods, or to the shifting of commercial demand, or to vicious legislation.

Does any right-thinking man, with his eyes open upon the experience of the last 150 years, allege that progress is best to be effected by indiscriminately throwing off restraints? Is it not admitted that discretion and order must be observed in removing political checks and

balances and limitations? Are there not, in any well-organized society, restrictions which correspond to certain human infirmities, of which we cannot now hope to rid the race? Discipline can, indeed, create no force, but it may save much waste.

Many theories have been advanced to explain our economic situation. We hear of overproduction, and underconsumption. When analyzed, overproduction and underconsumption mean the same thing, and that is underproduction. This is, of course, a mere jangle of words, until the phrases are qualified, as they should be. Overproduction, as alleged by those who would explain hard times, is partial overproduction, production, that is, which has gone on in certain lines, generally under speculative impulses, until it has exceeded the normal, or even, possibly, a highly stimulated demand. This excess of supply in certain lines leads to the accumulation of vast stocks of unsalable goods, which involves partial underconsumption, these stocks melting slowly away through a period extending over months, it may be, years. Meanwhile, general underproduction is the result. And it is underproduction which makes hard times. General overproduction is impossible. But underproduction is an unmistakable evil. It means less wealth produced, fewer of the comforts and necessities of life to the average member of the community. To large classes it means hunger, cold and squalor; debility, sickness and premature death—calling latterly for large measures of public relief.

Industrial States and communities, and my home is in Philadelphia, have a firm belief that an adequate protective tariff makes for prosperity and high wages, other factors being equal. When a tariff bill has been under consideration in the past, Congress has very graciously accorded to groups of those interested in the fixing of rates patient and courteous hearings. We are now given to understand that the extraordinary powers granted to the Executive branch of the Government are to be further added to by granting to the President and his advisors the power to make reciprocal tariff arrangements with other nations. To the extent that this takes from the Congress its power to frame tariff and revenue bills, and transfer this vast agency for weal or woe to the dictum of an individual, we see in this movement something fraught with tremendous possibilities of evil to American industries nurtured and brought to effectiveness over many long years.

Many of the criticisms directed against the policies of this administration arise from the conviction that men of little or no business experience are experimenting with conditions which they are not competent, by the nature of things, to direct. And meantime, business lags, capital for productive enterprises is lacking, and labor suffers from nonemployment. The past 4 years have been difficult ones for all of us, and we give to the Congress full credit for good intentions in endeavoring to find a way out for all of the people—only the unthinking could assume for a moment that it is the will of those in control of our Government to do other than alleviate the widespread distress.

We cannot, without grave concern, view any movement to take from Congress control over so vital a subject as the tariff.

Senator CLARK. You are familiar with the provisions of the present law authorizing the President to change rates at will?

Mr. SNOWDEN. I certainly am.

Senator CLARK. Are you in sympathy with that existing provision of the law?

Mr. SNOWDEN. Partly so; yes, if it is going to make for better times.

Senator BARKLEY. In other words, you are for it as long as it makes it possible for him to increase, but you are against it if it makes it possible for him to decrease.

Mr. SNOWDEN. There are some things that could stand a decrease.

Senator WALCOTT. The flexible provision gives him power to decrease.

Mr. SNOWDEN. I am not arguing for rates——

Senator CLARK. But you are making an argument here, if I may be permitted to say so, which seems to be directed to the proposition that this proposed law means an essential departure in our governmental theory. That is not so, in view of the fact that the present law contains an authority in the President to change rates.

Mr. SNOWDEN. It does, in this way, Senator, that the Chief Executive has the sole right, without going through the Tariff Commission.

Senator CLARK. Under section 338 of the present law, he has exactly that same power.

Mr. SNOWDEN. We feel that if an industry is going to be affected in any way, whether the rates are going to be lowered or whether they are going to be raised, that those people that are interested in that particular line of business should be heard by the Finance Committee or the Ways and Means Committee of the House, so that we could get together. My belief is that when any tariff bill is altered in any way, if affects both the importers and the manufacturers in this country.

Senator CLARK. Yes. But what I am getting at is this, that an industry might be very vitally affected by the President's raising rates 50 percent, which he has authority to do under section 338 of the existing law, without any finding of fact by the Tariff Commission or anybody else. I am simply connecting that up with your statement that this pending measure involves an essential departure in your governmental practice, and I would like for you to point out wherein that difference lies.

Mr. SNOWDEN. I do not think there has been any change made so far, but I do think that unless——

Senator CLARK (interrupting). In other words, section 338 of the present law does not provide for any hearing to anybody, no matter how much that industry is affected.

Mr. SNOWDEN. I understood it had to come from the Tariff Commission.

Senator CLARK. You are referring to section 330.

Senator BARKLEY. You are referring to section 330, which is the flexible provision, wherein the President cannot act except upon report of the Tariff Commission, but section 338 gives him the power to raise rates 50 percent without the Tariff Commission's intervention or hearing, or anything else.

Mr. SNOWDEN. Does it give the President the power without an application from the people that are interested?

Senator BARKLEY. Absolutely.

Senator CLARK. Absolutely.

Mr. SNOWDEN. I was not aware of that.

Senator WALCOTT. That is true but it does not empower the President to lower it.

Senator CLARK. That is precisely the point.

Senator BARKLEY. He already has the power to increase.

The CHAIRMAN. You do feel it would be better to have some agency pass upon it.

Mr. SNOWDEN. I have a short paragraph here. The great war taught us that there are no supermen—no extraordinary intellects in which all the wisdom of the world resides. To the contrary, to the collective wisdom and ability of men drawn from all portions of our country, each knowing and appreciating the needs and problems of his section, do we appeal. Let there be no further disruption of business, but permit the healing forces now under way to work out our salvation. Do not introduce the uncertainty which prevents long-term engagements and contracts being entered into.

Please understand that I am not even arguing the issue of free trade and protection. The worst enemy to business is uncertainty. To men who must enter into contracts which keep the wheels of industry moving, some measure of uncertainty as to future engagements is necessary. A new tariff measure is sufficient cause for widespread anxiety on the part of those of us who have large plants to finance, manage, and make productive, but the specter of a sudden decree abrogating established laws relied upon in the making of contracts is so disturbing that we appeal to you to prevent this staggering blow to business recovery. We feel that many doubtful experiments have been entered upon. As our elected representatives, we bid you hold fast to the theory that the legislative is a most important branch of our system of Government, and that in this crisis you should wisely lead instead of blindly following. We say to you that business cannot survive these successive blows, and we pray that this power be not taken away from the Congress.

The CHAIRMAN. Who is the other gentleman that wanted to be heard?

Mr. HIGGINS. John E. Higgins, of Philadelphia.

The CHAIRMAN. You represent the lace operatives?

Mr. HIGGINS. Yes, sir; a union.

The CHAIRMAN. All right, proceed.

STATEMENT OF JOHN E. HIGGINS, REPRESENTING AMALGAMATED LACE OPERATIVES OF AMERICA

Mr. HIGGINS. My name is John E. Higgins. I represent the lever section of the Amalgamated Lace Operatives of America, a labor union made up of men employed in the making of fine laces by machinery. This organization is 42 years old and has many times sent representatives to Washington concerning tariff matters and other labor questions in which the Government has been interested.

We were the sixth industry to agree on a code of fair competition in company with the manufacturers. To date our membership is approximately 700 and it is for these workmen directly that I speak. However, all the workers in the industry, numbering 8,000 are also interested in the reciprocal tariff bill now before your committee.

According to statements made by high officials of the Government, the lace industry is to be classed as "inefficient" and if the bill becomes

law, the workers therein are to be subjected to a process of slow starvation which will force us into the army of the unemployed eventually, the present number of which, according to figures just issued by the National Industrial Conference Board, already number 8,021,000. I believe it is not necessary for me to state here and now what it means for a man to lose his job.

The bill would give to the President power to reduce present tariff rates as much as 50 percent. We have the highest regard and loyal respect for our President but we know that he is a very busy man. The working out of the provisions of the bill would be left to other officials of the Government, some of whom have already expressed decided opinions as to what would be our fate.

The purpose of the bill, as we understand, is to create markets in foreign countries for our surplus farm products. We contend that the effect of the bill will be the creation of a larger surplus of these commodities because of a greater degree of unemployment, since the Secretary of Agriculture states that there are 5,000,000 people now employed in so-called "inefficient industries" and to add even half of that number to the 8,000,000 already unemployed would put us back to where we were before March 4, 1933.

The CHAIRMAN. Do you understand that this is merely to expand markets for agricultural products?

Mr. HIGGINS. We understand that our trade, Mr. Chairman, is in jeopardy by the statements made by high Government officials.

The CHAIRMAN. But with your understanding of the bill, do you think it is restricted to expanding and finding foreign markets just for agriculture?

Mr. HIGGINS. As far as the lace industry is concerned, that is bound to be our impression and argument, because it has been so stated in an address.

The CHAIRMAN. That is not the purpose of the bill. It is to find a market for all industry, agriculture as well as any other industry.

Mr. HIGGINS. Yes, of course.

The CHAIRMAN. I just thought you were mistaken about that, and I wanted to set you right.

Senator KING. May I say, Mr. Witness, that if certain policies are adopted, it might be possible, indeed highly probable, that there would be a large export of manufactured and semimanufactured goods. You come from New Jersey, don't you?

Mr. HIGGINS. No, sir; I come from Pennsylvania.

Senator CLARK. It might even happen that some nation might be found from which we could accept goods without jeopardy as to American laces.

Mr. HIGGINS. Our standpoint is that by that process we would be losing our jobs, because our industry would be sacrificed to those bargains. We agree that it is right that the country should be put on a footing of prosperity, but we do not agree that our jobs should be sacrificed to that. That is our first consideration.

Senator CLARK. It would not sacrifice your jobs if you increased the market for American laces.

Mr. HIGGINS. Please repeat that.

Senator CLARK. I say it would not sacrifice your jobs if we increased the market for American laces, if it would happen that American laces would be found possible to be exported to some other country.

Mr. HIGGINS. I am afraid that is impossible, because our wages are very much higher than what they are in Europe, therefore the European countries could buy those classes of goods in their own country in preference to America.

Senator CLARK. Suppose we exported to some country that did not produce laces?

Mr. HIGGINS. In that case they would still buy from the cheaper maker—France or Great Britain.

Senator CLARK. That depends on the kind of reciprocal agreement they would have or might not have with France.

Mr. HIGGINS. I would be very glad to go away from here with the impression that it is not the idea of the Members of Congress to take our jobs away.

The CHAIRMAN. Where did you get the impression that it would take your jobs away?

Mr. HIGGINS. From statements made by Secretary Wallace.

The CHAIRMAN. Did you get it from the notice sent by your employers?

Mr. HIGGINS. No, sir.

The CHAIRMAN. They were distributed to every member of your organization.

Mr. HIGGINS. In our plant they were pasted on the notices board.

The CHAIRMAN. May I say the President received this letter from one of the people, addressed to President Franklin D. Roosevelt, by one of the workers in this industry:

DEAR SIR: I am writing to you as a true Democrat and favoring all you choose to do.

Enclosed you will find a copy of what was given to all employees of the company. I do not wish to write to Pennsylvania Senators, but I am writing to you in fear of losing our jobs. We were told to write without delay. I have faith in your policies and hope you will act to prevent us employees doing things we do not want to do.

Senator CLARK. May I put in the record that I received 34 telegrams this morning, simply because I was a member of the Finance Committee, I suppose.

They were delivered to my house before I was up, each one couched in identical language, on the subject of this lace business.

Senator KING. I got a similar number.

The CHAIRMAN. I suppose Mr. Higgins knows that is being done and the propaganda was being started on this matter.

Mr. HIGGINS. The executive committee of this section helped to do it themselves; yes, sir.

The CHAIRMAN. They were working in cooperation with the employers, carrying out that idea.

Mr. HIGGINS. I would not go that far.

The CHAIRMAN. They got a notice that they might lose their jobs.

Mr. HIGGINS. No, sir; as I remember it there was nothing in that notice that even implied such a thing as that, because we are recognized as an independent organization.

The CHAIRMAN. Here is a copy of the notice that you received:

If the tariff bill is passed, it would mean that the lace industry probably will be wiped out. If the industry goes, your jobs will go too.

That is a pretty strong intimation that you might lose your job if this bill were passed.

Mr. HIGGINS. That is the word of a manufacturer.

The CHAIRMAN. Yes.

Mr. HIGGINS. I am taking the word of a member, a high official of the Government, that is willing to barter away the lace trade.

The CHAIRMAN. Who is the high official of the Government?

Mr. HIGGINS. Secretary Wallace. He mentioned the lace trade specifically, and that is what got us all steamed up.

The CHAIRMAN. You have heard some of the questions that have been asked here. Do you feel the same fear now that you did?

Mr. HIGGINS. Frankly, it has not been allayed very much.

The CHAIRMAN. You and the representatives that make the statements you do are certainly not helping the lace industry greatly.

Mr. HIGGINS. I am sorry to hear you make a statement like that, because it was our intent and purpose to come down here in behalf of these men and not to hurt them.

The CHAIRMAN. You all seem to know more than anyone who has had anything to do with getting up this whole scheme.

Mr. HIGGINS. I would not even suggest that. I do not think that statement even intimates anything like that.

The CHAIRMAN. Go ahead.

Mr. HIGGINS. According to the Philadelphia Record of April 27, Secretary Wallace stated that the bill was designed to increase foreign purchasing power and would thereby curtail or eliminate the Administration's acreage program, which fact would make them very happy. In this instance, in our opinion, the price of happiness is too costly. Another statement is the same report makes the point that "with suitable advisers, the President could determine those articles of which we could accept more from abroad with least damage to our industrial structure." Both of these statements imply that the American worker must be sacrificed to at least a partial degree for the purpose of finding a foreign market for surplus products, again disregarding the fact that it would necessarily mean more unemployment in America and less ability to buy, thereby creating a larger surplus.

We deny that the lace industry is inefficient. Working conditions of countries which send lace here are far below our American standard, both as regards hours and wages. In France the rate paid to the lace maker is about 25 percent of our rate and in England about 45 percent, while the hand workers of China receive wages far below even this figure. The present rate of duty on imported laces helps to equalize these differences and allows us to maintain a decent American standard of living. Our average wage over the year would amount to about \$36 per week.

President Roosevelt, speaking in connection with the recent soft-coal dispute as reported in the Philadelphia Record of April 23, made the following statement:

It is not the purpose of the Administration by sudden or explosive change to impair Southern industry by refusing to recognize conditional differentials. On the other hand, no region has any right by depressing its labor, wages, and hours, to invade with its cheaper products an area of high wages and hours and thus impose its lower standards on an area of higher standards.

We believe this plan could well be applied in the matter of the reciprocal tariff bill.

We are strongly opposed to the bill in its present form and declare that no reason is strong enough to make operative a plan which would deprive Americans of buying power through loss of their jobs and the right to life, liberty, and the pursuit of happiness, for the purpose of giving more purchasing power to foreign workmen.

The CHAIRMAN. Thank you very much.

Does any other witness want to be heard this afternoon?

(No response.)

The CHAIRMAN. The committee will recess until 10 o'clock tomorrow morning, in the Finance Committee room.

(Whereupon, at 4:30 p.m., the committee recessed as noted.)

RECIPROCAL TRADE AGREEMENTS

TUESDAY, MAY 1, 1934

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

The committee resumed hearings on H.R. 8687, at 10:00 a.m., in the Committee Room, Senator Pat Harrison, chairman, presiding.

Present: Senators Harrison (chairman), King, George, Walsh, Barkley, Connally, Clark, Couzens, Metcalf.

Senator GEORGE. The committee will come to order, please. I believe that the woolgrowers are to be heard this morning. I believe you were accorded an hour?

Mr. F. R. MARSHALL. That is my understanding.

Senator GEORGE. That is my understanding from the chairman, who is delayed, but who will be here in a very few minutes.

STATEMENT OF F. R. MARSHALL, OF SALT LAKE CITY, UTAH, SECRETARY NATIONAL WOOL GROWERS ASSOCIATION

Mr. MARSHALL. Mr. Chairman, I am secretary of the National Wool Growers Association, with headquarters at Salt Lake City. I am also a woolgrower in my own interest.

The woolgrowers presented no testimony before the House committee. We are not duplicating anything, and while we have a number of men listed here, their testimony will be brief; it has been distributed, and there will be no duplication or delays.

The National Wool Growers Association has been active with woolgrowers since 1865. I should have mentioned also that I have been requested to speak also for the Growers Parent League of California, of which Mr. Tucker is chairman. I had a telegram from him requesting me to speak also for them.

The National Wool Growers Association has its membership chiefly in 20 of the larger sheep-owning States. Our membership consists chiefly of an affiliation of 12 State organizations of woolgrowers, and those 12 States are in the so-called "Western" or public-land States, from Colorado, Wyoming, to the coast, and including Texas. Those 12 States, Mr. Chairman, have within them two thirds of all of the sheep in the United States.

There are in the United States 583,578 sheep owners. The value at current prices of 1933 of the clip of that year was approximately \$130,000,000. According to Government figures, Mr. Chairman, there were slaughtered in the United States in 1933, 22,900,000 sheep and lambs.

The woolgrowers, as producers, are interested in the tariff relating to lambs and meats of all kinds, as well as to the tariff as it relates to wool marketing. Ninety-one percent of the consumption of wool for

clothing purposes in the United States was of domestic wool, as reported by the Department of Commerce. There were imports of carded wool in the United States in 1933 of 130,000,000 pounds, but as the committee, of course, understands, it is unnecessary for me to refer to the wools used for the manufacture of carpets, which are not produced in any substantial quantity in the United States, and are largely imported free when used in the manufacture of floor coverings.

Senator CONNALLY. They are usually a rough coarse wool.

Mr. MARSHALL. From primitive sheep.

Senator CONNALLY. We do not produce them.

Mr. MARSHALL. I do not suppose there is a half a million pounds in the United States, except a little from New Mexico, Indian sheep, and I guess that is used for floor covering of Indians' weaving, and practically none in the factories. So that we are at the present time on a 90-percent basis producing domestic wool for American consumption, so far as dutiable wools are concerned.

Senator CONNALLY. Have you any available statistics there showing the percentage of our consumption that we produce of those higher grade wools?

Mr. MARSHALL. I have not the domestic divided by grades, but of all of the wools but carpet wools, as I say, the consumption in 1933 was 91 percent domestic wool for all clothing purposes.

Senator CONNALLY. Ninety-one percent domestic.

Mr. MARSHALL. Yes, sir.

Senator CONNALLY. In other words, we produce 91 percent of the consumption.

Mr. MARSHALL. And import 9 percent of what was used by the mills in 1933; and by the way, of course the 1933 wool consumption was an improvement over several years previous. There was quite a change in the wool market, and the wool industry, in 1933.

Our opposition to the bill, Mr. Chairman, is based first on the general ground which I shall only touch very slightly, of the idea that the effect of this bill is creating a general business condition of uncertainty. We are in favor of the handling of such matters as this and the revision of tariff matters by congressional action. Of course, in that, Mr. Chairman, there is always the argument of uncertainty and injury to business even through a congressional consideration of tariff revision, but in a congressional revision there is always assurance and knowledge of full hearings, and of the expressed judgment of the elected representatives of the country, and business knows, and the country knows, that when the action has been taken and the Congress has adjourned, that the tariff question is settled for some time.

Of course we recognize the force in some of the public's mind of the writings and fulminations of academic critics who have a great deal to say about the intolerable iniquities of the handling of tariff measures by Congress. There are head lines of vote swapping and logrolling, and all that sort of thing, but I would just take the time to say, Mr. Chairman, this idea which I have not heard expressed heretofore or seen in the House hearings as coming from the wool-growers, that with all of the difficulties that mark tariff marking, we consider that because of the great variety of the industries in the United States, in which it seems peculiar and different from any other country in the world so far as we know, and many other things that I will not take time to mention, that we consider that the only fair

way and the safe way to have the protective rates on the commodities of the different industries adjusted fairly in the interest of the country as a whole, is by the uniform consideration by the elected representatives at one time, and we are hopeful that that system may still be continued.

It is not a theory or a fear with us as to the uncertainty which this bill suggests to our minds in general business. The uncertainty coming from this discussion of this bill and the uncertainty of wool prices has already come to our pocket-books in the last 4 weeks, since this bill was introduced in the House on March 2d. Our experience has been that since the Secretary of Agriculture has started making his announcements, and the bill has been before the House and discussed over there, and passed the House and came over to this body, that we have had a complete cessation of activity in the western wool market, and as other witnesses who can give you more direct information about the market than I can will probably show you, for the business there has practically been paralyzed.

I will only refer to what I know of my own knowledge, being a sheep owner myself, and associated with a great many of them since I was in Washington last, that while up to the 1st of March contracts for 1934 shorn wools were being made in considerable volume and numbers at from 30 to 33 cents per grease pound at the ranch, since this agitation got under way, and its consideration, the buying has practically discontinued.

There is some scattered buying in a few instances today in the West, but since this agitation has started, I have heard of nothing at all to exceed 23 cents, whereas, as I have said, prior to that time I have heard of nothing lately exceeding 23 cents, whereas 33 was commonly being paid before, so that we know that already we have had a reduction of at least 25 percent in our selling prices, and we are pretty firmly of the idea that this agitation and uncertainty, especially regarding wool, is the cause.

Senator KING. Don't you think the action of the wool buyers has been inspired by, I should say, greed, and not by fear, and that they are using the situation for psychological effect, for the purposes of hammering the prices down, so that they can get them a little cheaper?

Mr. MARSHALL. That would be logical, and, Senator, there will be a representative of that organization here, whose name is listed, Mr. Studley, who will follow me, and probably he could have a chance to answer that question. I hold no brief for them. We have our troubles with them, as you well know, but I would just like to say this, however, that in fairness to them, this situation arises. That you have the very great prospect of having to sell these wools, which we are now trying to sell to them, to resell them in Boston under a reduced tariff. They have got an awfully good talking point, and it is working.

Just as an example of the trade feeling on this, I will quote from the Commercial Bulletin of April 21, published at Boston, the authoritative market publication, especially regarding wool. On that day they said:

The question of what may be done with respect to the tariff is one which is giving no little concern to all branches of the trade at the moment. Probably the majority lean to the idea that the President will not attempt to do anything radical with respect to tariff rates, so far as wool is concerned, and yet the uncertainty with respect to this problem is a matter which is giving real concern to everyone and not least of all to the growers themselves who are presently adopting

resolutions against any change in the tariff rates on agricultural commodities and seeking to bring pressure through their Congressmen to prevent any such reduction in the rates which—

And so forth.

Senator CONNALLY. You spoke of the prices of wool a little while ago. Did you refer to wool in the grease?

Mr. MARSHALL. Yes, sir. From 33 to 23.

Senator CONNALLY. Reducing the tariff to terms of wool in the grease, what rate do we get now in the present tariff? You get 33 cents in the clean contents.

Mr. MARSHALL. The present rate in the bill, Senator Connally, on most of the imported wools—not all—is 34 cents. Our wools average to shrink about 60 percent, and the theoretical rate under paragraph 1103 would be approximately 14 cents.

Senator CONNALLY. That is what I was getting at.

Mr. MARSHALL. Yes; that is seldom fully effective in the market.

Senator CONNALLY. I realize that.

Mr. MARSHALL. And was not before this situation arose.

Senator CONNALLY. Is it not true also that since we produce 91 percent of the consumption of wool, that any slackening in demand prevents a full realization of the tariff; in other words, if there is any falling off in the demand for wool, it is so nearly our consumption which is affected, that foreign wool does not affect us. In other words, that it slumps of itself?

Mr. MARSHALL. With a small demand, the buyers are in control, and they depress the price considerably below what would be the price of the foreign market plus the tariff.

Senator CONNALLY. That is what I was getting at.

Mr. MARSHALL. We very seldom get in the market the complete benefit of all of the rates that are written in the law.

I think I had finished saying that we favor congressional tariff making. And we think we have grounds for real alarm and uncertainty.

One of the things that started this agitation, as far as I can find, that first alarmed the wool dealers, and it was through them that it came to us, but shortly after this article of Secretary Wallace's appeared in the New York Times, which I believe was on February 25, showing his intimate relationship with the President, and showing on the same page, which was published throughout the country, his statement regarding wool. I say that was about the time that our trouble dated from.

I will only take time to refer to one sentence from the famous America Must Choose in which the Secretary, who is supposed to have jurisdiction over our interests, said:

If we are going to increase foreign purchasing power enough to sell abroad, our normal surpluses of cotton, wheat, and tobacco at a decent price, we shall have to accept nearly a billion dollars more goods from abroad than we did in 1929.

He goes on:

This would involve a radical reduction in tariffs. That might seriously hurt certain industries and a few kinds of agricultural businesses, such as sugar-beet growing and flax-growing. It might also cause pain for a while to the wool-growers.

That is where our trouble started, and where it still comes from, largely.

I do not believe, Mr. Chairman, to be fair—we always want to be fair to all people—that the Secretary of Agriculture appreciated the fact that at the time he made that statement, the wool crop of the country was the only one that at that season was normally passing from the growers' hands into the channels of trade. I think it was very unfortunate, I hope he regrets it, and I still hope he may say so and recall it, but it is still confronting us.

Our second objection to the bill is that we think it will inevitably and must reduce tariffs.

Another point that comes to me that I should have mentioned in this connection, which is the cause of the uneasiness in the minds of a great many of us, and that is the statement of the press—I am sorry I have not that with me, and have not had time to check and give you the exact reference, but I think it could be obtained.

At the time the Secretary of Agriculture started this tariff campaign through a series of speeches and publications, and his first speech in which he opened up this subject was made at Muncie, Ind., about the middle of November, reported very fully in the press, and part of the press at least carried the statement with the publication of that Muncie, Ind., speech by Secretary Wallace that it was understood at Washington that before the Secretary left for Indiana to make that speech, that his manuscript had been read and approved by the President.

We consider that as framed and designed, this bill for increasing exports of corn, cotton, and tobacco, and hogs, which are not produced in any of the wool-growing States in quantity, the effect would be to get those exports out by importing more, and to reduce rates in order to facilitate those imports from other countries.

I will pass that just by saying that it was not our understanding from any party or interest or candidate in 1932 that anything was proposed in the way of reducing tariff protection on agricultural products.

I would like to make this other point, too, Mr. Chairman, which I feel I am right on—about the reciprocal nature of these proposed trade treaties, and in connection with the favored-nation arrangement. According to the honorable Secretary of State who testified before the House committee on March the 8th, the United States has favored-nation treaties with 48 separate nations, and we are agreed, under those treaties, to give any one of those nations equally as favorable rates as we accord to any nation, and if in accordance with the procedure which appears to be contemplated under this bill, if it becomes law, say for instance the President should deem it wise, or the President should have an opportunity to secure some exports of corn or cotton to Czechoslovakia, to facilitate that transaction, to receive some of their manufactured wool textiles into the United States. It might be a reciprocal arrangement with Czechoslovakia, but at the same time that reduced rate accorded on wool and textiles to Czechoslovakia would be available for use by Italy, France, Belgium and Germany, Great Britain, and any other ones of the 47 who might be in a position to use it.

We would have one reciprocal agreement, and we would have the effect of our reduction to possibly 47 other countries in which there was no reciprocity and could be none. That sounds like a strange statement, and I took the trouble to check it. It did not seem to be

right, and just to clarify my position, just a sentence from the House hearing which of course is before you. I won't read it. I will make the reference. The question was asked the Secretary of State on the bottom of page 10 of the hearings of the House at no. 1, and his answer to Congressman Hill appears on the top of page 11, in which he makes the statement of which I have given the substance regarding the effect of this bill on the whole 48 nations with which we have favored-nation treaties.

Senator CONNALLY. Mr. Marshall, have you any data there showing where the 9 percent of the raw wool that we imported, came from? What are the exporting countries?

Mr. MARSHALL. Yes, sir.

Senator CONNALLY. Australia, or South America?

Mr. MARSHALL. I can give you the exact figures, Senator.

Senator CONNALLY. That might be pertinent.

Mr. MARSHALL. Taking first the total wool, Senator, imports of 1933 from the countries of production. The first country of all, the largest country, was the Argentine, 50,000,000 pounds. That includes carpet wools also.

Senator CONNALLY. They are nontaxable.

Mr. MARSHALL. The wools used for carpet wools; yes, sir.

The next largest country—the Irish Free State—3,000,000 pounds. Those are largely carpet wools also. The United Kingdom, 18,000,000 pounds.

The CHAIRMAN. What are those?

Mr. MARSHALL. I presume those are Scotch wools, largely carpet wools also.

Senator CONNALLY. That does not include Australia in the United Kingdom.

Mr. MARSHALL. No, sir; this is giving country production. Australia shows here separately. Instead of trying to get them—

Senator CONNALLY (interposing). You might put that in the record.

Mr. MARSHALL. Yes; I have the data here.

Senator CONNALLY. I do not want to take up all of your time with this question.

Mr. MARSHALL. We had 10,000,000 pounds from Australia in 1933. That is the chief country from which we receive imports of wools of the clothing type.

Senator CONNALLY. That is the reason I asked you to begin with it.

Mr. MARSHALL. And probably 8,000,000 pounds from New Zealand. And 3½ million pounds from the Union of South Africa. Those countries are our chief competitors of the type of wools which we grow in this country.

Senator KING. That would not be more than 3 or 4 percent of the sum of the commodities into which these wools would enter.

Mr. MARSHALL. The separate reports of the Department of Commerce on wool production for 1933, wools for clothing purposes—that is, excluding carpets—showed 9 percent of foreign origin.

We are very closely tied up with the Secretary of Agriculture in this situation, Mr. Chairman. I do not wish to prolong it any further. We have presented our views to him, and if it is permissible, I would like to leave with my testimony, for the record, a copy of a letter containing some information and further discussion of these things, which I have sent to the Secretary, and would ask that in case or if or when he issues a reply, that if it is desired, it should also appear.

The CHAIRMAN. That letter will appear.

Mr. MARSHALL. Our second cause for alarm in this situation and our reasons for fearing that wool would be injured under the powers proposed to be granted under this bill arises from our knowledge of the attitude on such matters as this of the Honorable Secretary of Agriculture.

And our third serious cause arises in statements that have been made and the attitude and the theories of the chairman of the United States Tariff Commission. I understood he appeared before you last week. I heard his testimony before the House committee. I understand it was much the same as before this committee.

I only want to raise the question, Mr. Chairman, without discussing or criticizing the honorable Chairman of the Tariff Commission, but to express the doubt—and it is a conviction in my own mind—that any statements which he is making about what I would call the complete subserviency of the Tariff Commission to what they may conceive to be any plan or purpose or desire of the President in these matters, that while he probably does express his own conviction and willingness and intentions, I doubt that he expresses the attitude of the other members of the Tariff Commission.

One other matter which was more significant yesterday morning to us than appeared on the surface was this matter of the interchange with Argentine. I can abbreviate, that, Mr. Chairman, by simply reminding and making reference to what is well known to members of the committee and most of the Senators, no doubt, which is the matter of the continued and prolonged and persistent, and as far as we are concerned, the pernicious activities of the automobile industry before the Department of State of the United States in endeavoring to break down the provisions written in our laws and otherwise to facilitate the entrance into American markets of Argentine meats and wools in order that exports of automobiles may be made to the Argentine.

The iniquity of that situation requires no analysis by me before your honorable committee. I simply wish to make it plain to show that while we wish the automobile industry all the possible activity and prosperity and export business, too, we do not believe that you will consider it to be in the public interest of the United States as a whole, or of United States industry as a whole to get automobile activity in exports at the expense of correspondingly reducing the condition of livestock and of the meat and wool producers of our own country. That would lead me into old disputed and controversial questions of agriculture and industry in tariff making, in which I believe most parties and most people are agreed now, but in which this proposal of the automobile people appears to be at variance with, and we are extremely apprehensive on that point, too.

I would also like to leave the idea and leave the impression fresh that while we are directly and immediately concerned with the duty on imported wools that compete with us, and in the event that the duty on raw wool as now in the law should not be interfered with as we still hope it may not be, that we could still be injured by what is perhaps even more probable, that is, the reduction of our duties to facilitate and encourage a larger volume of imports of manufactured wools.

I shall not take the time to go into fancy fabrics and so forth. I believe the representatives of the manufacturers will appear and go into that further. I simply wish to make the statement that wool is

imported in manufactured form, and replaces in the American market any fabric that is produced in American mills, and it is just as serious to the grower, and possibly in fact more serious, than as though it were admitted in the raw form.

I say possibly more serious for this reason. In the first place, that kind of trade or wool displaces the amount of wool manufactured in this country, and the American mill market is the only market which the American woolgrower has for his product. Export business is out of the question. And the other thing is, that so far as those imports of textiles mean decreased employment in American mills, that means decreased home markets, not only for our mills, but for the food products that come from other agricultural enterprises coming into the American market.

We ask and urge, Mr. Chairman, that this committee, in the interest of all of industry and of the United States, and for security, especially under these present conditions, that the bill be rejected.

We appreciate the difficulties and the delicacies of the situation, but notwithstanding any other consideration which we think can be urged in this connection, we believe and hope that the committee will come to the conclusion that this legislation at this time is not in the interests of the business of the United States.

The CHAIRMAN. You have now 30 minutes, Mr. Marshall. Who are the others to be heard? You had an hour for the woolgrowers.

Mr. MARSHALL. Mr. Mayer is ready for a few moments. They are in the order in which they appear on the list.

(The letter referred to is as follows:)

SALT LAKE CITY, UTAH, April 21, 1934.

HON. HENRY A. WALLACE,
Department of Agriculture, Washington, D.C.

DEAR MR. SECRETARY: In view of the public statements you have made regarding a national tariff policy, and considering your particular reference to the effect of that policy upon wool growers, I feel it reasonable to ask your consideration of the statements in this letter.

I am making these statements as a representative of a very considerable part of the woolgrowing industry which is engaged in by 583,578 farmers and ranchmen in the United States. We are extremely concerned over the proposals coming from such a high officer of the Government as yourself. We have been adversely affected already as a result of your suggestion that the woolgrowing industry would be injured by the "radical reduction in tariffs" which you propose as a means of increasing imports in order "to sell abroad our normal surpluses of cotton, wheat, and tobacco at a decent price. * * *" In other parts of America Must Choose you also mentioned pork and lard as one of the commodities for which you favor securing increased exports by lowering duties on imports of other commodities.

The testimony which you gave on March 8 before the Ways and Means Committee of the House of Representatives, as well as your statements in America Must Choose, have received our most interested study. I now have before me also your letter of April 10 addressed to James G. Brown of Montrose, Colo., who is a member of the executive committee of this association. In that letter you stated you were not interested in "beating down wool prices."

Of course, we do not for a moment suppose that you would intentionally do or say anything that would have the effect of lowering the price of any agricultural commodity. Though it may be an unpleasant surprise to you, we feel that you, nevertheless, will be willing and anxious to have the facts regarding recent changes in the price of wool, and their apparent causes.

Your tariff proposals, including your specific reference to wool, as they appear in America Must Choose came to the attention of the wool trade early in March. The bill proposing to grant to the President the power to change import duties to the extent of 50 percent was introduced in Congress on March 2. Then the testimony of yourself and Secretaries Hull and Roper was presented to the Ways and Means Committee on March 8.

Between March 3 and April 7 there was an average decline of 3 cents per scoured pound in the Boston prices on territory wools as quoted by the Commercial Bulletin of Boston. This happened in spite of the fact that the stocks of unmanufactured wool were the lowest in many years. Many of the mills were also carrying unfilled orders for goods for future delivery. The fear of tariff action which would affect wool prices gave manufacturers real grounds for anticipating cancellations from those who had placed orders for goods. These cancellations are common in the trade when goods buyers see grounds for expecting lower wool prices.

What was still more striking and more directly injurious to woolgrowers was the change during March in the prices bid in producing sections. In the last of February and in the early part of March, representatives of manufacturers and dealers were making extensive purchases of 1934 wools in Western States, at from 30 to 33 cents per grease pound. Then, when the threat of tariff legislation and the significance of your statements about woolgrowers had been appraised, buying operations were completely discontinued. Such scattering offers to buy as have been received by growers in recent weeks are on the basis of 10 cents per grease pound below the figures obtainable before this tariff agitation.

Certainly, the price of wool has been beaten down. Of course, the wool trade may have been unduly alarmed, but uneasiness has for long been the result of tariff discussions in Congress or by high administration officials. The effect upon the wool trade of your particular mention of injury to woolgrowers was especially marked in this instance because wool was the only one of the four commodities which you singled out that was being harvested and marketed at that time.

The prices of wool in America ordinarily correspond quite closely with those being paid in foreign markets. That the decline at Boston was due to tariff discussions at Washington is shown by the fact that during the same period, foreign prices were either strong or tending upward. I include below a few fairly selected excerpts from the Commercial Bulletin published at Boston, and which is the principal publication used by those engaged in the wool trade.

(From the issue of Mar. 10)

"The tone of the market has not been too cheerful. Upheaval of the N.R.A. codes in a general revision as promised by General Johnson has not been conducive to confidence in the immediate future for a man with money to invest in the new clip. Expectation of tariff revision never makes for confidence and especially is this true in the wool trade."

"Of course, the prospect of the passage of a bill which will give the President power to change the tariff bill at will to the extent of 50 percent of the duty without any previous study of the problem by the Tariff Commission for the sake of inducing foreign trade by setting up reciprocal trade arrangements, is having its deterrent effect upon the market by creating uncertainty. Some think wool and wool goods will not be affected by the bill, while others are equally confident that they will be. In any event, the uncertainty is just another factor to hold up business. * * *

"Cable advances from the trans-Atlantic market at the week end indicate a fairly steady market abroad as compared with a week ago with market factors in the European markets marking time."

(From the issue of Apr. 14)

"The wool market drags along its sluggish way. For the time being, the fogs have obscured the pole star for the trade and everything is going by dead reckoning with the drift tending to throw the good ship wool off her course more or less in spite of the strong statistical position of the raw material.

"The news out of Washington is having a bad effect upon the business and all markets for the moment, even though in some respects the outlook appears a bit better.

"There is an attitude of indecision noticeable throughout the trade with reference to the future. A new heavyweight season is about to begin, to be sure, but buyers are in no hurry to make large commitments in heavyweights as yet. The political phase of the situation appears to be largely the controlling factor. * * *

"The markets overseas were extremely firm in the sale in Dunedin on Tuesday. The wools offered were of fairly good character, although no superwools were included in the offerings. Prices were rather better, however, than in the sale in Christ Church the preceding week.

"In the West there has been little business done this week. The impasse between growers and dealers seems to be as wide as it was a week ago. Here and there some contracts have been made on the lower basis of prices noted a week ago, although the sales have been rather inconsequential."

From your testimony before the Ways and Means Committee, we believe that wool did not meet your standard of efficiency, since it ordinarily benefits materially from the duties collected upon imported supplies. It must, of course, be recognized that you apparently have already judged some agricultural commodities as to their efficiency, and that your mind is practically made up on this whole tariff question. However, in case you might wish at some time to review your position, in respect to wool at least, we place before you these facts:

(1) Recent prices of wool and lambs, both of which benefit from tariff protection, have been above the parity of prices of 1909-14, as set forth in the Agricultural Adjustment Act.

(2) A considerable proportion of wool and lamb producers secured some profit from their 1933 marketings. Until the opening of the situation which this letter is intended to discuss, prospects were that worth-while profits would be the general rule among sheep owners in 1934, and that interest payments and some debt reductions would be possible. It is on account of the above facts that the sheep industry has not yet asked any assistance from the Agricultural Adjustment Administration.

(3) The wool and lamb-producing industry is at least as efficiently conducted as any other branch of American agriculture. The business does not have the peculiar advantages of climate and cheap land and labor that are found in some wool-exporting countries. However, students familiar with the agriculture of the different sections in the United States consider that on the type of lands and under the conditions in which sheep are principally kept, the business is peculiarly adaptable and beneficial to those areas.

(4) Another point peculiar to the sheep industry and which marks its efficiency is that there is never any carry-over of production from one season to another. It is the invariable and necessary custom of sheep raisers to market their wool soon after shearing, and to sell all of the lambs not needed for breeding purposes considerably before they reach 1 year of age. As a result, there is no surplus carried from 1 year to another, and while the market may have a comparative oversupply in one season, that supply is disposed of and the situation is cleared for the marketing of the next year's production. Further suggestion as to the efficiency of the sheep industry can be found in the fact that under the guidance of banks and Government loan agencies, large areas of grazing lands in Texas, Colorado, and other States have been transferred from cattle production to sheep raising.

We cannot agree that it is necessary for America to choose between free trade internationalism and economic self-sufficiency as suggested in your writing, nor even that such a compromise as you suggest for facilitating exports of cotton, wheat, and hog products, is necessary. Some possibilities of reorganization of American agriculture for adjustment to present and prospective conditions are outlined in an editorial, a copy of which is enclosed, which appeared in the April issue of the National Wool Grower, which is the official organ of this association.

For the information of woolgrowers, we also printed in the same issue a considerable part of your testimony before the Ways and Means Committee.

In your testimony before the Ways and Means Committee, as reported on page 55, you stated that you "would hold onto all the agricultural tariffs I could get." Lower down on the same page of the report, you refer to gradual reduction of tariffs and mention the act of 1833 providing for the reduction of 10 percent a year. The meaning of the latter part of the paragraph referred to is not very clear, but I assume you had reference to the proposal in H. R. 8430 for conferring upon the President the power to adjust import duties. This, taken in conjunction with your reference to wool in America Must Choose, and also with your reply to Chairman Doughton, as appearing on page 46 of the report of the hearings, we think can fairly be considered as showing your readiness to recommend to the President a reduction in wool duties of somewhere between 10 and 50 percent.

May we also ask your further weighing of the matter of military preparedness, as you refer to it in America Must Choose, and that you consider the position of the United States in the event of war with a much greater dependence upon foreign supplies of wool and manufactures of wool.

We are inclined to think that the wool trade has perhaps overdiscounted the effect upon the market of what you would advise the President to do when he has the power to fix duties.

Perhaps the action you favor would not be so radical as has been supposed from your general plan and your incidental references to wool. We venture to suggest that you publish a clarifying and more definite statement of what agricultural duties you would favor lowering now through the Presidential power.

We must, of course, fear and expect that you will list the wool men among those friends whom you referred to as likely to "howl continuously to high heaven." We still hope you may tell us our howling is misdirected and that we really are not among those to whom you would give cause to complain about the effects of your policy.

Yours very truly,

F. R. MARSHALL,
Secretary National Wool Growers' Association.

The Chairman. Mr. Mayer.

STATEMENT OF E. S. MAYER, SAN ANTONIO, TEX., VICE PRESIDENT OF THE NATIONAL WOOL GROWERS ASSOCIATION; VICE PRESIDENT OF THE SHEEP AND GOAT RAISERS ASSOCIATION OF TEXAS

Mr. MAYER. Mr. Chairman, I am from San Antonio, Tex. I am vice president to the National Wool Growers Association, which is the organization that Mr. Marshall represents as secretary. In addition, I am vice president of the Sheep and Goat Raisers Association of Texas, and an actual producer of sheep wool, goats, mohair, and cattle, all of which articles and many byproducts receive protection under the 1930 Tariff Act.

At this time I want to ratify all of the arguments that Mr. Marshall has presented as though they were my own.

In the latter part of March, the executive committee of the Sheep and Goat Raisers Association, in a regular meeting, passed the following resolution:

Senator CONNALLY. You mean of Texas?

Mr. MAYER. Of Texas; yes. [Reading:]

The cattle, sheep, and goat industries have always been dependent upon a protective tariff. The protection is afforded through import duties on the live animals as well as on meats, both canned and fresh, hides, wool, mohair, dairy products, and byproducts therefrom. Protection is also afforded by compensatory duties on articles manufactured from livestock products. It is useless and unnecessary to go into any amount of detail as to why this protection is needed. It all resolves itself into a matter of sustaining the standard of living of the American laborer and values of American agricultural lands. This is an old question; it has been fully discussed many times; available information has been placed before the American public in the past.

In addition to all facts which existed formerly, we call attention to a situation in which the Federal Government now finds itself. In the last year or more the Government has entered extensively into the business of financing cattle, sheep, and goats, and now finds itself heavily involved in this manner. It is to the interest of the Government to do everything in its power to protect these industries and to do nothing that will harm them.

These businesses are now fairly well started on the road to recovery. Any tampering with the tariff act whatsoever will disturb this recovery more than anything else that could happen at this time. This will materially injure all ranchmen, who are in no position now to stand any further blows. In addition it will greatly deprecate the value of the collateral held by Federal financing institutions which will result in large losses to the Government.

There has been introduced into the National House of Representatives H.R. 8687, which has for its purpose the granting of authority to the President to flex at will any duties imposed by the Tariff Act of 1930 by not to exceed 50 percent. In our opinion the bill will create havoc. It has always been known that during periods of tariff adjustment, business conditions have been very unsettled. Only under definite tariff regulations can business operate normally. If this power he asks for is granted to the President, it will create continuous uncertainty

because no business man will be able to know when his tariff protection will be changed. This will mean unsettled conditions for an indefinite period.

We are concerned materially over the prospect of this bill being passed because indications are that the tariffs on wool may be slated for early revision by the President in case the bill becomes law. We refer to a statement made by Secretary of Agriculture, Henry A. Wallace, in a recently issued pamphlet entitled "America Must Choose", on page 18 of which appears the statement that the carrying out of his ideas "might also cause pain for a while to wool growers." It is only natural to believe that, whereas the President is much concerned over the welfare of all industries, yet he cannot be familiar with the problems of all industries and can know little of the sheep business, so must necessarily be guided by his close advisers, among whom is Secretary Wallace; therefore be it

Resolved by the Executive Committee of the Sheep and Goat Raisers Association of Texas, assembled in special meeting at Sonora, Tex., on Thursday, March 29, 1924, That we are emphatically and unconditionally opposed to the passage of H.R. 8087; that we oppose any legislative or executive tampering with the tariff act; that we condemn such statements as the one referred to uttered by Secretary Wallace.

That expresses better than I can by going further, the feeling of the sheep raisers of Texas. In addition to sheep and wool, I want to again call your attention to the fact that Texas is the largest producer in this country of goats and mohair, producing about 80 percent normally of that product of mohair, which amounts to around 30 percent of the world supply. At least that was the case 3 or 4 years ago.

Active figures on world production of mohair are hard to obtain, but the latest ones we have show that about 30 percent of the world supply of mohair comes from Texas.

In a statement made yesterday before the committee regarding the articles that are imported into this country for use in automobiles, it was stated that mohair was imported. That has not been necessary for the past several years because of the fact that this country has produced ample mohair for all necessary requirements. In spite of that, and in spite of the protection which we now have, there was some mohair imported during 1933.

Senator KING. Do we export any mohair?

Mr. MAYER. Not normally. There are isolated cases of where mohair is exported for special uses in speculative operations, or something of that sort.

Senator CONNALLY. It is exported in a manufactured state as parts of other products like automobiles?

Mr. MAYER. Yes.

Senator KING. I understand there is a small amount exported?

Mr. MAYER. Occasionally there is a small amount; yes. Regarding the effect of this tariff discussion which it has already had in our particular State, I will state that there were quite a number of early contracts made for wool before it was sheared at 30 cents a pound. I have a relative who told me that he was made a very firm bid of 35 cents a pound on some wool, which he was to shear off a block of sheep, which he refused. Since this activity or the agitation of this bill has come up, the market has practically been at a standstill. There are no more offers.

I suppose, of course, contracts could be made at a very low price, but whereas I have no definite figures to substantiate it, my judgment would be that a person would do well to sell any wool at 25 cents a pound, which shows that it has had a definite effect already.

If this bill passes the tendency will be that that will be perpetual, or continuous, for the simple reason that the buyers of wool, whether

they are commission merchants or speculators or mills, will not know when the tariff is going to be reduced, and thereby reducing the value of their inventories.

Another situation that confronts us, of course, confronts the whole country, but we are in closer touch with it, probably, than any other section, is the competition which we might expect from Mexico. There are large numbers of cattle there in that country, and, much to our sorrow, some of the largest operators in Mexico are American citizens. They have large holdings, both in lands and in herds of cattle, and of course any lowering of the various duties would stimulate their duties and help them. Even with the present duties, which are considered very high by many people, they are able to raise livestock and ship them into this country, pay the duty, and still are able to hold things together, and in normal years they make probably more money than we do in this country.

I would like to refer to and stress the point that was brought up in this resolution which I read, referring to the loans which have been made on livestock through the Federal financing institutions. This runs into many millions of dollars, extends throughout the country as well as in Texas, and any adjustment of tariff rates downward would naturally affect the collateral which is behind those loans.

These loans have been made by various agencies of the Government, including the R.F.C., R.A.C.C., the new production credit associations which are now getting started, and probably more vitally affects the intermediate credit banks before any others because of the fact that most of this paper is concentrated into these institutions. This, of course, affects cattle paper as well as sheep and goats.

The CHAIRMAN. You have occupied 12 minutes.

Mr. MAYER. I guess I can close my statement now.

Senator CONNALLY. If you have anything you want to file in addition, you are at liberty to do it. I presume the chairman will permit that.

The CHAIRMAN. You can file any additional statement. Mr. J. B. Wilson, of the Wyoming Wool Growers Association.

Mr. WILSON. Yes, sir.

The CHAIRMAN. How much time do you want?

Mr. WILSON. I shall try to get through in 5 minutes or less.

STATEMENT OF J. B. WILSON, REPRESENTING THE WYOMING WOOL GROWERS ASSOCIATION

Mr. WILSON. Mr. Chairman and gentlemen of the committee. My name is J. B. Wilson. I represent the Wyoming Wool Growers Association of Wyoming, of which I am secretary.

First I want to indorse what has been said by both Mr. Marshall and Mr. Mayer. I am one of those who was opposed and am opposed to the principal provision in the existing tariff law. Rather than go into any arguments concerning that provision, I think I would leave it on the statement of some of you gentlemen, made when the bill was under discussion. You discussed it far more ably than I could, and your reasons would apply today equally well as they did then.

I want to reinforce or emphasize what Mr. Marshall and Mr. Mayer have said about the effect that the discussion of this bill has already had upon the wool market. In Wyoming, some 2 months ago, wool

was contracted at 33 cents a pound, in rather sizable quantities, 200,000 or 250,000 pounds in one pool. Since this bill has been pushed to the fore, we find that about the best offers we can get for wool in Wyoming today is from 22 to 24 cents—say about 23 cents. So that the bill has already affected us materially.

Senator KING. You represent, do you not, the statement made by your junior Senator with respect to the influences back of this attack which is being made upon this bill for the purpose of lowering the price upon wool and lambs and sheep generally?

Mr. WILSON. I of course cannot speak for the wool trade. They will speak for themselves. However, it does make for uncertainty, Senator King, and it is quite natural. I think it would be natural were I in the wool trade to lower prices.

Senator WALSH. Why is it that there is such a widespread feeling that if any commodity is to be treated in these agreements, it is most likely to be wool?

Mr. WILSON. I presume it is because it was referred to by the Secretary of Agriculture in his famous article "America Must Choose."

Senator WALSH. And of course, I suppose, because of the large percentage of importations of wool also.

Mr. WILSON. We have comparatively small importations of combing and clothing wool within the past year. According to Mr. Marshall's testimony, the consumption of combing and clothing wool, 91 percent was produced domestically.

Senator WALSH. There has been a rapid increase in recent years in production compared to the total consumption.

Senator KING. You would regard, would you not, wool growing and sheep growing as an agricultural activity?

Mr. WILSON. I certainly would.

Senator KING. I think you are correct in that interpretation of the meaning of agriculture and agricultural products. You have not forgotten, have you, the statement made by the President, I think he has made upon a number of occasions, both during the campaign and since, that agricultural commodities and products, that for them and for their protection he had the greatest solicitude, and that there would be nothing injurious done, but on the contrary everything possible done for the advancement of agriculture in all of its ramifications.

Mr. WILSON. I remember that statement, Senator King, and I have great confidence in the President. However, I would feel a little safer if a provision of that kind were inserted in the law.

Senator CONNALLY. Let me ask you this. Isn't it true that under the flexible law, if the President wanted to, he could reduce the tariff 50 percent?

Mr. WILSON. Upon the recommendation of the Tariff Commission after investigation and hearing.

Senator CONNALLY. Certainly, but if there was any intention to go out of his way and to hurt wool, he could do it now just as well as if we passed this bill.

Mr. WILSON. I do not presume that there is any intention on the President's part—

Senator CONNALLY (interrupting). No; but some of the gentlemen rather suggested that they thought wool was going to be the first thing that the President was going to go after.

Mr. WILSON. All of you gentlemen understand that wool has always been a rather controversial item in the tariff bill, and that apprehension is rather natural on the part of the wool growers.

Senator CONNALLY. In view of the fact of that provision being in the present law, if he really wanted to go out and hurt the wool people, he could go out and do it under the existing flexible law as well as this, having in mind the testimony of the chairman of the Tariff Commission as to carrying out the wishes of the President.

Mr. WILSON. I do not entirely accept the testimony of the chairman of the Tariff Commission.

Senator WALSH. Did I understand you to say that you favored the amendment to this measure exempting agricultural products from the operation of this law?

Mr. WILSON. I would, sir, and agriculture would feel much safer, Senator Walsh.

Because of the questions asked, I think I have utilized my time, and I have offered to let some of these other gentlemen talk.

Senator WALSH. You would prefer to have agricultural products exempted as well as industrial products?

Mr. WILSON. I would; yes, sir.

STATEMENT OF A. A. JOHNS, REPRESENTING THE ARIZONA WOOL GROWERS

The CHAIRMAN. Thank you. The next witness is Mr. A. A. Johns. How much time will you require? The wool growers have 10 minutes left.

Mr. JOHNS. It will not take me very long, Mr. Chairman and gentlemen, but I come a long way. I come from the extreme Southwest. I happen to be the president of the Arizona wool growers, and have been for the last 12 years, and for the same length of time I have been vice-president of the national. I live in the Southwest, and lived practically all of my life of more than 50 years.

I want to say to this committee that the wool growers and also the mohair growers, because in our association we have the goat men along with the sheep men and I also represent the second largest producing State in mohair. I wish to state that our growers, probably from not altogether full information, we are opposed to this bill on the ground that we think it will injure the industry, in fact the very fact that this bill has been introduced and is now being considered has already injured our industry in the Southwest. I say that because we are the first State who shear sheep in the year. We commence shearing in Arizona in the Salt River Valley, in January. We are practically all shorn up, and nearly all of our wool is today in Boston.

During our shearing season, we had a large number of Boston buyers who were there offering very good prices, and when this bill was introduced, and when it was being considered, the buyers were withdrawn from our market, and wool was sold—and I am stating definite facts—wool was sold as high as 32½ cents per pound.

That sum was realized in Arizona at the shearing corral. Today there is no market. Our wool is in Boston, but there is nothing doing, and the trade is altogether at a standstill. The reason for that perhaps will be given by the gentlemen who will follow me, who are very conversant with everything relating to textile manufacture, but our growers in the Southwest, both sheep men and goat men, are

very much concerned about this bill. We are afraid that it would lessen the prices of everything that we produce.

It also is reflected in the price of lambs, because to some extent, and sometimes to a considerable extent, the price of the lamb is determined by the worth of the pelt, and what is realized for that. That is, the price of the wool affects the price that is brought for the lamb. If there is any question with you gentlemen, I believe I am very conversant with the Southwest, and if there is anything about this industry in the Southwest that you would like to know, I would be glad to answer your questions.

We are opposed to this bill. I repeat, we are opposed to this bill. I come from this distance, and I am sent here to state our position as we see it.

We have had 5 or 6 years of depression. We got into the depression before the other industries did, and we were pulling out of the depression, and we want to do that. With the present price of wool we can just about pay our expenses, and we can just about see a little daylight, but if wool tends downward as it is today and at the price it is already being bought for in various scattering lots, if that is obtained, we are afraid that everything that we have accomplished in the last year or two in recovery and in the progress of the industry will be lost.

That is our position. I am stating the position of the goat men and the sheepmen.

The CHAIRMAN. Thank you very much.

Mr. WILSON. I will stay for a minute, if I may say this, and ask a little indulgence—that not all of the sheepmen are Republicans. I have been a Democrat all my life, and I know it is a little anomolous sometimes for a Democrat to come and plead for a high tariff. But that is not the question for the moment. We are fairly conversant with our business. We live on the border. We know something down there about international trade. We have a substantial port of entry at Nogales, and I am very conversant with the imports and the exports at that place, because many, many millions of dollars per year pass through that port of entry, imports and exports.

The CHAIRMAN. If you have some statement that you want to file in the record, the committee will be very glad to receive it.

Mr. WILSON. I do not think so at this time, but I will ask leave to do that later, if I may.

The CHAIRMAN. Thank you very much. I understand that there are several representatives here and wool manufacturers—

Senator CONNALLY (interrupting). Mr. Chairman, Judge Boggess has had some time allotted, representing the wool interests in my State. I would like to have him heard.

The CHAIRMAN. He is down as the representative of the wool manufacturers. You represent the wool growers, Judge?

Mr. BOGGESS. I certainly do.

The CHAIRMAN. We will hear from you now.

TESTIMONY OF JUDGE W. F. BOGGESS, REPRESENTING CERTAIN WOOL GROWERS.

Mr. BOGGESS. My name is W. F. Boggess. As the gentleman has just said, it is an extreme anomaly to have a Democrat from Texas come up here and talk about high tariff. I do not want to stultify

myself by saying to you gentlemen that I think you ought not to pass this bill, but Senator King has just called attention to a statement made by the President that it does seem to me you Democratic gentlemen should get the President to reiterate before you vote for this bill.

That statement was made at Baltimore on October 26 and reads as follows:

My distinguished opponent is declaring in his speeches that I have proposed to injure or destroy the farmers' market by reducing the tariff on products of the farm. That is silly. Of course, I have made no such proposal, nor can any speech or statement I have made be so construed. I said in my Sioux City speech in discussing the Hawley-Smoot Tariff Act of 1930: "Of course, the excessive outrageously excessive rates in the bill must come down, but we should not lower them beyond the point indicated." The point indicated was that no tariff duty should be lowered to a point where our natural industries would be injured. * * *

I know of no effective excessively high tariff duties on farm products. I do not intend that such duties should be lowered.

Now, unquestionably, gentlemen of the committee, wool and mohair are farm products. Wool and mohair have gone through one of the greatest depressions that the country has ever known. The Government had to set up relief agencies in order that the producers of wool and mohair might live at all. The intermediate credit bank is of course a permanent institution, but in addition to that the doors were opened to the R.F.C., and especially the R.A.C.C. was opened up down in Texas, and the doors virtually thrown open to us to come in there and borrow more money on our sheep and goats than they were worth.

Frankly, they are just now beginning to get up to where the Government has some security, some collateral for its money. I don't know whether there should be a real reason for a slump in the price of wool and mohair or not. I do know as a fact that such a condition exists.

Now, down in Texas we produce about 90 percent, I think, of all the mohair that is produced in the United States. Texas produces almost a third of the wool that is produced in the United States, and we were just beginning to get in a condition where our ranchmen were beginning to see some hope that they might get out of debt.

Wool was selling readily at around 30 cents, mohair at 40 cents a pound for grown hair, 55, 57 cents for kid hair.

The market, gentlemen of the committee, is just gone, and now, of course, we are all accustomed to jumping up and saying that the buyers and manufacturers are at entire fault for this, but if we will put ourselves in their position for a moment, after what Secretary Wallace has said about the wool business, if you or I were up there, manufacturing wool, the great likelihood is that no doubt we would just buy from hand to mouth, and only such stuff as we had orders to fill, and would not go out and buy the stuff.

Now we are just now shearing our spring clip of wool. Our mohair has come into the warehouses and is stored and ready for sale, and if we don't find the market for the wool that is now being taken off the backs of our sheep, and for the mohair that we have stored there, the great likelihood is that the Government is going to have to come down there and go into the sheep and goat business.

I thank you.

The CHAIRMAN. Thank you very much, Judge.

Senator BARKLEY. We have been in the "goat" business for some time, haven't we?

Judge BOGCESS. Sir?

Senator BARKLEY. The Government has been in the "goat" business for quite a while, I think.

Judge BOGCESS. No, sir; no, sir.

Senator BARKLEY. I am talking not about your Texas goats.

Judge BOGCESS. Oh, yes, yes. They made goats of a number of people.

Senator CONNALLY. If you knew that an amendment was going to be adopted in this bill that would require the giving of a hearing before anything of that kind, it would be of some assistance, would it not?

Judge BOGCESS. Yes, Senator.

I hope—I noticed in this morning's paper that such an amendment was going to be adopted. I hope that it will have some effect. I hope that it will do some good but, frankly, I think that the thing that would do the greatest good in the world is for you, Senator Barkley, Senator King, and a bunch of you gentlemen to go around to the President and get him to reiterate his statement that I have read.

You know, the Republicans said that it was the only positive promise that he made during the whole campaign.

Senator CONNALLY. Well, would not that be an intimation to the President that we did not believe what he said, before, and so we wanted him to reiterate it?

Judge BOGCESS. Well, sir, he has let Wallace say some things that rather lead us to believe that some of his advisers are going back on what he promised.

Senator CONNALLY. Well, the President cannot go around personally to all of his subordinates and keep a padlock on their mouths. You know he could not do that.

Senator KING. Captains and colonels often times violate the instructions of their general.

Judge BOGCESS. Well, if they do, they get court martialed, Senator. [Laughter.]

I think if we could have a few first-class court martials in America we would certainly be speeding it up faster. [Laughter.]

The CHAIRMAN. Thank you very much, Judge.

Judge BOGCESS. Do not mention it.

Senator BARKLEY. At least, while we are talking about "goats", they are trying to make one out of the Secretary of Agriculture just now, aren't they?

Judge BOGCESS. I do not know whether we are, sir, or not. I think maybe the Secretary may have made it out of himself.

The CHAIRMAN. I understand that Mr. Arthur Besse will represent the National Association of Wool Manufacturers. Is that true?

Mr. STUDLEY. Mr. Chairman, may I say that I represent the wool dealers.

Senator KING. Dealers or buyers, or both?

Mr. STUDLEY. The buyers.

The CHAIRMAN. How much time do you want?

Mr. STUDLEY. If you will favor me by not asking any questions, not over 3 minutes.

The CHAIRMAN. All right.

STATEMENT OF ROBERT L. STUDLEY, PRESIDENT OF THE BOSTON WOOL TRADE ASSOCIATION AND THE NATIONAL WOOL TRADE ASSOCIATION

Mr. STUDLEY. Gentlemen, my name is Robert L. Studley, president of the Boston Wool Trade Association and the National Wool Trade Association, in whose behalf I wish to present these three resolutions in opposition to House bill no. 8687.

I also present the resolution of the Philadelphia Wool and Textile Association.

(The three resolutions referred to are as follows:)

Whereas there is now pending in Congress a bill allowing the President powers in the lowering of tariff rates; and

Whereas there is danger that this power may be exercised with respect to lowering the tariff on raw wool or manufactured products thereof; and

Whereas such action, if the duties were lowered on raw wool or its manufactured products, would prove most detrimental to the entire wool industry of the United States which after many years has just reached a point where it can begin to operate profitably; therefore,

Be it resolved, That the Boston Wool Trade Association is opposed to the enactment of this bill, H.R. 8687.

BOSTON WOOL TRADE ASSOCIATION EXECUTIVE COMMITTEE,
By ROBERT L. STUDLEY, *President*.

MARCH 16, 1934.

Whereas Congress is now considering a bill allowing the President arbitrary power to lower tariff rates, and

Whereas the existence of such power will, in our opinion, interfere seriously with the wool and textile industry, of which our members are a part, in that the success of this industry is dependent upon present tariff protection, and

Whereas the passage of the bill would create such uncertainty in business conditions and such lack of confidence as to seriously restrict business operations, and

Whereas the actual lowering of the duty upon raw wool or manufactures thereof might be disastrous to the wool growers of this country and to the wool-textile manufacturing industry, it is hereby

Resolved, That the National Wool Trade Association expresses its strong opposition to the enactment of the tariff bill in question now before Congress, and urges the committee now giving it consideration and the Members of Congress, when it comes before them, to vote against the enactment of this legislation.

NATIONAL WOOL TRADE ASSOCIATION,
ROBT. L. STUDLEY, *President*.

I hereby certify that the above is a true and exact copy of a resolution passed by the board of directors of the National Wool Trade Association at a meeting of the board held April 27, 1934.

CLAUDE H. KETCHUM, *Secretary*.

Whereas there is now under consideration a bill (H.R. 8687) delegating to the President full power to modify the present tariff without hearings of the interested parties, and

Whereas any lowering of the present duties on wool or its manufactured products would cause tremendous hardships to the wool and textile industry, and

Whereas if the bill were passed the fear of such revision, in our opinion, would in itself be enough to cause a slowing up in the business activities of every branch of our industry, which would doubtless lead to lower values,

Be it resolved, That the Philadelphia Wool and Textile Association is strongly opposed to the passage of this bill.

PHILADELPHIA WOOL AND TEXTILE ASSOCIATION,
HERBERT K. WEBB, *President*.

APRIL 27, 1934.

Mr. STUDLEY. The members of the National Wool Trade Association, either as dealers or commission merchants, handle practically all the wool and mohair raised in this country, a total of about 440,-

000,000 pounds yearly, which, at today's prices, would amount to some \$125,000,000 to \$150,000,000 in value.

The present duty on most wool is 34 cents per scoured pound. Taking a rough estimate of the average American shrinkage, say 60 percent, it means that when the wool tariff is operative as it has been this last year when we have been importing some wool, domestic wool is protected to the extent of about 14 cents per pound in its greasy or natural state. A 50 percent reduction in the duty would depreciate the value of domestic wool about 7 cents per pound in its greasy state as it comes off the sheep, a reduction in the wool growers' income of some \$25,000,000 to \$30,000,000 annually.

The woolgrowers are slowly coming out of the depression, but today the vast majority of them are still very heavily mortgaged. This industry is in no condition at present to stand a tariff reduction.

If the duty on wool is not changed, but the duty on woollen manufactures reduced, the result would be worse. Textile unemployment would result and the wool raiser would have less outlet for his product because he must sell to American mills. He could never profitably export to the world's markets in competition with Australia and the Argentine.

As dealers we realize that we cannot prosper unless the woolgrower and the manufacturer remain solvent, and we are here in our own behalf to protest against the passage of this bill.

Now is the time of year that sheep all over this country are being sheared. Now is the time the grower must dispose of his product, partly for financial reasons and partly from lack of storage facilities, and this is the time that the wool dealers and commission merchant must function to take over the burden of financing and distributing, lasting more or less throughout the following 12 months.

Would you expect us to be enthusiastic buyers today with the possibility hanging over our heads that suddenly, at any time, without adequate hearings, by some treaty agreement with some foreign country, we may find our merchandise depreciated from 20 to 25 percent?

Can you expect a manufacturer to be an eager buyer of wool faced with this continuing possibility?

Last week less than 400,000 pounds of wool was sold to manufacturers in all the important markets of the United States, instead of the average for the last year of some 6,000,000 pounds weekly.

A few days ago in the United States Senate a Senator from Wyoming reported that wool buyers were reducing their buying limits in Wyoming because of fear of tariff revision. This is true.

The uncertainty caused by the possible passage of this bill has already affected the price of wool on every farm in the United States. We do fear a tariff reduction on wool. If this bill is passed, the continual dread of a possible downward revision of duties over night will affect all factors in the industry.

Reluctance to carry stocks would be the only prudent course for the wool merchant, the mill, and the clothier. The results, in our opinion, will be hand-to-mouth buying, and lower prices on wool.

The CHAIRMAN. We thank you very much.

Mr. Besse?

Mr. BESSE. Yes, sir.

The CHAIRMAN. How much time, Mr. Besse?

Mr. BESSE. About 8 minutes.

The CHAIRMAN. All right, sir.

STATEMENT OF ARTHUR BESSE, PRESIDENT NATIONAL ASSOCIATION OF WOOL MANUFACTURERS

Mr. BESSE. Mr. Chairman and members of the committee, I appear before you as a representative of the National Association of Wool Manufacturers. Our association includes the many branches of the wool-textile industry, the manufacture of tops, the spinning of yarn, the knitting or weaving of piece goods, and the many other processes incidental thereto.

Senator WALSH. You represent the worsted industry?

Mr. BESSE. That is, the wool and worsted industry, both. While many of the objections to the proposed reciprocal tariff agreements which I am about to lay before you have already been expressed by others, I feel that the importance of the wool-textile industry to this country, and the vital importance of tariff changes to the functioning of the wool textile industry, entitle this statement to more than ordinary consideration.

In confining myself to a presentation of a relatively few objections, I do not want to intimate that we have covered the ground exhaustively.

I propose to trespass upon your time only to the extent necessary to express our five principal objections:

First, we oppose the bill because of the fact that no provision is made for hearings before action is taken. The point has been made by proponents of the bill that absolute freedom should be given to make changes quickly because during the time necessary to ascertain production costs and make other investigations, changing factors would affect the validity of any Tariff Commission report.

That was a statement made by Mr. Stimson on Sunday.

The exercise of the most elementary logic would indicate the unsoundness of this contention. Changing factors, rather than justifying hasty action, call for an even more exhaustive and careful analysis and, as I shall point out later, changes which may be made under this proposal will have a semipermanent character which will make it even more essential that hearings and investigation precede any action in order to prevent as far as may be possible the ratification of unwise or harmful agreements.

Second, we oppose the bill because we are convinced that business will be adversely affected on account of the uncertainty attendant upon the fact that the tariff will be subject to unpredictable changes, resulting in an unwillingness and inability on the part of business men to make forward commitments.

It is unnecessary to dwell upon the fact that in the past proposals to make tariff changes have always caused a hesitation in business.

This has been only too apparent. The hesitation, however, disappears with the enactment of definite legislation and the assurance which such legislation gives of freedom from further changes within a specified time.

Senator BARKLEY. That was not true of the act of 1930, was it?

Mr. BESSE. The hesitation appeared. The results of the act, of course, did not appear, but the uncertainty did. There was no uncertainty after that act.

Senator BARKLEY. The hesitation has been going on ever since?

Senator KING. Yes; following the act of 1922, the insertion of the flexible provision of the tariff act, which involved, if I understand

your language, uncertainty, because of the possibility of reducing the tariff.

Did that affect the situation?

Mr. BESSE. It certainly did, in our industry.

Senator KING. You were not satisfied, then, with the Fordney-McCumber bill, or the Smoot-Hawley Tariff Act, notwithstanding the very high rates imposed upon many raw materials, as well as finished and semifinished commodities?

Mr. BESSE. Well, that is not my argument at all. I am not speaking of the rate of the tariff or the holding of a brief, at the moment, for a high tariff or a low tariff, simply the uncertainty that is occasioned, if it is not known by business whether the tariff is to be changed, whether it is to remain as it is, or to go higher or lower, and in this particular bill it seems to me that we have no certainty that the tariff will remain anywhere.

It may be changed overnight. Any individual industry might be given certain assurances, but I do not know what those assurances would be worth, from the standpoint of the effect they might have on the individual psychology of the business men concerned.

Under this proposed bill, however, no such assurance can be given and business will be handicapped by continuing uncertainty and the realization that the power to cripple any industry dependent upon tariff protection rests in the hands of a single individual or his subordinates to whom his authority may be delegated.

The extent to which this uncertainty would retard business can only be realized fully by those familiar with industrial psychology.

Senator KING. May I interrupt you right there—and I hope you will pardon me.

Mr. BESSE. Surely.

Senator KING. Without expressing any view with regard to the wisdom or the unwisdom of this proposed measure, is it not a fact, however, that, particularly in Great Britain, notwithstanding arbitrary and almost unlimited power vested in one or two individuals, to change rates, to abolish rates, transfer from the free to the dutiable list, and vice versa, the export trade, as well as the domestic trade of Great Britain, has materially increased under those arbitrary or autocratic powers which have been conferred?

Mr. BESSE. During what period?

Senator KING. I am speaking of the time since they have asserted that authority—in the last year.

Mr. BESSE. Well, unfortunately, I am not sufficiently familiar, but I am informed that the trade of Great Britain has not increased in the ratio that general world trade has increased during the last year.

Senator KING. I think her increase has been greater than the general world trade.

Mr. BESSE. I say I am not informed.

The CHAIRMAN. I would suggest that you read the testimony of the Secretary of Commerce on that.

Mr. BESSE. It is a psychological factor but a factor of prime importance and it merits your deep and most serious consideration.

Third, we oppose the bill because of the fact that if errors of judgment are made—and it would seem prudent to assume that this is at least within the realm of possibility—no correction of the result-

ing tariff inequalities can be accomplished, inasmuch as these tariff schedules would be subject to treaties between us and foreign nations and these treaties could be abrogated only by mutual consent.

It is proposed that these treaties may run for 3 years from their respective effective dates.

I am not suggesting that no changes should ever be made in our tariff schedules. I shall, however, point out later that we cannot increase the total of our domestic agricultural and industrial activity by the method proposed. The tariff is a complicated matter; it should not be utilized as a means of barter.

The tariff serves a twofold purpose: To produce revenue and to protect domestic industries to the extent they need and merit protection.

Changes in the tariff should be made solely on the basis of sound economic principles, not on a basis of trading with foreign nations to secure problematical advantages which, even if achieved, can serve only to change the incidence of activity, and not add to its sum total.

Fourth, we are opposed to the bill because of the fact that, other than a percentage limitation, there is no formula to circumscribe action under the bill to preserve the fundamental purpose of the tariff, which is to protect American industry against destructive foreign competition.

With the increased cost of manufacturing in this country resulting from N.R.A. measures and other factors, the whole effectiveness of the tariff may be destroyed unless a provision is inserted to insure that changes, if made, must be based upon differences in costs of production here and abroad.

Fifth. We oppose the bill because in addition to its positive defects, it cannot accomplish its purpose, being based upon a totally incorrect economic theory.

The Secretary of Agriculture, who has been widely quoted before your committee and elsewhere, makes the statement in his book that we must abandon 50,000,000 acres of farm land or develop a very large volume of foreign trade which we do not now possess.

I would not question this statement. But has the Secretary studied the possibilities and the difficulties of developing that foreign trade?

Other things being equal, expansion of our foreign trade is a most desirable and helpful thing. Other things, however, are not equal.

Senator CONNALLY. Let me ask you, right there, if it won't interrupt you, Do we export any appreciable amount of woolen testiles?

Mr. BESSE. No; practically nothing.

Senator CONNALLY. Where do they go, that we do export? Where do we ship them; to Mexico?

Mr. BESSE. A few to Mexico; possible a few to South America; but it is very small.

Senator CONNALLY. What percentage, do you know, of our output?

Mr. BESSE. Probably one and a half to 2 percent.

An expansion of foreign trade, except where it is accompanied by an investment of capital funds in the debtor country, is the result and not the cause of prosperity.

We do not contemplate any investment of funds in foreign countries nor would such investment seem desirable at this time. It is apparently the thought in this instance that we will increase our exports by somehow arranging to accept a corresponding quantity of imports.

It should be clearly understood—but, unfortunately, clear thinking on this point is the exception and not the rule—that we cannot increase our foreign trade except through one of these two ways: We must either extend foreign credits in the form of loans or otherwise, or we must accept from some source an additional volume of imports.

Because of a continuing decline in our "invisible exports" of capital and the impossibility of floating foreign loans or obtaining credits in this country for foreign buyers, we must discard the first possibility.

In discarding this possibility we should also realize clearly that foreign trade can be maintained only by securing a free flow of capital on an international basis just as domestic trade can be maintained only by a freeing of domestic credit.

The only way to increase the sum total of existing international trade is to increase world consumption and, in some manner, to make available sufficient credit to handle large international shipment of goods.

Hence it follows that at the present moment increased exports of one commodity can be made possible only by increasing the imports of some other commodity.

The question must be asked. Are there any items for which a domestic demand exists or can be created which we do not already import and which we do not manufacture in this country?

A study of commodity schedules and of the census of manufacturers fails to disclose the existence of such items.

Senator WALSH. What is the extent of wool manufactures that are imported?

Mr. BESSE. Imported as wool or imported as fabric?

Senator WALSH. As fabric.

Mr. BESSE. It is comparatively small.

Senator WALSH. Mostly specialties, isn't it?

Mr. BESSE. About 3½ million square yards in the last calendar year.

Senator WALSH. Woolen goods that are not produced in this country, largely?

Mr. BESSE. Well, they are not produced in this country. I would not want to say they could not be produced in this country.

Accordingly, we face the inevitable fact that for every additional million dollars of one commodity we export, we are obliged to decrease our domestic production of certain other commodities by a million dollars in order to make room for the increased volume of imports which we must be prepared to accept. Any gain by one industry under present conditions will be achieved at the expense of some other industry.

There will be no aggregate gain whatever, and the most that can be accomplished is a transfer of activity from one domestic industry to some other domestic industry.

If this is the wise thing to do, it can be done much more simply than by making changes in the tariff.

Experiments must be tried, but I submit that there can be no gain accruing from the operation of taking money out of one pocket and putting it into the other pocket, especially if you run the danger of wearing out one of the pockets in the process.

I beg you gentlemen to oppose this bill as being based upon a fallacious economic principle and as conferring on a single individual the power of making treaties which may have serious effects on many

domestic industries, but which does not and cannot empower the same individual to redress any unfairness which may be occasioned by the exercise of this treaty power.

The possible benefits are negligible and nebulous; in any case they cannot be substantial enough to justify us in taking the risks to which the passage this bill would expose us.

I wish to present as a part of this statement a copy of resolutions adopted by the board of directors of the National Association of Wool Manufacturers, at their meeting on April 19 last, likewise a brief setting forth the serious effect of an uncertain tariff policy upon the blanket division of our industry.

At a meeting of the board of directors duly held in New York City on April 19, 1934, the following resolution was adopted:

Whereas the success of the National Industrial Recovery Act depends fundamentally upon the ability of manufacturing industries to produce and sell their products, thus promoting employment, and

Whereas by H.R. 8687 the Congress proposes to delegate its constitutional legislative power to the Chief Executive to modify radically the existing tariff law without hearing or giving notice to any interested party, and

Whereas experience has shown conclusively that the uncertainty of tariff protection creates instability and restricts purchasing to hand-to-mouth buying, and

Whereas this association maintains that no radical change in tariff protection should be made without giving all interested parties the opportunity to be heard: Therefore be it

Resolved, That the National Association of Wool Manufacturers is opposed to H.R. 8687; that it cannot support a measure that grants power to make tariff changes without hearings and investigations which over night might readily be the means of destroying American industries; that it is opposed to a measure that by the uncertainty it creates will restrict purchases to the most immediate necessities and thus jeopardize the employment of many thousands of wage-earners; and that it is opposed to allowing the complicated and delicately adjusted tariff to be arbitrarily altered for the purpose of securing the problematical benefits of foreign trade agreements.

The CHAIRMAN. That is all you have, Mr. Besse?

Mr. BESSE. Yes.

The CHAIRMAN. Thank you very much.

The CHAIRMAN. The next witness is Mr. John E. Dowsing.

Mr. DOWSING. Yes, sir.

The CHAIRMAN. How much time do you want?

Mr. DOWSING. Why, Senators, if you can give me 10 minutes, uninterrupted, I can present my case.

The CHAIRMAN. All right. I will give you 10 minutes.

You are also speaking for Mr. Wells?

Mr. DOWSING. Mr. Wells was to speak, but he has not as yet shown up. I presume he is not able to make the city.

The CHAIRMAN. All right. We will give you 10 minutes.

STATEMENT OF JOHN E. DOWSING, SCARSDALE, N. Y., REPRESENTING THE UNITED STATES POTTERS ASSOCIATION

Mr. DOWSING. I represent, gentlemen of the committee, the United States Potters Association. My name is John E. Dowsing, of Scarsdale, N. Y.

In approaching a discussion of this proposed bill (H.R. 8687), I do so in a general way, not so much from the standpoint of the effect upon the industries of the United States generally but from a narrower view the effect it will have on the pottery industry, which I represent,

Senator CONNALLY. You represent pottery?

Mr. DOWSING. Pottery.

Senator CONNALLY. I thought we were going to get through with the wool?

The CHAIRMAN. We are through, as I understand, with the wool, Senator.

Senator CONNALLY. All right.

Mr. DOWSING. The richest market in the world and the greatest market in the world is the American market. Propaganda for this bill is that in giving the President such unprecedented powers it will tend toward rehabilitating industrial America in the development of our export market and thus will help millions of industrial and agricultural workers.

These claims are totally without merit in view of the report of the United States Tariff Commission that less than 500,000 industrial and agricultural workers have been thrown out of jobs through the loss of foreign trade.

As estimates of the unemployed range from 10 to 15 millions, on the basis of the Tariff Commission figures, this proposal, if enacted into law, would put to work 5 percent only, or less, of our millions of unemployed.

Under the Agricultural Adjustment Act there are some 40,000,000 to 50,000,000 acres of farm land being retired through the levying of a processing tax to get the money for this permanent retirement, which is passed on to the consumer. This means there will be involved the loss of work to some 3,000,000 or 4,000,000 farmers and farm workers.

These must be absorbed into some other lines of work, together with the present millions of unemployed. Where will they find work?

Not in the industries which will have a restricted production, if not put entirely out of business, if this bill passes.

The least that can be said about this pending bill is that it creates doubt and uncertainty for every industry in the United States, and nothing is more unsettling to business than doubt and uncertainty. And when doubt and uncertainty strikes at the very heart of industry, it affects the human individual. The men at the head of industries, the owners of factories, the officers and stockholders, the workers in the factories, as well as the citizens in the town, area, or community in which the factories are located and who are dependent upon the healthy and going condition of the factories, are all subject to the harmful effects of such uncertainty.

Nowhere in any of the debates or writings have I noted a definite statement naming the products of American industry which will be used to trade for foreign importations, but there has been by inference.

Much has been said about inefficient industries and industries that are unimportant and unnecessary—those industries who find it almost impossible to compete with foreign-made competitive goods.

One of the important industries of this country, the pottery industry, has by inference been characterized as inefficient because it cannot compete against the pauper labor of Japan, plus the governmental subsidies to the manufacturers of pottery in Japan, plus the 40 percent depreciation of the Japanese yen.

Numerous other industries, such as the beet sugar industry, cane sugar, dyes, toys, laces, et cetera by the same process of reasoning are inefficient.

It has been alleged that the pottery industry was not in the major or important class in not employing 50,000 workers; that china and porcelain tableware are not produced in regular commercial quantities in the United States; that dyes, olive oil, china, and porcelain and many other articles listed by the proponents of this bill, can be produced more advantageously in foreign countries; that no industry is entitled to support by tariffs; that no industry is an efficient one that cannot produce as cheaply as they can abroad.

What a brand of Americanism it is to advocate turning our markets over to the foreign manufacturers because the American manufacturers cannot compete with the pauper labor, governmental subsidies, depreciated currencies, and what not.

The American workmen receive the highest wages in the world. In the pottery industry the wages average over 1,000 percent higher than paid in Japan.

In refutation of the allegation of inefficiency and unimportance of the pottery industry, I wish to cite a few facts:

The pottery industry normally employs about 20,000 men. These, in connection with the employees of the allied industries located in various States and dependent upon the pottery industry to buy their clay, flint, feldspar, colors, and all the ingredients which go into the production of pottery, the crate, box, and carton manufacturers, the purveyors of the straw and other material used in packing the product, the railroads, trucks, teamsters moving the great quantities of ware, if figures could be definitely arrived at, would make a total of more than 50,000 men.

The pottery industry is located in some 15 States of the Union and in 1929 produced ware of the approximate value of \$33,500,000; in 1930, \$27,500,000; in 1931, \$23,300,000; in 1932, \$16,300,000; in 1933, \$17,649,000.

Senator WALSH. About one half of your former production?

Mr. DOWSING. Sir?

Senator WALSH. About one half of your former production?

Mr. DOWSING. What it is now?

Senator WALSH. Yes.

Mr. DOWSING. Well, I will give you the production from 1933: 17 million dollars; dropped from 33 million dollars to 17 million dollars.

Senator CONNALLY. How about the volume?

Mr. DOWSING. Sir?

Senator CONNALLY. That much in volume, but how about the value? Of course, prices were lower, and the volume might have some bearing on it.

Mr. DOWSING. The volume, by comparison with prices in 1929, was approximately 30 million dozen pieces, valued at \$33,500,000; 1930, 25 million dozen pieces, valued at \$27,500,000; 1931, 20 million dozen pieces, valued at \$23,300,000; 1932, 17 million dozen pieces, valued at \$16,300,000.

Senator CONNALLY. So the volume fell off as well as the value?

Mr. DOWSING. Yes, sir; labor costs are the largest items in pottery production, being 60 percent of the total cost. Labor, therefore, received the following wages: In 1929, \$20,100,000; in 1930, \$16,500,000; in 1931, \$13,980,000; in 1932, \$9,780,000; in 1933, \$10,589,000.

An industry producing between 33 and 34 million dollars worth of merchandise and creating a buying power through the disbursement

of wages to its employees of \$20,000,000 is anything but a small industry.

Will any Senator concede because Japan produces pottery far below anything the American industry can do, by reason of its cheap and pauper labor, its depreciated yen and governmental subsidies, and exports wares here in competition with American labor drawing wages averaging 1,000 percent higher, thus enabling them to meet the high living standards here, that this industry be termed "inefficient" and legislated out of existence? If the Senate passes this bill, industry will be placed in the uncertain position where it may be wiped out of existence without being permitted a hearing in their own defense.

It is claimed that the power conferred on the President by this bill to raise or lower the tariff rates 50 percent in the present act of 1930 has its precedent in previous acts. The claim is untenable for the reason the previous acts prescribed and limited the actions of the President. This proposed bill does not.

By all previous enactments the President must follow the yardstick named by Congress. In this proposed bill he acts entirely of his own initiative and is not controlled or limited by any Congressional direction.

Section 315 of the act of 1922 was reenacted, as you gentlemen know, with extensions, into section 336 of the act of 1930.

That section has been discussed pretty thoroughly; so I am not saying anything on 336.

Section 337 of the act of 1930 is a reprisal section against unfair practices in import trade; the unfair acts in the importation of articles into the United States, the effect or tendency of which is to destroy or substantially injure an industry.

And condition precedent to action by the President is the investigation and recommendation of the Tariff Commission.

Section 338 has had a good deal of discussion here in the hearings before this committee.

Section 338 of the act of 1930 is for the protection of our commerce against the discriminations of foreign countries and—

The CHAIRMAN. Mr. Dowsing, your 10 minutes is up. If you want to extend your remarks, you may be permitted to do so. We have your testimony, too, 30 pages, in the House hearings, with an extension of your remarks.

Mr. DOWSING. What I want to call attention to, Senator Harrison, is that many of the statements made by the proponents of the bill, I have refuted, here. At least, I hope that I have.

The CHAIRMAN. You may file that.

Mr. DOWSING. I will file this entire brief.

The CHAIRMAN. You may.

(The remainder of Mr. Dowsing's statement is as follows:)

Section 338 of the act of 1930 is for the protection of our commerce against the discriminations of foreign countries; and whenever the President finds that any foreign country imposes any unequal imposition or discrimination, he is authorized to take the necessary steps in retaliation as prescribed.

Under this section 338 it is provided that the President shall by proclamation specify and declare "new or additional" rates of duty, as thereafter provided, upon foreign articles when he "finds as a fact" that the country of exportation imposes certain discriminations against the commerce of the United States. It is also provided that the President may exclude foreign articles from entry upon the finding by him of certain other foreign discriminations. In fixing the amounts of the "new or additional" duties which are provided for, the President

is bound by the rule therein laid down by Congress that such duties shall "offset" the burden or disadvantage to our commerce in the foreign country, or the benefit to a third country. In other words, he does not merely exercise his discretion but applies a definite "yardstick" laid down by Congress.

If the President determines that our commerce is injured, say to the extent of 20 percent and a 20 percent additional duty will offset that burden to our commerce, he must, under the mandate of Congress fix this new additional rate of 20 percent. He has no discretion to make it 25 percent or 35 percent. It must be only in amount that offsets the burden sustained or equalizes the discrimination. He is limited to the amount of the damage and he is limited to not go above 50 percent.

In this bill here no yardstick for fixing rates is provided.

Section 303 of the act of 1930 conveys a grant of power to protect American industry against the bestowing of any bounty or grant upon the exportation of merchandise to the United States providing, plus the prescribed duty that an additional duty equal to the amount of grant or bounty shall be collected. This is not an Executive function, however, but is reposed in the Secretary of the Treasury to determine from an investigation the amount of the bounty or grant and to issue the necessary regulations for the collection thereof.

There is all the difference in the world between the powers sought to be conveyed by this bill before the committee and those laws which have been passed in previous years.

While I have made but little study of the constitutional phase of this bill and rather hesitate to touch on same, particularly in view of the fact that most distinguished lawyers of the Senate and House have declared the grants of power constitutional; while other equally distinguished lawyers of the Senate and House vigorously hold to the contrary. However, as I view it, the man on the street knows that the Constitution reposes heavy responsibility upon the Senators and Representatives whom the people elected in their States, no matter with what zeal the Congress may seek to avoid responsibility and pass this delicate trust to the President.

Article 1, section 1, of the Constitution provides:

"All legislative powers herein granted shall be vested in a Congress of the United States, which shall consist of a Senate and a House of Representatives."

Article 1, section 8, provides: Congress shall have the power to lay and collect taxes, duties, imports, and excises, etc.

Clause 3 of section 8 gives to Congress the power "to regulate commerce with foreign nations and among the several States."

Clause 18 gives Congress the power "to make all laws necessary and proper for carrying into execution the foregoing powers, etc."

Section 10, clause 1, denies to the States, which formerly collected customs duties for their own account the right to do so thereafter except under the control of Congress, "except what may be absolutely necessary for executing its inspection laws."

Article 2, section 2, clause 2, with reference to the President provides "he shall have power, by and with the advice of the Senate, to make treaties, provided two thirds of the Senators present concur; * * *"

This bill transfers to the President this all-embracing power: To make treaties without consent of the Senate—call them trade agreements, if you will. To proclaim such modifications of existing duties and other import restrictions, or such additional import restrictions, including the rate and form of import duties and classification of articles, and the limitations, prohibitions, charges, and exactions other than duties, imposed on importation or imposed for the regulation of imports.

This grant goes further than any delegation of power ever made to the President of the United States. Every one must know that when the language of the tariff act is changed, by striking out and inserting, the construction of the law is inevitably changed. When the President, under the authority of this bill, writes new language, strikes out and inserts, writes new paragraphs (as he is authorized to do), he manifestly legislates. He makes new law. He has taken over the functions of Congress contrary to the Constitution.

In arguing the constitutionality of this bill, much has been said of the delegation of authority sustained in *Mampton v. United States* (276 U.S. 394) and other cases raising the constitutionality of the flexible provisions of the Tariff Acts of 1922 and 1930. The delegation sustained in that case, and to which the language of the opinion solely related in that case, was the part of the so-called "cost-difference formula" which affected tariff rates, based on the assumption that Congress

In its statutory rates met cost difference's and that the President's action was merely to conform them to that standard by making necessary adjustments to that end. By the legal fiction that the President was merely carrying out the intelligent plan and purpose of Congress in keeping rates adjusted to the cost-difference idea.

The Supreme Court held that it was constitutional in that it was not a delegation of legislative authority but a use of Executive authority to carry out the intent of Congress in conformity with a clearly defined principle.

I doubt that doctrine may be made to conform to dealing with tariff rates by Executive raising and lowering them without conforming to that standard—the cost-difference formula. This bill not only has not the color of the legal fiction that the President is carrying out the purpose and plan of adhering to the cost-difference formula but permits him to rewrite the language of the law he legislates.

Also references have been made to the case of *Field v. Clark* (143 U.S. 649) involving the constitutionality of the act of 1890. The Supreme Court of the United States held that section 3, of the act of 1890, not to be unconstitutional. The ground upon which the act was attacked was that it amounted to a delegation of legislative power and also treaty-making power. In the case the President ascertained the actual fact as to whether a foreign country had incorporated a provision taxing our exports more than those of other countries and, by proclamation of that fact, brought into effect a rate of duty which was already written in amount by Congress. In the event of a future condition Congress had prescribed the course the President was to pursue. The President was not writing the words of a new law as he is permitted here to do.

This bill seeks to give the President power which Congress cannot give away and which the President has no right to receive. Probably the most decisive Federal decision on this subject is that found in this case of *Field v. Clark* (143 U.S. 649). I want the pertinent part of this decision in the record and will read it. The court in that case said:

"That Congress cannot delegate legislative power to the President is a principle universally recognized as vital to the integrity and maintenance of the system of Government ordained by the Constitution. The act of October 1, 1890, in the particular case under consideration is not inconsistent with that principle. It does not in any real sense invest the President with the power of legislation.

"For the purpose of securing reciprocal trade with countries and determined that the provisions of the act of October 1, 1890, permitting the free introduction of such articles should be suspended as to any country producing and exporting them, that imposed exactions and duties on the agricultural and other products of the United States which the President deemed, that is, which he found to be reciprocally unequal and unreasonable. Congress itself prescribed in advance the duties to be levied, collected, and paid on sugar, molasses, coffee, tea, or hides produced by or exported from such designated country while the suspension lasted.

"Nothing involving the expediency or the just operation of such legislation was left to the determination of the President. The words 'he may deem' in the third section, of course, implied that the President would examine the commercial regulations of other countries producing and exporting sugar, molasses, coffee, tea, and hides, and form a judgment as to whether they were reciprocally equal and reasonable, or the contrary, in their effect upon American products.

"But when he ascertained the fact that duties and exactions, reciprocally unequal and unreasonable, were imposed upon the agricultural or other products of the United States by a country producing and exporting sugar, molasses, coffee, tea, or hides, it became his duty to issue a proclamation declaring the suspension as to that country, which Congress had determined should occur. He had no discretion in the premises except in respect to the duration of the suspension so ordered.

"But that related only to the enforcement of the policy established by Congress. As the suspension was absolutely required when the President ascertained the existence of a particular fact, it cannot be said that in ascertaining that fact and in issuing his proclamation, in obedience to the legislative will, he exercised the function of making laws. Legislative power was exercised when Congress declared that the suspension should take effect upon a named contingency. What the President was required to do was simply in execution of the act of Congress.

"It was not the making of law. He was the mere agent of the law-making department to ascertain and declare the event upon which its expressed will was to take effect. It was a part of the law itself as it left the hands of Congress that the provisions, full and complete in themselves, permitting the free introduction of sugar, molasses, coffee, tea, and hides from particular countries should be

suspended in a given contingency and that in case of such suspensions certain duties should be imposed."

I make this positive statement—that in no case anywhere has any court ever stated that the Congress of the United States has any right to delegate its power of legislation to any President or anyone else, and that the President of the United States has no right to fix tariff duties. That runs through every decision from the first case under Washington. In that case the President was given no power to levy a tax or levy a duty. Let me repeat this observation of the court in the Field case—

"Congress itself prescribed in advance the duties to be levied. Nothing involving the expediency of the just operation of such legislation was left to the determination of the President."

That is plain and unambiguous language. It does not necessitate being a lawyer to understand that it provides specifically in that case that nothing was left to the President to do except to follow the law laid down by Congress. Again I quote:

"The words 'he may deem' in the third section implied that the President would examine the commercial regulation of other countries producing sugar, and when he ascertained the fact that duties and exactions reciprocally unequal and uneven were imposed on the agricultural or other products of the United States by a country exporting sugar, it became his duty to issue a proclamation declaring suspension as to that country."

His duty is laid down specifically as to what he must do. He had no discretion in the premises except in respect to the duration and suspension so ordered. I want to impress that the President had no discretion in respect to anything whatsoever except the time limit, relating only to the enforcement of a policy established by Congress.

Again I quote on this point:

"As the suspension was absolutely required when the President ascertained the existence of a particular fact, it cannot be said that in ascertaining that fact and in issuing his proclamation in obedience to legislative will, he exercised the functions of making laws."

There is no case—and I challenge anybody to produce a decision from any court—upholding the constitutionality of any law that gives to the President the right to levy a tax. The President, in addition to the power to change the rate of duty on imported merchandise without regard to the difference in the cost of production at home and abroad, has the power to change the language of the law. The meaning of the act is changed or he may change it, which is sufficient as the test of the legality of a power is not so much what has been done in a particular case but what may be done under the power.

It seems to me that if the President can make any change of language (and that seems to be without question under this proposed bill) then he can rewrite the language of the law. It is enough if any change in meaning may result in changing the law, it is legislation on its face. The possibility of a change in meaning is there in this bill and the statutory right to change the language and incidentally the meaning is there.

When we consider the full and ample laws already enacted it is apparent there is very little interest in the opportunity to use the tariff to protect American industries. Apparently there is no great concern felt about the effect of subsidies to foreign competitors upon American industries and labor. Nor does anyone in authority seem to be perturbed by the benefits which our codes confer upon these foreign competitors. The minimum wage now established in the pottery industry now is 45 cents per hour, which means an approximate increase in the pay rolls of the industry of a million and a quarter dollars. This, of course, necessarily increases the cost of the commodities produced and renders competition with the Japanese manufacturers, with all the advantages they have in low wages, depreciated yen, and Government subsidy, just that much worse.

There seems to be but one thing the proponents of this bill are interested in, and that is how they can lower the tariff and thus increase importations and make the foreigners more prosperous. The theory seems to be that if they make the foreigners more prosperous, even though some of our industries are forced to the wall, possibly wiped out entirely, the other industries—those some bureaucrat determines are "efficient industries" if you please—such industries and the workers will gain through the greater sale of their goods to the foreigners. They want the power to trade one industry in this country, through tariff manipulation, for another industry.

They want the power to sacrifice certain industries which they deem "inefficient" or "unimportant" for the benefit of those industries they decide are

efficient and important, and they want to clothe this entire swapping process in secrecy and not permit an industry to appear and be heard.

I also call to your attention that in June 1933, 10 months ago, the National Industrial Recovery Act was passed to meet the emergency Congress stated existed. Section 34 of that act gave the President power to fix the terms and fees when foreign competition endangered American industry, thereby rendering inoperative the codes under which the industries are compelled to work. Those powers are far-reaching. The President not only can change the tariff rates but transfer articles from the free list to the dutiable list and also can limit importations or embargo them. But it is to be noted, though many complaints have been filed by various industries under the section, there has not been the slightest use made of the power. For 10 months this statute has been a dead letter. And it was an "emergency" statute.

It is also claimed that the authority conveyed by this bill under discussion to the President is on all fours with Presidential powers granted in preceding tariff acts. As Al Smith says, "Let's look at the record", and examine the statutes for the past 44 years and see what virtue there is in that claim.

Section 3, McKinley Act of 1890, is a reprisal statute. Sugar, molasses, coffee, tea, and hides were on the free list. The President was authorized and given the power to, by proclamation, transfer those goods to the dutiable list at the prescribed rates nominated by Congress as a retaliatory measure when he found that any country imposed duties or other exactions deemed by him to be reciprocally unequal and unreasonable. He had no option as to duty. Congress definitely set the rate that was to be imposed.

Section 3, Dingley Act of 1897, authorized the President to enter into commercial relations covering certain designated articles, argols, crude tartar, and so forth, securing reciprocal and equivalent concessions of the products and manufactures of the United States. There was a duty prescribed for these articles which the President was empowered to suspend in his judgment. This section provided also for certain other goods which were on the free list, and the President had the power under conditions specified to suspend the free list relating to those articles and to proclaim them dutiable at the tariff rates named by Congress.

Section 2, Payne-Aldrich Act of 1900, maximum and minimum provisions. This section provided that, in addition to the rates of duty, the minimum rates, provided in section 1, there should be added a 2½ percent ad valorem duty, constituting the maximum rate. The President under given conditions, could apply either the minimum rate or the maximum rate by proclamation. Yet again Congress laid down the yardstick the President was to use.

In every instance Congress legislated in contemplation of some future event or act and prescribed the rule to be followed by the President to meet that eventuality. The President was not given the power to legislate, to make a new law, but authority was delegated to the President to determine some fact or state of things, after the determination of which he then was to act in accordance with the rule laid down by Congress.

Section 315, Fordney-McCumber Act of 1922, corresponds with section 336 of the Hawley-Smoot Act of 1930, as previously set forth, and calls for the investigation by the Tariff Commission. Again the President was limited in his actions.

There is no analogy between the sections quoted and the authority conferred by this present bill.

Many other fallacious arguments have been used to bulwark this bill. They have raised the question of the decreased customs duties, citing that in 1929 the receipts from customs duties were \$600,000,000 plus, and in 1932 they had decreased \$300,000,000, and in 1933 they fell to the low level of \$250,000,000. For argument I assume these figures to be correct—I have not verified them. There naturally would have been considerable decline due to the world-wide depression of which we had an ample share and maintained an immense standing army of 12 or 15 million jobless men, with the consequent loss in purchasing power, just as existed in all countries. However, there would not have been anything like this decrease in customs receipts had not Congress permitted the loss of hundreds of millions of dollars to the Treasury in revenue from customs receipts, had it passed a bill equalizing the depreciation of foreign currencies, as high as 60 percent of the Japanese yen and 15 percent of the Canadian dollar. The Ways and Means Committee refused to report such a bill by a strictly partisan vote and thus untold millions of dollars have been lost to the Treasury.

Then again references have been made to the decline in imports as one of the reasons why this bill should be passed. The United States right through the do-

provision has maintained the position of first in exports and second in imports and the decrease in both has been in proportion to that of every other country of the world. Depression, loss of millions of jobs, no money in the pockets of the people thus curtailing purchasing power, plus the striving of the foreign countries to build up their industries to supply their needs and to be self-sustaining, was the cause. But those who have harped on the decline of imports have always done so in terms of the dollar, not in terms of volume. The decline in the quantity of the imports has not kept pace with the decline in the value of the imports. Obviously if 1,000 articles of a given commodity was imported in 1920 valued at \$1,000, and owing to the depreciation of the currency of the exporting country 2,000 similar articles valued at \$500 were imported in 1932, there is shown a loss in value of 50 percent but an increase in quantity of 100 percent just doubling domestic competition.

Another of the reasons given why the President should be given this arbitrary power to make tariffs over night, was advanced by Chairman Doughton of the Ways and Means Committee on the floor of the House. He said:

"During the hearings we were told many times in recent months cargoes of American products at sea were recalled because of some new over-night restriction. That shows how other nations change their laws to the detriment of the United States."

As a matter of fact if in any of those alleged instances an over act has been committed; if there has been any discrimination against the commerce of the United States; if there has been any unfair trade practices the sections of the existing laws I have quoted give full and ample authority to the President to act in the premises. If the President has not acted to correct those conditions complained of, having been fully empowered by Congress to do so, and in fact it is mandatory under section 338 that he act, why may it be assumed that under some new bill conveying the same authority he will be better able to act?

Let me quote you the very comprehensive language of section 338 of the act of 1930 on this point, providing that whenever a foreign country—

"(2) Discriminates in fact against the commerce of the United States, directly or indirectly, by law or administrative regulation of practice, by or in respect to any customs, tonnage, or port duty, fee, charge, exaction, classification, regulation, condition, restriction, or prohibition, in such manner as to place the commerce of the United States at a disadvantage compared with the commerce of any foreign power."

The truth of the matter is, gentlemen, that the foreign countries are nationalistic and protect their industries to the fullest against foreign competition. In order to give this full measure of protection they have established quotas. Twenty-two European nations adopted the volume or quantitative limitation of imports through the quota or license system. This was done to develop and to rehabilitate their industries and to put their unemployed to work. So, after a given quantity of merchandise in a given period of time enters the country, the doors are closed and no more can come in until the new quota goes into effect. No such care and attention is given to the American industries to protect their products and keep their labor employed. On the contrary our markets are thrown open to the dumping of foreign goods while our own labor walks the streets and while we appropriate and expend hundreds of millions of dollars to create artificial employment, so that some of the millions may be fed.

The views and actions of two of our most important customers is illustrative. Some 2 years ago England declared in her protective policy to shut out imports. The president of the Board of Trade, Mr. Runciman, stated:

"That the principal purpose of her tariff was to shut out imports as they were only interested in protecting their own markets and developing their industries."

Mr. Chamberlain, Chancellor of the Exchequer, said:

"We propose by a system of protection to transfer to our factories and fields work that is now being done elsewhere, thereby decreasing unemployment in the only way we can."

In an address a short time after that, Prime Minister Bennett, of Canada, said:

"Our business is to see that we do not expand the foreign trade of any country when we ourselves are producing, or can produce, the goods so imported."

We have heard considerable about the declining trade of the United States and that our foreign trade curve has shown and shows a steady downward drop. I call your attention to a recent report of the Department of Commerce, the first paragraph of that report states:

"Foreign trade of the United States during 1933 evidenced a reversal of the trends of recent years. After the first quarter, when foreign trade values reached the lowest levels in about 30 years, both imports and exports recorded marked

increases. As a result the export value for the year as a whole was 4 percent larger than in 1932, while the value of imports showed a gain of 10 percent. In the second half of the year the dollar value of exports, after allowing for the normal seasonal expansion, was 35 percent higher than in the first half, and the value of imports increased 53 percent. The gain in value of exports for the year was attributable to price advances, since the total quantity of our foreign shipments was practically as large as in 1932. In imports, however, the percentage increase in quantity closely paralleled the advance in value; the unit value of imports in 1933 was approximately the same as in 1932. Exports, including reexports, aggregated \$1,075,000,000 and \$1,011,000,000 in 1933 and 1932, respectively, and general imports, \$1,440,000,000 as compared with \$1,323,000,000.

These figures, therefore, show an increase in exports for the year 1933 over the year 1932 of \$64,000,000, and an increase in imports of \$120,000,000 over 1932. That does not indicate a declining curve but decidedly an upward curve.

Further, much stress was laid on the figures of the Department of Commerce in this report, reading:

"During the period 1925-29, the export market provided an outlet for about 10 percent of the movable goods produced in the United States. The ratio dropped to 7.4 percent in 1931 and an estimate based on the production figures now available indicates that exports were about 6 percent of the total production in 1933."

Thus we had quite an export market in the 5 years of 1925 to 1929 while the United States was playing Santa Claus to all the countries of the world and furnishing the funds with which these exports were paid. As soon as we shut down on the free handling out of cash they stopped buying. Then fundamental forces have been altering the established trade channels, the depression spread all over the world, the lack of buying power due to millions of unemployed. But taking these figures on their face without regard to these underlying factors, they indicate that we have lost 4 percent of our volume in agricultural, mineral, and manufactured products through the collapse of foreign trade; but we have lost some 45 percent of volume of manufactured goods right in the home market. Shall we seek to restore the 4 percent in the international field or shall we regain a far larger volume at home? We cannot do both. Upon the Senate devolves this responsibility of decision.

The CHAIRMAN. Mr. George A. Fox, of Springfield, Mass. Mr. Fox represents the toy manufacturers of the United States.

All right, Mr. Fox; how long do you want?

Mr. Fox. Oh, about 10 minutes. I have here a brief that I would like to file.

The CHAIRMAN. All right.

Mr. Fox. I don't care to read it all.

STATEMENT OF GEORGE A. FOX, REPRESENTING TOY MANUFACTURERS OF THE UNITED STATES

Mr. Fox. I merely wish to bring out one or two main points.

Senator WALSH. Are you appearing in your individual capacity, Mr. Fox, or representing the industry?

Mr. Fox. I am speaking for the toy and playthings industry, an association of American manufacturers established about 18 years, of which I was formerly president.

The CHAIRMAN. All right, Mr. Fox.

Mr. Fox. I am a manufacturer at Springfield.

We come at this time to speak of this industry, because we have been referred to in the discussions of the bill and by some high officials of the Government, and the question of trading our industry with Germany for a few pails of lard, and we merely want to bring to the attention of the committee the fact that we have built up in this country over a period of years, and particularly under the protective tariff given us, an industry of education.

Toys are, in any country, related particularly to the home life of that particular country, and in exporting toys to this country there is very little of the originality of the country of export put into the goods that are imported into this country, and we create in this country a wide range of educational material, and I would say here that many manufacturers in this country have connected with their industry educators to bring out the educational value of the toys that they manufacture. If toys are imported to this country, they are our design, carried to the foreign countries and there reproduced and brought back again at the cheap labor than can be produced on the other side.

I do not refer particularly to Germany at this time, of bringing the duty down there, because we are all wading through a flood of Asiatic imports.

Japan is bringing material to this country at the present time, even under the duty, with a low value of the yen, and with the duty imposed on foreign valuations, why, it amounts to very little, and the dollar value seems small, but they compete strongly for the American dollar and are sold merely under the value of what can be produced in this country.

Senator CONNALLY. We have helped that some here by the dollar devaluation, haven't we?

Mr. Fox. Well, the dollar devaluation makes very little difference with the Asiatic imports at the present time. It would, of course, have an effect on European imports.

Senator CONNALLY. Well, why wouldn't it have an effect on Japan?

Just what is the difference, except their money is so much cheaper than European money?

Mr. Fox. But their money is so much cheaper than our money is, when our money is cheap.

Senator CONNALLY. I understand, but still, if our money were a dollar instead of 59 cents, it would be that much easier for Japan to bring them in, wouldn't it?

Mr. Fox. Oh, yes; oh, yes.

Senator CONNALLY. So we have helped that situation considerably by the dollar devaluation, haven't we?

Mr. Fox. Well, yes; a little; but you cannot see it, it is so small.

Senator CONNALLY. You see it, you admit it exists.

Mr. Fox. Well, yes; you have got to admit anything, no matter how small it is.

Senator CONNALLY. Of course, your eyesight may not be quite up to par, you use glasses, and you may not be able to see it.

Mr. Fox. Perhaps I don't see it all; no; but in this country, you know, we send our workmen to their jobs in automobiles, and the foreign manufacturer doesn't even ride in an automobile himself.

Senator CONNALLY. I was not challenging the general statement, but I was challenging the devaluation of the dollar in connection with the cheapening of the yen. It has helped to that extent?

Mr. Fox. Oh, it has helped some.

Senator CONNALLY. All right. That is all I want to know.

Mr. Fox. And just one point here, regarding Asiatic imports. It is very short, and I would like to read it.

As an example of the competition which this country is facing at the present time, let us consider imports of rubber toys from Japan.

America is very efficient in the manufacture of rubber goods.

Imports of this product have increased several hundred percent during the past 5 years. Last year the imports showed an increase of 178 percent over the previous year, and this year Japan is literally flooding the market in rubber goods.

The CHAIRMAN. What was the value of the importations of rubber goods?

Mr. Fox. Senator, I haven't the dollar value of the importation of rubber goods. They come in here at a very low value.

The CHAIRMAN. That is all right. Go ahead.

Mr. Fox. If we were to consider the reduction of the tariff on toys, we would place our importers in a very desirable position for taking our material in this country and sending it to all parts of the world to be manufactured, and we have about 40,000 men employed in this country in this industry, and the factories are scattered all over the United States.

The CHAIRMAN. How many factories are there?

Mr. Fox. There are about 400 factories. The industry is distributed among a lot of small manufacturers, because of the wide variety of items that make up the toy business. The volume of the industry is—in 1920—about \$100,000,000. In 1933 it was \$50,000,000, and the wages at the present time are about on a level with the 1920, and pay rolls are about 60 percent of what they were at that time.

The CHAIRMAN. Well, thank you very much, Mr. Fox. If you have any additional memorandum, put it in the record.

BRIEF OF TOY AND PLAYTHINGS INDUSTRY PRESENTED BY GEORGE A. FOX (MILTON BRADLEY CO.), SPRINGFIELD, MASS.

(The brief is as follows:)

BRIEF OF TOY AND PLAYTHINGS INDUSTRY, PRESENTED AT HEARING ON RECIPROCAL TARIFF BILL, BEFORE SENATE FINANCE COMMITTEE

Presented by George A. Fox, Milton Bradley Co., Springfield, Mass.

The toy and playthings industry, before the Senate Finance Committee, opposed the reciprocal tariff bill and asked:

(1) That the reciprocal tariff bill be amended so as to give industry the right to be heard before agreements are entered into.

(2) That the bill be amended so as to prohibit agreements with countries not working under conditions comparable to domestic industries, particularly in regard to wages, home work, child labor, etc.

(3) That inasmuch as toys were specifically mentioned in the Costigan report as an industry to be considered in reciprocal tariff agreements, that the industry be exempt from reciprocal tariff agreements for the following specific reasons and for the further reasons set forth on the attached brief:

(a) Toys and playthings are now a truly American industry. American manufacturers have developed and adapted toys to the needs of American children and have brought about standards of quality, sanitation, safety, and educational value so that toys are accepted by mothers, educators, and child psychologists as second only to the school itself as influences on child life, child development, and future American citizenry. To disturb this industry by reciprocal tariff agreements would be to remove this protection and influence.

(b) The toy industry is a relatively small industry from a monetary point of view, so that the effect on trade balances under reciprocal agreements would be insignificant in comparison to the harm that would result to the American child.

(c) The working conditions under which toys are produced in foreign countries, particularly in regard to low wages, child labor, and home work, places the toy industry in an absolutely defenseless position. Any change in tariff schedules would affect not only this industry, but would vitally affect every home in the country.

WHY TOYS SHOULD NOT BE CONSIDERED IN RECIPROCAL TARIFF AGREEMENTS

1. ALL COUNTRIES RECOGNIZE THE NATIONALIZING INFLUENCE OF TOYS

American toys teach American children the highest ideals of American patriotism and American citizenship. Toys reflect the civilization of the country in which they are produced. All countries recognize and take full advantage of the nationalizing influence of toys upon children in the formative stages of their mental development. American children should certainly have American toys.

2. TOYS AND PLAYTHINGS A TRULY AMERICAN INDUSTRY

Toys and playthings are now a truly American industry. During the past several years American manufacturers of toys and playthings have done what admittedly is an excellent job in improving the standards of quality, sanitation, educational value, and safety of toys which are produced.

3. EDUCATIONAL INFLUENCE OF TOYS SECOND ONLY TO SCHOOLS THEMSELVES

Educators, child psychologists, and mothers now realize that toys are second only to the schools themselves as an influence on child life, child development, and future American citizenry. Consumers are increasingly recognizing that proper toys and playthings are necessities of life next to food, shelter, and raiment. This influence is largely the result of patient and persistent effort on the part of American manufacturers in developing and adapting toys to the needs of American children.

4. UNIVERSITY ESTABLISHES "TOY LIBRARY"

During the past year one of the leading universities of the country sponsored a "Toyery", a lending library of toys, thus placing toys on a parity with books as a part of the library. This improvement in toys from a health, safety, sanitation, and educational point of view could only have been made possible by the patient and persistent efforts on the part of American manufacturers, aided to some degree by the protection which the tariff has given.

5. TOY INDUSTRY AMONG FIRST TO GO UNDER CODE

The toy and playthings industry was among the first to voluntarily cooperate with the administration by coming under a code of fair competition, thus raising wage costs by about 28 percent and eliminating child labor and home work.

6. TOY INDUSTRY RELATIVELY SMALL

The toy industry is a relatively small industry from a monetary point of view, so that the effect on trade balances under reciprocal agreements would be insignificant in comparison to the harm that would result to the American child.

7. AMERICAN INDUSTRY DEFENSELESS IN COMPETITION WITH TOYS PRODUCED UNDER FOREIGN WORKING CONDITIONS

The working conditions under which toys are produced in foreign countries, particularly in regard to low wages, child labor and homework, places the toy industry, working under N.R.A. conditions, in an absolutely defenseless position. Any change in tariff schedules would affect not just this industry, but would vitally affect every home in this country.

8. PROTECTION DOES NOT TEND TO MONOPOLY

The protection which has been given to the American industry has not tended toward monopoly nor to increasing prices to consumers. On the contrary under the free competitive system toy values in relation to prices have tended to increase. In 1933, 76 percent of American manufacturers showed a loss on their 1933 operations.

9. CONTINUED CREATIVE ABILITY POSSIBLE ONLY UNDER SOME FORM OF PROTECTION

The development and adaptation of toys to their present stage of influence on American child life has been made possible to a large degree by the protection given the American industry. If this protection is removed, creative ability will largely cease.

10. TARIFF RATE ON FOREIGN VALUE ACTUALLY LOW

Although the tariff rate on toys, from a statistical point of view, may appear relatively high, it must be considered that this rate is on foreign value and that this foreign value is absurdly low, due to the fact that toys, perhaps more than any other imported item, are made largely by child labor, and with extremely low wages, and in the home. It may be easily demonstrated, as it was at the time the rate was set, that this rate is actually low as a means of placing this industry on a comparable basis with other countries, even before the increased costs under N.R.A.

CONCLUSION

What possible national good could be realized by sacrificing this truly American industry, this relatively small industry from a monetary point of view, by entering into agreements with other countries, agreements which could not possibly materially increase our import trade but at the same time would vitally and seriously affect every home in this country?

Is Mr. Stone here, representing the Foreign Policy Association?

Mr. STONE. Yes, Mr. Chairman.

The CHAIRMAN. How much time, Mr. Stone?

Mr. STONE. Two or three minutes.

The CHAIRMAN. All right, sir.

**STATEMENT OF WILLIAM TREADWELL STONE, WASHINGTON, D.C.,
REPRESENTING THE COMMITTEE ON COMMERCIAL POLICY**

Mr. STONE. I am here not on behalf of the Foreign Policy Association but the Committee on Commercial Policy, a committee which was organized and sponsored jointly by the Foreign Policy Association and the World Peace Foundation.

I simply wish to appear and to call to your attention the reports and the recommendations of this committee and request that, if possible, they be inserted in your record.

(The recommendations of the Committee on Commercial Policy are as follows):

**RECOMMENDATIONS OF THE COMMITTEE ON COMMERCIAL
POLICY**

Published for the Committee on Commercial Policy by Foreign Policy Association, New York; World Peace Foundation, Boston.

COMMITTEES ON FOREIGN POLICY

The publication of this report of the Committee on Commercial Policy continues a joint undertaking by the Foreign Policy Association and World Peace Foundation in the field of international education. With a view to the formulation of recommendations regarding the policy of the United States, the two organizations are sponsoring a series of independent committees, composed of well-known authorities and leaders of opinion, to study current international problems of special importance. The first committee presented recommendations for the consideration of the Montevideo Conference; the second, recommendations regarding the future of the Philippines.

The present report, which relates to American commercial policy, is the result of individual study by the members of the committee of memoranda and questionnaires prepared by the staffs of the Foreign Policy Association and the World Peace Foundation, and also of a meeting of the committee in Washington on February 24.

The recommendations contained in this report represent the individual views of the members of the committee, and do not commit either the Foreign Policy Association or the World Peace Foundation.

RAYMOND LESLIE BUELL,
President, Foreign Policy Association.

RAYMOND THOMAS RICH,
Director, World Peace Foundation.

RECOMMENDATIONS OF THE COMMITTEE ON COMMERCIAL POLICY

I. THE IMPORTANCE OF FOREIGN TRADE TO THE UNITED STATES

Almost without exception the efforts thus far made by the United States to combat the depression have been limited to the domestic sphere. The committee does not wish to minimize the importance of these endeavors, but it believes that the attempt of the United States to emerge from the depression and establish a well-balanced social and political life cannot be successful if the task of developing an orderly and mutually advantageous international trade is ignored.

The committee recognizes that in comparison with many other nations the United States is remarkably self-sufficient in regard to natural resources and manufacturing capacity. Nevertheless, industrial progress and the development of our standard of living depend to an important degree upon foreign trade. As far as agriculture is concerned, half of the cotton, more than a third of the tobacco, and nearly one fifth of the wheat produced in the United States are normally sold abroad. The adoption of a policy of economic isolation would mean the retirement from cultivation of about fifty million acres of farm land, an area considerably larger than the entire State of Illinois. The destruction of the purchasing power of the Southern States through the loss of the foreign market would mean that these States could no longer buy the product of the farmers of the Middle West nor of the manufacturers of the North. Nor is there any reason to believe that the South could develop substitute crops for cotton. The loss of the export market in the case of the dairy and livestock industry also means a crippled purchasing power on the part of our agricultural population.

A large number of less important raw materials and food products also definitely rely upon the export market; 15 percent of our apples, 30 percent of our lard, 30 percent of our lubricating oil, 8 percent of our lumber, more than half of our rosin and turpentine, and a certain portion of our citrus fruits, peanuts, and grain other than wheat, including an important trade in flour, find their way into the export trade. Furthermore, the products of American fisheries are sold in every one of the 110 trade entities of the world save Iceland. The immense variety of our agricultural, forestry, and fishery products gives a unique opportunity for American producers to regain and build up dependable and lucrative sources of wealth in the international market.

While the proportion of our total manufactures entering foreign trade is somewhat less than that of our agricultural products and raw materials, certain manufacturing industries are largely dependent upon exports. The United States has developed efficient large-scale production surpassing that of any other country in the world. If our manufacturers are now to be confined to domestic markets, many of the advantages of our efficiency will be destroyed.

From the standpoint of transportation, a reduction in foreign trade would prove a severe blow to our merchant marine as well as our railroads, which in large measure have been built to serve our seaport cities. Such reduction would also throw out of employment longshoremen, seamen, and others normally engaged in handling the products entering into international trade. Moreover, the destruction of international trade means great injury to our financial system by the loss of past foreign investments and the opportunity to make new foreign loans.

In addition, there are many essential commodities which it is necessary for the United States to import. All of the rubber, silk, tea, coffee, and cocoa used in this country must be purchased abroad, together with two thirds of the tin, half of the sugar, three fourths of the furs and skins, and more than half of the newsprint.

Every new scientific discovery and invention results in more complex manufacturing processes, which in turn demand new raw materials, many of which must be imported. The steel industry today no longer relies upon iron ore alone but upon a score of other materials. Swedish steel is required for certain types of high-grade tools; certain qualities of leather require Indian goat skins. Each new industrial development has added to the interdependence of nations. Nor does the use of synthetic or artificial methods of producing certain raw materials necessarily mean a reduction in international trade. The demand for real silk from the Orient has not decreased as a result of the development of synthetic silk or rayon. On the other hand, rayon itself has become an important commodity in world trade. The development of synthetic products calls for new raw materials, which has led to an increase of many thousand tons of cargo in international commerce. This has been the history of a host of synthetic or artificial products, such as camphor, dyes, perfumes, resins, plastics, nitrogen, rubber, and leather.

Therefore, to prevent the displacement of a large section of our agricultural population, to find new jobs for the unemployed, and to raise the standard of living of the American people, the committee favors the adoption of an orderly program of international trade.

The committee is convinced that such a program is also necessary to prevent the growth of regimentation which has appeared in the countries that have attempted to develop greater self-sufficiency. The vast reorganization of industry and agriculture which a program of economic isolation demands would be extremely painful and probably could not be carried out within a short time except by outright dictatorship. No lip service to democracy can insure the preservation of our institutions unless the fundamental defects in our economic system are corrected. Far from removing such defects, the policy of economic nationalism merely accentuates them.

Since the committee has examined the problem of foreign trade from the standpoint of the broadest interest of the American people, it wishes to stress the relationship between world peace and orderly international economic cooperation. At no time since 1918 have so many voices expressed the fear of imminent war. So far, the chief response to this growing fear has been an increase in military and naval appropriations. Governments everywhere are following a policy of drift. But if war is to be averted, the underlying causes of the present world distress must be attacked. It is popular to state that the leading cause of present-day tension is "nationalism." In the committee's opinion, however, the anti-foreign mood of many countries is largely due to world economic maladjustments. If one nation cannot exchange its surpluses for the surpluses of another nation, political difficulties of a most serious nature arise. Should leading governments make a determined effort to remove these international maladjustments, the committee believes that political animosities would begin to subside. In its opinion, the greatest immediate contribution which the United States can make to forestall a new world catastrophe is the inauguration of a foreign-trade program based upon the principle of a voluntary and mutually advantageous exchange of goods and services. This implies a readjustment of the American economic structure so as to make possible the absorption of imports; any effort to resume a one-way trade will mean further disorganization. The American people must become import- as well as export-minded.

The importance of attacking the international causes of the depression has been frequently stressed by members of the administration. In his radio address of May 7, 1933, President Roosevelt declared: "We can get, in all probability, a fair measure of prosperity return in the United States, but it will not be permanent unless we get a return to prosperity all over the world." In addressing the Montevideo Conference on December 12, 1933, Secretary Hull declared: "* * * full, stable, and durable business recovery can only be effected by the restoration of international trade and finance to an extent mutually profitable." In an address on November 20, 1933, Secretary of Commerce Roper declared: "We cannot expect any permanent, long-range benefits through the limited approach of a single nation." Finally, in his striking pamphlet, "America Must Choose", Secretary of Agriculture Wallace pleads for a prompt decision upon the international question. Despite these and other declarations, the American Congress has done little as yet to change the fundamentals of the post-war foreign commercial policy of the United States. This anomalous situation cannot last much longer. The time has come to convert words into deeds. As a matter of self-interest the United States must immediately take steps to formulate a long-range commercial policy.

II. THE PRINCIPLES OF A NEW FOREIGN-TRADE POLICY

The committee considers tariff revision to be an essential contribution to domestic recovery. In many instances the present tariff constitutes a tax upon the American people as a whole for the protection of specially favored groups. Dr. Mordecai Ezekiel, economic adviser to the Department of Agriculture, recently stated that only 8 million out of the 50 million gainfully occupied workers in 1929 had been employed in industries which received any direct benefit from the existing tariff. President Roosevelt, in his message to Congress of February 8, 1934, called attention to the statement that the sugar tariff annually cost the American people \$200,000,000, while the value of the annual output of the domestic sugar interests protected by this tariff is only \$60,000,000.

Two even more extreme examples may be cited. A 90-percent duty is imposed today upon the importation of embroidered linen handkerchiefs. Nevertheless, only 90,000 such handkerchiefs were produced within the country during 1931 in comparison with 2,266,000 which were imported. Similarly, in order to protect

an olive-oil industry providing only 2 percent of the total domestic consumption, American consumers paid out in 1931 over \$5,000,000 in duties, or the equivalent of \$17 a gallon on the amount locally produced.

Ostensibly the tariff is to "protect" American industries. But a form of protection which requires the exclusion of foreign goods needed to pay for our exports defeats its own end by penalizing efficient industries in order to maintain inefficient units. As a consequence the American people have been forced to reduce their standard of living to protect groups which should be more profitably occupied elsewhere.

The present administration has made a determined effort to correct those aspects of our economic and financial system under which certain groups have profited at the expense of the American public. This task will not be completed until the tariff is revised so as to make it a truly national instrument for the general welfare rather than for sectional or special privilege.

Against free trade.—The committee does not recommend the adoption of free trade or even a wholesale and indiscriminate slash in American tariff schedules. The economic structure of the United States has been developed under an increasingly protective system, and there is great danger that the immediate and general removal of such protection would produce industrial chaos.

The cost-of-production principle.—Neither can the committee recommend the continuance of the comparative cost-of-production principle. Under the Tariff Act of 1930, tariff rates are supposed to be adjusted to equalize the costs of an American producer with those of his foreign competitor. In the opinion of the committee, this principle is unsound for four reasons:

(1) It erects no standard of protection as to what industries should be protected from the standpoint of the national interest.

(2) It results in protecting the producer no matter how inefficient he may be, without regard to the interest of the consumer or of the worker. It is a striking fact that today some of our most highly protected industries, such as the production of sugar beets, pay the lowest wages and have the poorest working conditions.

(3) The literal application of the principle as between American and foreign producers would mean the virtual cessation of all international trade. So long as tariff legislation rests upon this principle, the President will not be able to conclude reciprocity agreements providing for the exchange of goods which can be produced more cheaply at home for those produced more cheaply abroad.

(4) It is impossible in practice accurately to determine differences in costs of production. The attempt to ascertain such costs in foreign countries has led to international irritation; while costs between various units within the same industry in the United States, as well as abroad, vary so greatly that it is difficult to strike an average which means anything. A tariff rate, moreover, which is based on the so-called average cost of production enables the low-cost units to make an excessive profit.

For these reasons the committee believes that Congress should set aside the comparative cost-of-production principle and establish a new basis for tariff legislation.

A tariff policy based on national interest.—The committee believes that the time has come to take a new view of our foreign trade policies. In the past, legislation governing our trade relations with other countries has been framed by the pull and haul of special industrial and sectional interests. The committee believes that in the future each and every part of our commercial policy should be based upon a carefully formulated determination of the interests of the nation as a whole. This national interest, for example, demands a policy in foreign trade designed to bring about a more equitable and stable relation between agriculture and industry at home.

In the view of the committee, the national interest requires also that foreign markets should be sought for those branches of agriculture and manufacture which can and should produce in excess of domestic requirements. In order to receive payment for such exports and to raise our standard of living, tariff duties should be lowered upon those commodities which from the standpoint of the national interest may be more advantageously purchased abroad.

To determine what duties should be lowered, the Government should make a thorough study of every branch of American industry and agriculture, taking into account the number of workers employed, wages paid, capital invested, and profits of each industry. Likewise, the question should be studied whether a given industry or branch of agriculture is economically suited to the country, whether it is possible to find cheaper sources of supply elsewhere, and whether the industry is important from the standpoint of national defense. Upon the basis of this and other data, which in large part the Tariff Commission already

has in its possession, the Government should decide where protection should be continued or increased, and where it should be reduced or withdrawn. It would seem clear, for example, that such protection should be withdrawn from industries which despite a long period of protection provide only a small percentage of the requirements of American consumption, or in which the annual cost of protection to the American public is excessive in comparison with the value of the output of such industry. Should it be established that a protected industry is making swollen profits, charging monopolistic prices, or giving unsatisfactory service generally, the tariff protecting that industry should be lowered if not abolished. In other words, the tariff should be employed for protecting the American people against domestic monopolistic abuses. Any industry which continues to receive protection should meet certain requirements with regard to efficiency, profits, and treatment of labor. The question should be carefully studied whether protection of those industries for which it is deemed desirable could not be more cheaply and effectively extended through a subsidy than through a customs duty.

In working out a new commercial policy, the Government should study the possibility of seasonal tariffs. Thus, fruits and other foodstuffs might be imported under a reduced duty during the months of the year when similar domestic products are not being marketed within the United States. In return, other parts of the world, particularly countries south of the equator, might import during their off-season American fruits at a reduction in the regular duty.

Balance of payments and triangular trade.—In laying down principles for a future foreign-trade policy, consideration should be given to the necessity of establishing a sound equilibrium in our national balance of payments. The country must frankly face the fact that its foreign loans cannot be paid except by goods and services, and that, if the United States does not wish to accept such goods and services, it must be prepared to wipe out its foreign investments.

Although the committee believes that the general balance of payments of the United States should be considered in laying down a future foreign-trade program, it is opposed to a general policy which would attempt to balance off exports to and imports from any individual country. In a few exceptional cases, notably that of Argentina, it is highly desirable to increase our purchases for the purpose of more nearly offsetting Argentina's large imports from us. Nevertheless, the adoption of a general principle of balancing exports to and imports from individual countries would destroy the so-called triangular trade of the world and thus materially reduce international commerce. A sound equilibrium between the exports and imports of the United States may be established without doing injury to this triangular trade. The committee believes, moreover, that it is possible to conclude reciprocity agreements without disrupting such trade.

Reciprocity.—The final question of principle to be decided is whether the United States should undertake tariff revision unilaterally or in concert with other nations. The committee has examined the argument that the United States should proceed with the revision of the tariff and the adoption of a foreign-trade policy regardless of the outside world. Those who support this view contend that the reduction of the tariff by the United States would at once revive economic forces not only at home but abroad, that the example of the United States would be quickly followed by other countries, and that an increase of imports by the United States would inevitably be followed by an increase of exports. The fear is expressed that, should the United States make tariff revision dependent upon reciprocity, the result might be that the United States would become involved in a series of trade wars. Such has been the experience of leading European nations applying the reciprocity system. Moreover, under a reciprocity policy there would be a tendency to increase tariff duties for bargaining purposes and to penalize nations unwilling to enter into commercial arrangements, so that the net result of reciprocity might be an increase of trade barriers. The Ottawa agreements, concluded in August 1932 between the United Kingdom and the British Dominions, are cited as an example of this tendency.

Notwithstanding these arguments, the committee supports the principle of tariff bargaining because it believes that in the present political situation the mere unilateral reduction of the tariff by the United States would not bring about corresponding reductions on the part of other countries, nor stabilize and equalize relationships between agriculture and industry at home.¹

In order to avoid the dangers of tariff bargaining, the committee believes that reciprocity should be employed only for the purpose of increasing trade. It also believes that with certain exceptions the unconditional most-favored-nation clause should be retained. The exceptions to this clause which the committee favors are that it should not apply to customs unions, nor to multilateral agreements open to all upon equal terms for the reduction of trade barriers. Also, it might be

¹ Mr. Garfield makes a reservation that he cannot support tariff bargaining as a principle.

desirable to guarantee the benefits of this clause only to those states with which reciprocity agreements are in existence. If 20 States, for example, make trade agreements with the United States, they should all be given unconditional most-favored-nation treatment by the United States; should 10 states fail to make such agreements with the United States, they need not be given such treatment if they unduly restrict American trade.¹

Without approving the principle of quotas as the normal and general method of regulating foreign trade, the committee recognizes that there may be cases in which quotas will be found desirable for limiting the quantity of goods upon which given tariff reductions are to apply. Allowing imports above that quantity to be admitted subject to the payment of higher duties would prevent the quota from being merely an instrument for reducing trade. The quantitative allocation of the market between domestic production and imports should be used only in exceptional cases of standard competitive commodities of which a substantial production in the United States has been developed and which it is not desired unduly to disturb.

III. FOREIGN TRADE PROCEDURE

A governmental tariff agency.—Whether these principles will bring about the orderly development of the export and import trade of the United States will depend largely upon the nature of the tariff-making authority. Hitherto the fixing of tariff rates has been regarded as a prerogative of Congress, and the result is well known. Individual Congressmen are subject to great pressure from local economic interests desiring protection, and the tendency has been to trade votes, thus bringing about a general increase in duties with little or no attention to the interests of the country as a whole. The committee expresses the earnest hope that Congress will never undertake another general revision of the tariff. It believes that Congress should define the principles of future tariff policy and establish agencies for their execution. But a plan calling for scientific tariff revision involving the study of the effect of given tariff duties obviously must be carried out by the executive authority assisted by persons qualified by experience and knowledge. In view of the fact that in many foreign governments the executive has the power to change duties, the United States will remain at a disadvantage in international trade until Congress delegates tariff powers to the President. The committee is unanimous in believing, therefore, that Congress should define the principles of future tariff policy, but that it should delegate to the President, within limits, the application of these principles. Thus the President should be given power to change the tariff, fix certain quotas, and conclude and put into effect reciprocity agreements.

A question arising in this connection is how to hold the President responsible for the proper exercise of these tariff-making powers. With this end in view, Congress, in addition to its right of terminating the exercise of these powers, should erect the following safeguards:

(1) It should define the general principles which should govern the tariff-making authority.

(2) It should require the President to apply these principles only after investigation and report by a reorganized Tariff Commission or other administrative body.

(3) It should require an annual detailed report from the President and the Tariff Commission.

The committee has discussed the desirability of having the Government provide for a further coordination of information and policy with regard to foreign trade matters. It favors such steps as conducive to the development of a more consistent commercial policy in terms of our national interest, provided that the obvious danger of unduly emphasizing exports is avoided.

IV. FINANCIAL PROBLEMS

Currency depreciation.—It is generally recognized that the competitive currency depreciation between leading countries during the past few years has seriously disrupted orderly international trade, increased animosity, and provoked retaliation. The enactment of the Gold Reserve Act of January 1934 by the United States may ultimately be a contribution to exchange stability. The depreciation of the American dollar has, however, automatically led to more than 65 percent increase in the cost of imports from gold-standard countries—a barrier which will

¹ Mr. Warburg dissents from this paragraph.

continue to exist until American prices have correspondingly risen or further depreciation in foreign currencies occurs. The additional obstruction to international trade thus imposed cannot be offset by a small reduction in tariffs and must ultimately react against American exports. Although the currency problem is too intricate to be discussed here in detail, the committee desires to point out that future tariff reductions should take into consideration the extent to which import trade has been handicapped by depreciated currency. The committee believes further that the development of international trade upon an orderly and mutually advantageous basis depends upon the conclusion of an international currency agreement.³

Exchange controls.—The control established over foreign exchange by numerous countries has served to obstruct international trade as much perhaps as tariffs and quotas. As a result, American exporters find that large sums due them in foreign countries have been "frozen." Naturally these exporters desire to secure payments before they embark upon new enterprises. The fundamental solution of the problem of exchange control lies in resuming the purchase of goods from debtor countries and in establishing a sound equilibrium in the balance of international payments. Once the American Government commits itself to this fundamental position, it may be desirable to convert those "frozen" credits into long-term loans. Since payments due on other outstanding indebtedness also condition the exchange available, these should be funded in accordance with the capacity to pay.

Export credits.—While the committee realizes the desirability of resuming international lending under certain conditions, it wishes to point out the danger involved in a widespread extension of export credits before the Government has definitely developed a sound commercial policy as a whole. The danger is that the Government may encourage exports by easy credit while doing nothing to stimulate imports. If such is the result, we shall merely be reverting to the disastrous course followed in the past. There is the further danger that governments may compete with each other in extending cheap credits to their respective exporters which would create the same havoc and animosity as competition in depreciating currencies.⁴

SUMMARY OF RECOMMENDATIONS

1. Tariff revision is an essential contribution to domestic recovery.
2. A new tariff policy should be based upon the interest of the nation as a whole. Such interest demands a foreign trade policy designed to bring about a more equitable and stable relationship between agriculture and industry. It also requires that foreign markets should be sought for those branches of agriculture and manufacture which can and should produce in excess of domestic requirements.
3. Since an increase of imports is essential to development of foreign trade, protection should be withdrawn from industries which, despite a long period of protection, provide only a small percentage of the requirements of American consumption, or in which the annual cost of protection is excessive in comparison to the value of their output.
4. The Government should study the possibility of seasonal tariffs.
5. A new foreign trade policy must be such as to establish a sound equilibrium in our national balance of payments.

³ Mr. Wurzburg makes the reservation that "the development of international trade depends on the reestablishment of an international monetary standard and currency stability."

Mr. Ewing makes the following reservation: "An honest dollar once established and properly and automatically regulated on index figures of basic commodities at their world prices, with proper allowance for location and transportation, would put a stop to gambling in foreign exchange. Such a dollar would not only greatly foster trade relations with other countries but help us in arriving at a fair adjustment of foreign debts. It is a fallacy to think the United States has to wait on any other country to establish an honest dollar. The most important use of foreign trade is to help overcome the wide disparity here at home between our livestock dollar, our farm dollar, our industrial dollar, and our labor dollar."

⁴ Mr. LaFollette makes the following reservation: "I cannot join in all recommendations as to Foreign Trade Procedure. There are other expressions I do not agree with. It is essential to restore the volume of exchange of goods and services, foreign and domestic. The measures recommended are generally sound as immediate steps."

Mr. Soule makes the following reservation: "The measures here recommended are desirable as immediate steps. As long, however, as our internal economy is not socially planned and controlled, there will be grave danger that any type of foreign trade regulation will be carried out in such a way as not to conform with the basic policy which the committee approves. Tariffs may be adjusted or quotas may be set so as to favor special interests, to the detriment of the needs of the people as a whole, when the authority rests with Presidents and commissions as well as when it rests with Congress. It should also be pointed out that if our internal production were socially planned and controlled, the best solution of the foreign trade problem would be in some form of Government monopoly, which would obviate all necessity for such clumsy expedients as tariffs or quotas."

6. The tariff should be revised by means of reciprocity negotiations; but, in order to avoid the dangers of tariff bargaining, reciprocity should be employed only for the purpose of increasing trade.

7. The unconditional most-favored-nation clause should be retained with certain exceptions.

8. While Congress should define the principles of future tariff policy, it should delegate to the President the power to change tariffs, fix certain quotas, and conclude and put into effect reciprocity agreements.

9. The President should apply these principles only after investigation and report by a reorganized Tariff Commission or other administrative body.

10. Future tariff reduction should take into consideration the extent to which import trade has been handicapped by depreciated currency.

11. The development of international trade depends upon the conclusion of an international currency agreement.

12. Exchange controls can be removed only when creditor countries resume purchase of goods from debtor countries. Once the United States commits itself to this position, it may be desirable to convert "frozen" credits into long-term loans.

13. While it is desirable to resume international lending under certain conditions, there is danger in the wide-spread extension of export credits before the Government has developed a sound commercial policy.

Mr. STONE. The work of this committee was an effort to study the problem of our tariff and commercial policy not from the viewpoint of any sectional interest or any particular commercial or economic or agricultural interest in the country, but from the viewpoint of the interests of the Nation as a whole.

The members of the committee were selected from various parts of the country among outstanding economists, academic economists, publishers, and others in different sections of the country who had influence.

They came on to Washington and attempted to make a very thorough canvass of the broad problem confronting our country, and to draw certain conclusions.

Senator WALSH. When was this?

Mr. STONE. This was in February, just before this bill was submitted to Congress.

I am submitting this report primarily because the conclusions reached by this committee correspond, almost point after point, with the policies carried out in the bill which is now before you.

Senator WALSH. When did you start your committee? When did you start studying this question?

Mr. STONE. The committee was organized in the end of December or the first of January and, before they met here in Washington, they studied the question at some length through questionnaires and memoranda that were submitted to them.

Senator WALSH. Mr. Sayre is a prominent member of your committee, is he not?

Mr. STONE. No; Mr. Sayre was not. Mr. Sayre at that time, I think, had just come, or was just about to come on to Washington, and he did not join the association.

Senator WALSH. A prominent member of your association?

Mr. STONE. Yes. He has been a member of our association, in Washington.

I won't burden you with the summary of the conclusions reached by the committee, but I might simply say that they do, sir, favor giving the President authority to enter reciprocal trade agreements and to raise and lower tariff rates, as provided in this bill.

The committee reached the conclusion that the tariffs should be reduced by means of reciprocity negotiations; that the unconditional most-favored-nation clause should be retained, with certain exceptions and that, while Congress should define the principles of future tariff policy, it should delegate to the President the power to change rates, to fix quotas, and to conclude and put into effect reciprocity agreements.

I would like to submit that whole thing for the record.

(The recommendations of the Committee on Commercial Policy are hereinbefore set forth in full.)

The CHAIRMAN. Well, if there is anything else you want to put in the record, all right.

Thank you very much.

Is Mr. Mollin here, of Denver, Colo., representing the American National Live Stock Association?

Mr. MOLLIN. Yes, sir.

The CHAIRMAN. How much time, Mr. Mollin?

Mr. MOLLIN. I think about 15 minutes. I am the only representative of the American cattle industry.

The CHAIRMAN. All right.

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

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

Our membership consists largely of range cattle growers in the 17 States west of the Missouri River. We have more than 100 State, regional, and local associations affiliated with us.

In appearing in opposition to H.R. 8687 it is our view that the granting of such vast powers, altering the well-known and 100-year maintained policy, to the President, is necessarily equivalent to giving them to the Department of State.

It may be that this Department knows there is an agricultural problem in this country, but it has in the past made representations in behalf of foreign governments on matters of such grave importance as the quarantine against foot-and-mouth disease, that we are somewhat fearful of adding to its already great powers.

Besides, representatives of the agricultural producers do not even know their way around over there, as our contacts have been with the departments that have in the past dealt with our affairs.

It may be quite necessary to keep on good diplomatic relations with foreign countries, but it is also fairly important to maintain similar relations with the agricultural producers of this country.

The best market in the world is the home market here in the United States. I do not believe any foreign country is going to buy anything from us that it does not need, and consequently that we cannot substantially expand our foreign trade except at the expense of some group of domestic producers. Most of the foreign countries that are pressing for action in connection with this matter of reciprocal treaties desire to buy our automobiles and other products of industry, paying for them with agricultural products of which we already have a surplus.

The inequality of the tariff prior to 1929 was one of the major causes for the present distress in the agricultural industry.

Our position as to the relation between agricultural rates and industrial rates was improved somewhat in the Smoot-Hawley Tariff Act.

We can, therefore, readily understand why it is that industry is urging that this bill should be enacted into law. It wants to go back to the old more-favored position.

But we cannot understand how it will help the return of prosperity in this country to sell more automobiles and other manufactured products, taking in payment cattle, hides, wool, or wheat as the case may be.

An expansion of trade based upon the old theory of free raw materials will complete the ruin of agriculture.

As an example of the situation that already confronts us, the imports of canned meats during the year 1933 were almost double those in the previous year. The failure to provide an adequate duty on hides in the Smoot-Hawley Tariff Act caused the dumping of more than 70 million pounds of hides during 3 months last fall, attracted by a spark of life in the market, causing a drop of 5 or 6 cents a pound.

The report of the Tariff Commission dealing with the results derived from reciprocal trade agreements negotiated in the past indicates that they have not been particularly helpful in the promoting of international goodwill, and were not especially advantageous to this country.

The most extensive experiment along this line was the proposed agreement with Canada in 1911, which permitted free entry into this country of many agricultural products.

We dare not risk such an experiment today with most of our major agricultural commodities depending upon the A.A.A. for help.

Only last week the first meeting of cattlemen, since the passage of the Jones-Connally amendment making cattle a basic commodity was adopted, was held at Chicago, and Mr. Chester Davis, administrator of the A.A.A., was authorized immediately to appoint a committee of 25 cattle breeders and feeders to formulate a comprehensive plan for the industry.

It is unfair to even suggest that we should be faced with increased competition through the medium of reciprocal treaties calling for lower tariff rates.

Instead, the A.A.A. act assures us that we are to have added tariff protection in proportion to any proceeding tax assessed against the industry. We believe that the condition of the cattle industry will quickly respond to the treatment possible under the A.A.A.

We have not reached the danger point in overproduction, but we soon will if we fail to take measures to check production, which has increased each year since 1929.

We are advised that cattle are accumulating in northern Mexico with the hope of entering the United States when the bars are lowered.

There are now feeding in the United States several thousand Mexican cattle held under bond, under what I believe to be a misinterpretation of the warehousing provision of the present law, hoping to pay a lower duty on release from bond.

There is now awaiting action by Congress the conference report on the revenue bill, providing an excise tax on various oils. That tax had the support of the entire agricultural industry, and yet it could be immediately reduced, under the pending bill.

Senator CONNALLY. Mr. Mollin, right there, I don't want to argue with you, but it is our construction of this bill that the domestic excise taxes are not affected by it, so I think you can feel assured that the foreign-oil amendment, which is contained in the revenue bill, would not be affected. I thought I would tell you about.

Mr. MOLLIN. I am glad to know that. The whole thing would be contrary to the program of the A.A.A., to advance agricultural prices, if, indeed, not of the spirit of the N.R.A., with its program of short hours and high wages.

There is also to consider the protection against the introduction of foot-and-mouth disease provided in the Smoot-Hawley tariff bill. There should be no possible tampering with this quarantine measure for any diplomatic reason.

I looked into this matter a year ago, and Dr. John R. Mohler, chief of the Bureau of Animal Industry, advised me that the estimated cost of the seven or eight outbreaks of this disease in the last 30 years was almost \$200,000,000. Many of these outbreaks were traced to South America.

Just as sure as you relax the present stringent quarantine, just so sure, sooner or later, we will have another outbreak of that dread disease. No informed person, in the light of past experience, of numerous outbreaks, at least two of which were controlled only with great difficulty, and by the application of most drastic and stringent measures, dares to question that statement.

In view of the attitude of Secretary Wallace as set forth in *America Must Choose*, in view of the statements that have been made by administration officials with regard to the beet sugar industry, the sheep industry, et cetera, in view of the fight made by Secretary Dern to prevent an excise tax being placed upon the increasing flood of coconut oil coming from the Philippine Islands, we do not like the idea of tariff-making behind closed doors.

Logrolling may have its evils, tariff-making by Congress may not be entirely scientific, but the record of diplomatic intrigue during the past 20 years gives no indication of the millenium having arrived.

We intend no disrespect to the President. We realize the tremendous burden he already carries, and the impossibility of his giving more than nominal consideration to the host of aggravating problems that will immediately press for attention should the proposed bill be enacted into law.

If the present law is to be changed at all, at least you should provide for a public hearing where interested parties may present the facts in regard to their commodities. We believe also that the Senate should retain its right of approval before any treaties negotiated by the executive department become effective.

Senator CONNALLY. Well, Mr. Mollin, you were assigned 15 minutes, and you are not using it all, so I will take a little of it.

So far as the foot-and-mouth disease and the quarantine and sanitary regulations are concerned, of course, the change in tariff rates would not in anywise interfere with that.

Mr. MOLLIN. Yes; but section 2 here, on page 2, says:

To proclaim such modifications of existing duties and other import restrictions.

These were import restrictions.

Senator CONNALLY. Well, it is an import restriction, in a sense, but it is based upon a whole lot different theory, and I just want to

say that I am sure the President and the Department of Agriculture, under Dr. Mohler, would not modify that without advice.

The President would not modify that without advice.

Mr. MOLLIN. I am sure Dr. Mohler would not modify it, and if his view prevailed we would be all right.

Senator CONNALLY. Well, of course, you know my attitude on that.

Mr. MOLLIN. You had two outbreaks in Texas. You know all about it.

Senator CONNALLY. We know all about that, and you know how aggressive I have been in maintaining that quarantine against Argentina and other countries, where the foot-and-mouth disease is prevalent.

Mr. MOLLIN. Well, Senator, if there is any doubt about the provision, don't you think that language could be clarified?

Senator CONNALLY. I think we will call that to the attention of the Departments and see if we cannot work out something along that line, because I am sure it is not the intention to disturb that, because that is a sanitary regulation, and not a tariff duty at all.

Mr. MOLLIN. Well, we read articles in the paper about what the Argentine delegation wants to do about bringing in cattle.

Senator CONNALLY. And, of course, you are aware of the President's statement, during the campaign, that he had no intention of lowering duties on agricultural commodities and products.

Of course, I am interested in maintaining the tariff on cattle, because you know it was my amendment to the act of 1930 that lifted the duty.

Mr. MOLLIN. Yes, sir.

Well, we are just trying to work out a cattle program, Senator, under your amendment, and it would ruin everything if we had a different situation to confront.

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

Mr. Emery, how long do you want?

Mr. EMERY. I hope, Mr. Chairman, you can give me about 20 minutes.

The CHAIRMAN. I had hoped you could cut it short, because we have got to go over there at 1:30, and you appeared before the House and discussed the matter very fully, a report of which we have here before us.

Mr. EMERY. This bill has been changed since then and contains features that I should like to discuss.

The CHAIRMAN. Well, we would like for you to confine yourself, if you could, to any changes in the bill, so that you will not repeat.

Mr. EMERY. I do not want to repeat. I will try to conserve your time in every way that I can and do justice to those whom I represent.

STATEMENT OF JAMES A. EMERY, WASHINGTON, D.C., GENERAL COUNSEL, NATIONAL ASSOCIATION OF MANUFACTURERS

Mr. EMERY. Mr. Chairman, I represent a general organization of manufacturers producing every variety of commodity, in all the States of the Union, and our comments upon the proposal before you are necessarily addressed to the policy and to the nature and to the extent of the authority proposed and its effect upon industry generally.

You have heard from individual industries as to their views of its effect upon themselves.

Now, from what we have to say, Mr. Chairman, necessarily, if their construction of this bill is incorrect, such suggestions or criticisms as we have to offer will, themselves, need correction; and for that reason I venture to ask your indulgence while, for the moment, we undertake to present our view of the bill itself.

It is an amendment to the Tariff Act of 1930 which would authorize the President to negotiate and make effective by proclamation, without resubmission to the Senate or to the Congress, trade agreements with any foreign nation, regulating the admission of imported goods, to secure reciprocal foreign markets for our domestic products.

I quote: "Whenever he", the President, "finds that any existing duties or other import restrictions are unduly burdening and restricting the foreign trade of the United States."

To execute this policy the measure grants the President the following power of tariff bargaining:

First. By foreign-trade agreements to modify existing import duties by increasing or decreasing the same by not more than 50 percent of the existing rate. He may not transfer any article between the dutiable and the free list, but he may change the form of any duty from a specific or ad valorem rate, or vice versa, and the classification of any article, which goes to the whole administrative body of the tariff.

Second. He may modify or remove any import restriction, a vitally important power.

That is, any prohibition, or charge, or exaction imposed by duties or regulations upon imports, or he may agree to an additional restriction, not now existing.

To illustrate, this would apply to such restrictions as cover various forms of Government subsidized and aided commodities and products of forests or convict or indentured labor that is represented by section 307 of the Tariff Act of 1930.

Third. He may agree to stabilize or fix an existing rate, or the free treatment of any article, or the rule of administration with respect to it, as an element in the making of a trade agreement.

To that extent the President may fix the tariff status of any article for the life of an agreement, good until such agreement is denounced. Thus the power is granted not merely to modify duties or to remove import restrictions but to determine the length of time within the life of the agreement that any particular article may be separately so treated.

Fourth. The President's powers extend to the imports of every country, whether directly or indirectly imported into the United States, save that exclusive preferential treatment is assured to Cuban commodities.

Fifth. This bill is an amendment to the Tariff Act of 1930. It repeals all provisos in that act directly countervailing duties to enlarge the play of the tariff bargaining power, and as these are enumerated in the bill, itself, there is no need to call them to your specific attention.

Sixth. It modifies the so-called "flexible powers" of the Tariff Commission by amending section 336 of the Tariff Act of 1930 so that such powers there reposed may not be exercised with respect to any imported articles which becomes the subject of a trade agreement.

Seventh. It modifies the third paragraph of section 311 of the Tariff Act of 1930, applying to the manufacture of flour in bonded warehouses from imported wheat, so it shall not apply to any trade

agreement which does not assure the United States preferential duties with respect to flour.

Eighth. The powers granted to the President are limited to 3 years from the enactment of the bill. The trade agreements entered into, however, are terminable but not terminated at the end of 3 years from the date they become effective. If not terminated by their terms within 3 years, they may be brought to an end by not more than 6 months' notice. There is, therefore, nothing in the bill limiting the period for which trade agreements may be made.

The limitation is on the exercise of the President's power but not upon the life of the agreement into which he may enter.

Ninth. It is expressly provided that nothing in the act is to be construed to authorize cancelation or reduction of the indebtedness of any foreign country to the United States.

That, I trust, is not an incorrect analysis of the powers of this bill.

The National Association of Manufacturers, as a great body of industrialists, has every confidence in the good faith and high intelligence of the President. It believes he should be authorized to negotiate and enter into trade agreements that may advance the foreign trade of the United States, without restriction as to whether the articles are removable to or from the free list, but we cannot believe that the President should be authorized to conclude such agreements and make them effective without any reference to Congress.

First, as a valid exercise of the treaty-making power, if this is a treaty, then it is more than a contract with the foreign nation. It becomes the supreme law of the land and it cannot become the supreme law of the land until it shall be ratified by the Senate as has been frequently held in decisions of the Supreme Court of the United States; but, if it is not to be treated as a treaty, but is to be treated as an executory agreement, as a regulation of commerce, or as an exercise, within limits, of a modification of the taxing power of the Congress of the United States, which may be itself either a regulation of commerce or an exercise of the taxing power, or a mixture of both, then it must be done in accordance with the clear principles of law and legislative practice.

If a trade agreement is authorized with reference to specific articles or an exchange of clearly defined reciprocal advantages, under a clear and intelligible standard of conduct prescribed by the Congress, and leaving the Executive without discretion in the making of the regulation of commerce, or determining in his discretion the rule under which imports are to be taxed or their admission restricted—to authorize the Executive otherwise is to delegate the legislative power that is to give discretion in the making of the regulation under which imports are to enter the United States, and I submit to this committee that the standard of conduct herein laid down—that is, that the President may exercise the powers that are reduced, under the language of this bill, to this:

Whenever, in his opinion, any particular duty or any particular import restriction unduly burdens or restricts the foreign trade of the United States—

A rule of conduct so vague that it reposes in the President what amounts to a power to determine the policy as to the making of the rule under which a tax will be collected or under which commerce shall be regulated and under which imports shall enter the United States.

That becomes more significant as you examine the nature of the power I have pointed to you. For example, it is, itself, the very kind of power that Congress exercises in the making of a tariff act, because it determines, through its committees and its ultimate action, whether or not a particular regulation of commerce, a particular restriction, or a particular rate unduly burdens or restricts the foreign trade of the United States, or has this or that effect upon it, and when it turns over to another, without a more definite standard, the determination of the modification or the withdrawal or the repeal of an import restriction, or of the fixing of a rate of duty under an indefinite standard, or of the freezing of a rate, or of the placing of any article or commodity upon a free list for a definite length of time, in agreement with a foreign nation, it has withdrawn the powers of Congress for the moment, except by legislation, and has exerted what is, in its very nature, legislative power, and not the execution of legislative authority by the administrative branch of the Government.

I want to call the committee's attention in that regard to the very clear line of cases that were presented in the course of the discussion of the flexible tariff, where the endeavor there was to determine——

The CHAIRMAN. You do not contend that that is the only condition?

Mr. EMERY. Sir?

The CHAIRMAN. Do you contend that that is the only condition precedent to entering into these reciprocal trade agreements?

Mr. EMERY. Not at all. I merely take it because it is the latest one.

The CHAIRMAN. I call your attention to the fact, since it may have slipped your mind, since this bill was passed there has been suggested by the administration, on line 11, page 2, the words "or" being change to "and", so that he must not only find that any existing duties or other import restrictions are unduly burdening and restricting the foreign trade of the United States, but he must, in addition to that, say, "and that the purpose above declared be promoted by the use of the power herein conferred" and the "purposes above declared" are found in the section 350 as set forth there.

Mr. EMERY. Yes, sir.

The CHAIRMAN. I merely call your attention to that because, perhaps, your argument in the House had some effect on the administration with reference to that, because you pointed it out in your argument there.

Mr. EMERY. Yes, sir; I did, but I would point out in addition to that——

The CHAIRMAN. So I was in hopes that you would be satisfied with that.

Mr. EMERY. Well, I would, Senator, if I were not confronted with your own powerful argument to the contrary.

The CHAIRMAN. All right.

We did make a very powerful argument, although it was contrary to your view at the time.

Mr. EMERY. No, sir; but you made one which I think is unanswerable, so far as the principle to which I now refer is now concerned.

The CHAIRMAN. Well, I am satisfied that that was unanswerable, but I would not convey that thought to my Republican brethren, or convince them.

Mr. EMERY. You, however, conveyed it to the public, Senator. a

I notice that the importance of the retention and protection of this very principle to which I refer cannot be better stated nor more strongly emphasized than by the general statement of the minority members of the Senate Finance Committee, who now constitute so large a part of the majority members of the present committee.

They were addressing the public in objection to a grant to the Executive of far less authority——

The CHAIRMAN. That has been put in the record several times, and is in the record many, many times.

Mr. EMERY. Yes, sir; and I have no desire to touch on sensitive nerves. [Laughter.]

I merely quote this part of it because it—that is, you—said then that "The question involved is one that in our opinion strikes at the very roots of constitutional Government. It concerns the preservation unimpaired of the abandonment of the power of levying taxes by that branch of the Government which the forefathers agreed should alone be charged with that duty and responsibility."

Of course, the distinguished Secretary of State joined in that statement, in an exceedingly powerful commentary upon it, in which he said that it was an authority that no good man should ask, and which no bad man should receive.

The CHAIRMAN. And the ex-Secretary of State the other night, it seems like, joined in that?

Mr. EMERY. Yes, sir. It seems as rapidly as one has made a statement of tremendous accuracy, the other falls into the error, but that is an ancient human weakness.

I wanted to call the committee's attention, if I may, just to this principle, which, it seems to me, is the one that has been followed throughout the entire body of decisions of the courts of the United States.

It was the issue represented in discussion of the flexible tariff and that was whether or not the standard of conduct which was there laid down was clear and intelligible, by which Congress established a yardstick to which the Executive was required to conform.

Now, in turn, that rests upon this fundamental principle, that Congress may not delegate the power to pass the law, but it may pass a law to delegate the power to find some fact or circumstance or condition upon which the act of Congress becomes effective.

Congress may and frequently has vividly authorized executive officers, boards, and commissions to ascertain and apply facts to give effect to a preordained Congressional policy.

Within the limits of such policy Congress may confer unquestioned discretion upon its executive agents in the accomplishment of its purpose.

The general principle under which authority may be delegated by the Congress to executive agencies has been the frequent subject of judicial consideration. Three definite statements of the law have been referred to with frequent approval by the Supreme Court of the United States during the past 30 years:

The legislature cannot delegate its power to make a law, but it can make a law to delegate a power to determine some fact or state of things upon which the law makes, or intends to make, its own action depend. To deny this would be to stop the wheels of government. There are many things upon which wise and useful legislation must depend, which cannot be known to the lawmaking power and must, therefore, be a subject of inquiry and determination outside the halls of legislation (Locke's Appeal, 72 Penn. 491).

The true distinction is between the delegation of power to make the law which necessarily involves a discretion as to what it shall be and conferring authority or discretion as to its execution to be exercised under and in pursuance of the law. The first cannot be done; to the latter no valid objection can be made (*Cincinnati W. & Z. R. Company v. Clinton County Commissioners*, 1 Ohio State 88).

Half the statutes on our books are, in the alternative, dependent on the discretion of some person or persons to whom is confided the duty of determining whether the proper occasion exists for executing them. It cannot be said that the exercise of such discretion is the making of the law (*Moors v. Reading*, 21 Penn. 202).

All the above cases cited with approval in *Field v. Clark* (143 U.S. 649); *United States v. Grimaud* (220 U.S. 505); and *Hampton, Jr., & Co. v. United States* (276 U.S. 394).

What I want to call to the committee's attention, if I may, in this regard is the further commentary on that, especially, and that is that the Congress or any legislative body may not give the executive authority to determine the policy or the rule itself.

They may give him discretion with respect to the means by which their will shall be executed, but it is their will that must be clearly stated.

Now that, I want to call to your attention, is very clearly shown in the McKinley Act of 1890 and in the succeeding Dingley Act of 1897, in the Payne-Aldrich Act of 1909, in the Underwood Tariff Act of 1913, and in the so-called "agricultural tariff act" of 1916.

In each one of these cases the Congress was authorizing the President to enter into negotiations to establish trade agreements, specifying either the articles that were to be made the subject of agreement, the concessions that were to be required, or, within an area, the character of the concessions, in clear and intelligible terms, so that, as the Supreme Court said when the McKinley Act came into the Supreme Court, in the *Field* case:

There is here no exercise of Executive lawmaking and no violation of the treaty-making power, for what is here occurring is that the Executive is undertaking to determine whether or not American products are treated with equality and reasonableness by a country whose goods are now on the free list, with respect to five articles.

And with respect to these five articles the President was authorized to keep them on the free list as long as that power continued to so act.

Congress laid down in that act, as it laid down in the succeeding acts, a perfectly definite yardstick, and the President acted under that yardstick; while here, instead of a yardstick, there is a reposing of a discretionary authority to determine, in the first instance, whether a restriction or import duty unduly burdens the foreign commerce, and in practice men might have different views on that, so that it cannot be said to be a definite yardstick.

In the second place, he is given, with respect to the powers that are to be exercised and the agreements into which he has entered, which become contracts with foreign commerce, a tremendous, wide-spread discretionary authority which determines the character of the tax that shall be laid, the character of the regulation of commerce which shall be reposed, and whether or not restrictions that have been laid by Congress shall be removed, the entire area of restriction, the modification of it, the repeal of it, the alteration of it, the addition to it, and is entirely in hand.

To illustrate, where you passed section 307—and, of course, you will understand that by the illustration I am not undertaking to abbreviate; I am merely picking out a most definite means of picturing the condition to which I address my remarks—there, you will remember that there was a long debate in both Houses as to whether the prohibition upon convict-made goods should have a proviso that made any exception on it, where the goods that were made by convict labor were not produced in the United States at all, and there was, therefore, no competition with them, and consequently whether it should include forced labor or indentured goods, and there was a debate over the question of what forced labor was, and how you would define it, if at all.

Now, there, for example, is a section of the statute.

Under this bill the President has the power to remove any one of those restrictions in the making of an agreement, to modify them, or to impose an additional restriction.

Well, if the power to do that, without any standard other than the determination by him as to whether or not it burdens or unduly burdens foreign commerce of the United States, is not the power of lawmaking, then I have never seen it in operation.

Now you understand, Mr. Chairman, although I do not understand its nature, but from the public prints we are informed that at a conference of those charged with the responsibility of directing the affairs of the Senate, there is some agreement to the effect that an amendment will be proposed to the bill, providing for a hearing of the industries to be affected by the trade agreements.

Of course, I only speak from what we have seen in the public prints this morning.

If legislation were to be enacted in any form, that is a vitally important matter at this time, because——

The CHAIRMAN. We were in hopes that that might satisfy you.

Mr. EMERY. Well, it would go a long way to improve the situation, Senator.

Of course, in that connection, may we call you attention to the fact that the industries of the United States are facing a condition quite different from that to which we have been accustomed, under the President's reemployment agreement, and under the codes, we are acting as units, now, as industries, and it has been the policy of the administration, as expressed in section 1, subdivision E, of the National Industrial Recovery Act, to recognize that the condition created by the codes or by the President's reemployment agreement might so profoundly affect the costs of operation in American business as to authorize the President, whenever it was established that the imports were coming in in such volume as to threaten the successful operation of an industry under a code, that he was authorized under a specific rule there laid down to establish, if necessary, on a proper hearing, a quota system or even to utter an embargo so that to the extent, of course, that any trade agreements were entered into, trade agreements may repeal that section, and, while it recognized and, I trust, it still recognizes the condition which may be brought into existence by code operation, the increase of costs that are necessarily affected by diminished hours and increased wages, which have been cheerfully met, generally, by the industries of the United States—I

trust that the Senate, in contemplating this bill, will not overlook the necessary relation between that section and legislation of this kind that is entered into, so that if hearings are to be had at any time by the industries to be affected, they should be adequate hearings, in which the industry has reasonable notice and an opportunity to present the situation in which it stands.

Otherwise, the very policy which was recognized as essential to the successful operation of the coded industries under the N.R.A. would be jeopardized by the possible making of tariff agreements which would profoundly affect those industries and their remedy would be immediately repealed by the operation of the agreement.

Moreover, we trust that the committee will recognize that, of course, as men of wide experience in public affairs, they perceive the economic condition of the United States. They know that the whole world is in a state unlike any other which it has passed in our lifetime.

The instability of foreign exchange, the general instability of economic conditions throughout the world, the general decline in world trade, and the fact that the United States has been passing through the tail end of the depression, which had already struck with full force abroad, has made a comparison between our situation and theirs a difficult one, subject to the fact that we are now receiving, or have been receiving, for the past year, the full impetus of a situation which had affected them for a longer period of time, but from which they were on the way to recovery, through the operation of natural forces, when the full impact of all those associated causes that operated to produce the depression, came fully upon us, so that that suggests, sir, and we trust the committee will think so if in their good judgment they are determined to enact legislation of this kind in whole or in part, and that is that the life of agreements should be a subject of very serious concern.

The more uncertain, the more unstable the situation in which the agreement is to be made, the more powerful are the reasons that should suggest the shortness of its life.

I believe in the testimony that has been offered you from the State Department itself you will perceive that the so-called "tariff bargain agreements" that have been entered into by European countries are all comparatively brief in duration on the whole, and that that is a strong reason for limiting the life of these agreements.

As the bill stands, there is no limit to their life. The limit is upon the power of the President to exercise the authority which you give him, but, while these agreements are terminable at the end of 3 years, they are not terminated. They can proceed indefinitely unless either party, on notice, likewise denounces the treaty.

It is unnecessary in the light of the testimony that has been presented here from so many industries as to their individual condition, to undertake to emphasize the need of adequate protection for American industry at the present time in the condition through which we pass.

That is apparent from the entire surroundings of world commerce, economics, and finance.

Finally, Mr. Chairman, if you will permit me, the situation in which you are legislating is such that the creation of any new elements of uncertainty have a profound effect upon the situation with which we are confronted.

On every side, on every occasion, in all the overhanging body of changes in public policy that stand like a cloud in the heavens, uncertainty is the chief and most dubious. It is impossible for particularly manufacturing industries to make commitments into the future, for that they must do in the purchase of material, in the preparation for market, and in the ultimate hope that they may recover the costs of operation. It is impossible, on the one hand, for them to make commitments, or to obtain investors who will do so, until, to the largest extent, it is possible, by the nature of public policy, the uncertainties that hang about us are removed, and these are so numerous that I would not even undertake to recapitulate the chief of these, and inflict them upon this committee.

They are matters of which you will undoubtedly take notice because their character is visible upon the edge of every part of the horizon, and I trust the committee will realize, in conclusion, that we are seeking not for merely big industries but for little industries.

Out of 210,000 manufacturing establishments in the United States 74½ percent are operated with the employment of 20 people or less.

These are the pathways through which new industry is created, new ideas are tried out, employment is expanded, and they are the training and developing schools of the managers and the investors and the future makers and policy developers of American industry.

The protection of these is a matter of vital importance. They are least able to stand the shock of either great change or of great uncertainty, and it is these considerations, sir, that lead us to urge upon you the necessity for more definite language in the bill that is before you for consideration, and we say it not to discourage negotiations for foreign trade. No one is more eager to have it than the American manufacturer, but no one is more unwilling to risk his own great free-trade domestic market, the largest in the world, the most desirable for every other nation, even in the present circumstances, the most desirable market in the world, into which all others wish to enter.

To keep that market for American industry at this time is a most vitally important matter and I trust that in the development of this bill, if your judgment does not incline you to disapprove it in its present form, you will undertake to adequately protect it, as adequately as it must be protected, the interests of those men who can solve the employment problem with which you are concerned.

The CHAIRMAN. Thank you very much.

The committee will recess until 1:30, at which time we will reconvene in the District of Columbia room. We want to finish the hearing today.

(Whereupon, at 12:30 p.m., Tuesday, May 1, 1934, the committee recessed until 1:30 p.m. of the same day.)

AFTER RECESS

(The hearing was resumed at 1:30 p.m., at the District of Columbia Committee room in the Capitol.)

The CHAIRMAN. The committee will come to order. Mr. Harry Tipper. How much time do you want?

Mr. TIPPER. If I put in this brief, sir, I can do it in 5 minutes.

The CHAIRMAN. All right.

STATEMENT OF HARRY TIPPER, AMERICAN MANUFACTURERS' EXPORT ASSOCIATION

Mr. TIPPER. I represent the American Manufacturers' Export Association as its executive vice president. The American Manufacturers' Export Association is composed of, roughly, 350 members, of which about 275 are medium-sized manufacturers, all engaged, at least a part of their production, in export.

On May 23, 1933, the board of directors of this association adopted a resolution asking Congress to invest the President with powers to negotiate and conclude reciprocal bargaining treaties, and that is the position I take.

I am not going into the details of the study that we have here. I just want to express one point, and that is that the uncertainty that was expressed this morning on a good many matters arises to a considerable extent out of the dislocation of world trade, and we have felt that in our business for a long time.

Right now many of our members could sell goods in export today if the conditions permitted a little stability in forward outlook and a little surety on exchange. With us it is not a question of tariff. It is the question of having the trade, at least to the point where we are not facing the possibilities of change in the classifications of quotas, in embargoes, and in exchange restrictions that we have to face, and we therefore support this bill knowing and feeling that the stability of foreign trade of the United States is not only fundamentally important to the export development of the business of these manufacturers, but is also fundamentally necessary to the development of the stability of domestic affairs, and consequently, sir, we support the passage of the bill.

The CHAIRMAN. You have a brief there.

Mr. TIPPER. Yes, sir.

The CHAIRMAN. Will you file that with the stenographer? It states there in a general way the membership of your organization?

Mr. TIPPER. Yes, sir. There are the details of the membership indicated.

BRIEF SUBMITTED BY HARRY TIPPER, EXECUTIVE VICE PRESIDENT AMERICAN MANUFACTURERS EXPORT ASSOCIATION, BEFORE THE SENATE FINANCE COMMITTEE ON BEHALF OF H.R. 8430

The American Manufacturers Export Association, which I represent, is composed of 350 members, of whom about 275 are medium-sized manufacturers, 40 large manufacturers, and 35, though generally classed as medium-sized manufacturers, are the leaders in their particular industries. These include about 60 separate classifications of manufacturing and employ workers in from 26 to 30 States. Detailed information and classifications are submitted for the record.

In appearing before you in behalf of this bill, I desire to discuss and emphasize some factors of importance in connection therewith that appear to have been either omitted or erroneously considered in connection with the national welfare. I particularly wish to address myself to the importance of foreign trade to the United States, its contribution to employment and income; the prevailing conditions; their effect upon the national economy; and the reasons for taking action in the particular manner proposed in the bill.

Reference has been made mainly, in the course of the discussion, to the fact that the export business of the United States has varied from 8 percent to 12 percent of the total national business. I do not here question the general accuracy of this statement as a mathematical expression of the factors, gathered on a somewhat theoretical and estimated basis, but there has been drawn from this relation the erroneous conclusion that this percentage is unimportant to the welfare of the United States.

Apparently a conception prevails that industry is like a piece of land of which one or two areas may be permitted to lie fallow without reducing the productivity of the others, and this opinion seems to be very widely held. Industry is not like this at all. The economic structure is a network of activity—a circulation system radiating from thousands of centers of activity and involving millions of small arteries joined and divided in innumerable ways. The life of every individual citizen is enmeshed in this network. From it he derives his purchasing power and to it contributes his purchases.

The intricacies of this network make it virtually impossible to follow any item so as to discover all the elements upon which it depends and all the factors to which it contributes. Furthermore, this complicated network of activity does not lie entirely within any political boundary, but has been built up generation by generation in accordance with the practical needs and desires of the individual, to sustain which he will suffer temporary privation and hardship, change his nationality, and move his residence. To cut open and attempt to eliminate any part of this network is to bleed the system at a hundred points. Foreign trade is an integral part of this economic fabric. The materials, commodities, and manufactured products that flow into foreign trade originate in every State and in practically every line of industrial activity. The imports that enter our network at the port spread out into every element of society and the life of every individual. Foreign-trade activity cannot be segregated from the commercial life of the Nation as a whole.

In order to visualize this to some extent, I am submitting a chart showing the export of each of the different States in its general relation to the total. A study of this chart illuminates very well the stake in exports of each State in the Union.

It is more difficult to trace the imports, because they have not been statistically included in their relation to the fabric, but the way they permeate the entire social structure can be visualized by reminding you that every tire on every automobile, every piece of garden hose, every latex garment, every rubber boot or shoe is derived from foreign trade and the tin cans of preserved food on the shelves of every housewife, every tin of coffee, stick of chewing gum, or piece of chocolate candy is similarly dependent upon imported material. Every important industry depends upon some of these imported materials and all of them flow through to the citizen in one form or another.

The export surpluses of the farm are sufficiently impressive and presently embarrassing to assume an importance far outweighing the implications of an 8 or 10 percent relation. We are now paying through processing taxes because of the drop in these exports.

The value involved has no exact relation to the number of citizens dependent upon the income for their livelihood, as the employment statistics will reveal later.

Forty percent of the typewriter products goes abroad, 50 percent of some of the pharmaceutical are exported.

The Detroit Board of Commerce has just issued a statement that 1 individual out of 7 of that city, regardless of occupation, is paid with money derived from export.

In the year of 1929 the export value of automobiles, as reported by the Department of Commerce, was \$523,000,000, but this is not the complete story. The manufacture of these automobiles required the purchase of 100 different products—very sizable purchases, affecting seriously the employment and production in 25 of these cases and bringing the railroads a revenue of \$186,000,000.

There appears to be an idea that these export requirements are confined to a comparatively few industries. I am submitting a diagrammatic chart which shows the industries involved in export and indicates that practically all industrial activities derive some of their income out of the export business.

Careful consideration should be given to these facts, because if the foreign trade of the United States does not develop, but diminishes, the economic structure will bleed seriously, with the resulting waste of purchasing power and lower standards of living.

The examples I have shown are limited only because of the limited time for consideration. They can be multiplied indefinitely through the industrial and geographical area of the United States.

A good deal has been said regarding the employment and the figures provided by the Tariff Commission, showing that 658,000 were employed in 1929 in export industries; 1,430,000 on the farm; 257,000 in selling and corresponding indus-

tries—making a total of 2,345,000 in 1929, of which approximately 500,000 were out of employment in 1932.

Here again we have the attempt to segregate a certain element from the network and consider that it could be eliminated without affecting the rest of the fabric. The differences arising out of independent examinations are well illustrated by the following quotation from a speech of Mr. Peter Molynaux, editor of the *Texas Weekly*, and chairman of the Central States Conference on International Trade.

"We have nearly 2,000,000 people in Texas living on cotton farms who depend entirely on cotton for their living. Nine out of every ten bales that they produce must be sold outside of the United States. I don't mean 9 out of every 10 bales of cotton produced in the United States; Texas happens to be one of the exporting States of the Cotton Belt. It is the chief exporting State, just as it is the chief producing State, and it ships out 90 percent of its cotton. It has to sell it outside of the United States. When I say Texas, I mean Oklahoma and the Southwest.

"That of course, is the trade interest. The actual fundamental interest in it is the fact that here you have 2,000,000 people who actually depend on this crop for their primary source of living. Then you have probably in the South as a whole 6,000,000 people, white and black, living on cotton farms. There is practically double that number whose purchasing power depends entirely on the price of cotton and on the size of the crop, those two things taken together."

Twelve million people depend on cotton—50 percent is export—6,000,000 dependent on export.

The rubber industry, steel industry, the machine-tool industry, the electrical equipment and practically all industries of any importance in the United States, suffer loss of employment, not only from the removal of the productive requirements occasioned by export, but also from the loss of purchasing power in the domestic buying. The reduction in the value of automobiles shipped abroad from \$523,000,000 in 1929 to \$75,000,000 in 1932, took away from that and the associated industries, \$448,000,000 which was going into labor and profit. No estimate can be made of the progressive decline in purchasing power passing through other industries to every section of the general public directly related to the reduction in export.

Little or no attention has been paid to the income derived from imports. What we import for processing in our major industries are on the free and dutiable lists. Careful consideration should be given to our absolute dependence upon the continuous supply of these products for a very large part of our industrial activities and our total employment. Inasmuch as these materials are subject, not only to our own actions, but also to the economic position of the countries from which we secure them, the stability of our relations with those countries, the assurance of a continuous and regular supply of these fundamental imports should be a part of the consideration of every measure that is taken in relation to our foreign trade. To contend that we can displace imports with domestic substitutes is wholly academic.

In a world that has been engaged in economic warfare for a decade and is passing through very serious economic difficulties, the possibilities of unwise emergency actions by other countries, or ourselves, which will serve to disturb the flow in one direction or another are too visible to permit this matter to be entirely ignored.

The discussions that have occurred on this subject exhibit a general belief that importation of manufactured goods necessarily displace the production of similar goods in the United States. There is no justification in our economic history for the idea that an increase of imports necessarily means an increase in unemployment. As a matter of fact, our foreign trade has increased usually in our prosperous periods, and has steadily advanced for a long number of years, during which period our standards of living have risen regularly and our total business has similarly risen.

An examination of the Department of Commerce statistics shows that the foreign trade of the United States has increased from 2 billion dollars to 5 billion dollars of export from 1910 to 1929 and from 14 hundred millions to 44 hundred millions of imports in the same period. No one will deny that during the same period the standard of living, the employment, and the rate of wages increased definitely and quite extensively.

Nevertheless, the idea persists that we do not derive any substantial income from the import of manufactured products, and that they necessarily displace employees involved in production. No attention seems to have been paid in this matter to the change in our population and their occupations. A review of

the figures shown in the Statistical Abstract of the United States during the years 1910-20 and 1930 shows that our population has been steadily moving from producing endeavors into trade, transportation, professional, personal, and clerical services. We are becoming more and more a trading population concerned with the disposition of goods after manufacture. Between 1910 and 1930 the agricultural laboring population decreased somewhat over 2,000,000, mine workers increased 16,000, industrial manufacturing workers increased 4,000,000. The total working population involved in agriculture, minerals, and industrial manufacturing rose from 24,200,000-odd in 1910 to 28,500,000 in 1930; the producing workers, therefore, provide a total increase in 20 years of 1,300,000. Not all this population are engaged in the production of goods. The building industries, publishing, printing, and similar industries—the retail plumbing, electrical, and other elements, totaling about 3,500,000, are not directly dependent upon the production of goods.

On the other hand, the population dependent upon the movement and service of goods and people increased notably in every section. Transportation increased 50 percent in 20 years—trade 100 percent—public service 100 percent—professional 100 percent—personal and domestic 30 percent—clerical 250 percent. In other words, our total population not producing goods increased from 14 million to 23 million in 20 years or an addition of 9 millions to those branches of activity.

It will be observed that in these branches of activity, more than 50 percent of the entire working population derive no direct benefit from any scheme of protection. Their employment is dependent upon just one thing—the total volume, variety and velocity of trade, regardless of origin. It is easy to see that in the endeavor to protect the employment of a few thousand workers in a producing industry, we may make the mistake of throwing out of employment a much larger number of the workers who are depending upon trading.

In order to discover the actual income secured by the inhabitants of the United States from manufactured imports, I have investigated several types of products purchased abroad which go to the consumer in the United States. I have taken the landed cost at the dock and traced it through to the amount the consumer pays for the same article. The largest proportion of the total price paid to any country abroad was 35 cents out of every dollar expended by the consumer, leaving 65 cents available for the payment of labor and profit in this country. The smallest amount paid for a manufactured article abroad was 20 cents, leaving 80 cents out of the dollar to be expended within this country for labor and profit.

I recognize that these are fragmentary investigations, but they agree quite definitely with the statement by Edward Filene in his book *Successful Living In This Machine Age*, giving the cost of distribution as from 50 to 90 percent of the total price, and with my own investigations published in 1913. There were no imports of any kind or character that do not produce income within the United States.

1. The farmers need increased export of farm product.
2. The industrial producers need export of semi and completely manufactured products.
3. The industrial producers need imports of raw and semimanufactured materials.
4. The railroads and other transportation companies need more two-way transportation of goods and passengers. Export and import provide this.
5. The shipping lines, docks, dock workers, forwarding companies and agents need more two way traffic. They live on export and import.
6. The commission agents, the warehousemen, wholesalers, retailers and all other workers in distribution need more product to distribute. Import supplies this.
7. The banks need more profit on commercial paper; the investors, full interest; the creditors, debt payments; and the government, revenue. More foreign trade assures this.
8. The publishers, advertising agencies and all other service organizations need more distributing of goods. Import supplies this.
9. As foreign traders we need more business to reemploy the millions who formerly depended upon our trade.
10. Finally, the individual will continue to buy what attracts him, whether or not it is of foreign origin.

My personal position upon foreign trade has been that:

We are in foreign trade. It has been profitable and valuable to our citizens over our entire history. There is no way out of it without sacrifices of which we may see the beginning, but cannot see the end. Freedom lies in growth; restriction and compulsion go together. The bill for compulsory reduction of cotton

acreage is not without interest as an indication. It should be, and is possible, to arrange our foreign trade so as to take care of our exportable surpluses, to import those goods that are of the most value from the standpoint of their contribution to our income and employment, and to do this so that we increase the standards of living, the employment, and rate of wages.

This cannot be done, however, without stable arrangements with other countries. Our foreign trade would be contributing a good deal more to the national income than it is now contributing, if we were not faced with the constant rearrangement of quotas, the imposition of embargoes, or the changes in tariffs. The limitations on exchange, obtaining in some thirty-odd countries, and the existence of frozen funds further complicate the situation. We do not know how long any particular arrangement will last. We know that these provisions have changed from time to time with sufficient speed to make it impossible to organize the business on any stable basis. The question is not one of simply promulgating the tariff. It is one of providing arrangements with other countries which will establish the groundwork of stability in our foreign trade.

Whether this relates to export or import, recognition must be given to the fact that foreign trade is barter and always has been barter, and that the efforts of the last 10 years to conduct it on some other basis than barter have been a complete failure.

Business is not conducted on a one-way street. Trade is the same whether it is conducted in Siberia, in the Balkans, or in the United States. There is no such thing as nationalism and internationalism from a trade standpoint. We can only isolate ourselves from a good market or enter it. There is no difference between nationalism at work in the world market and nationalism at work in the domestic market, except that the former provides a wider market and a greater opportunity to distribute goods. We cannot buy without selling or sell without buying and fundamentally we sell those things of which we have a surplus in order to buy the things we need or desire.

This depression had its origin more than anything else in the international economic warfare which broke down the structure faster than it could be built up. We believe that the only practical way to meet this situation is by prompt and expeditious development of treaty relations with other countries on a basis of barter, recognizing that this is the practical and historical method of operating foreign trade.

We believe that this can be done only when the power to do it is vested in the Executive so that it will be possible to sit down across the table with representatives of other nations and arrive at a conclusion. Regardless of the technical provision, our daily experience has shown us that practically all important countries that we deal with can act, and do act, promptly in these matters and we know that we suffer from their capacity of action compared with our incapacity for the same kind of action. We believe that this emergency demands the investment of such powers in the hands of the Executive. The investment of such powers in the President, as requested in this bill, will enable us to get into action with other countries and arrive at agreements that will give a measure of stability to our foreign trade and enable us to move ahead on a known basis.

SOME OF INDUSTRIES IN MEMBERSHIP

Power machinery	Automobiles
Razors and blades	Automobile parts
Steel	Agricultural machinery
Copper	Textiles
Brass	Fuels
Shipping	Tobacco
Waterproofing	Air conditioning
Cosmetics	Refrigerators
Laundry machinery	Burlap bags
Potash	Belting
Electric appliances	Leather goods
Electrical equipment	Paper
Radios	Beverages
Heating appliances	Chemicals
Office equipment and supplies	Toilet preparations
Typewriters	Clothing
Road materials	Airplanes
Road machinery	Pharmaceuticals
Explosives	Photographic materials

SOME OF INDUSTRIES IN MEMBERSHIP—continued

Cameras	Oil
Rubber goods	Alkali
Pottery	Batteries
Machine tools	Fountain pens
Machine supplies	Vacuum sweepers
Paints and varnishes	Pencils
Foods	Asbestos goods
Locomotives	Fire-proofing goods
Railway cars	Optical goods
Inks	Twine
Railway supplies	Jewelry
Insulating materials	Banking
Lumber	Flour
Wallboard	Firearms
Plumbing supplies	Publishing

STATES COVERED BY MEMBERSHIP OF AMERICAN MANUFACTURERS EXPORT ASSOCIATION

New York	Vermont
New Jersey	Missouri
Connecticut	Louisiana
Massachusetts	Alabama
Pennsylvania	Texas
Ohio	Oklahoma
Indiana	Wyoming
Delaware	North Carolina
Illinois	Kentucky
Maryland	Washington
Wisconsin	District of Columbia
Georgia	California
Michigan	Montana
Minnesota	

The CHAIRMAN. Thank you very much. Is Mr. Walter R. Peabody of New York here?

A VOICE. He was here and will be here very shortly.

The CHAIRMAN. Mr. Bernard Davis, of the Cotton Rug Association. (No response.)

The CHAIRMAN. Mr. T. Frank Kendrick.

Mr. KENDRICK. Yes, sir.

The CHAIRMAN. How much time do you want?

Mr. KENDRICK. Just a few moments.

The CHAIRMAN. You represent the Knitted Elastic Manufacturers' Association.

STATEMENT OF T. FRANK KENDRICK, PRESIDENT KNITTED ELASTIC MANUFACTURERS' ASSOCIATION

Mr. KENDRICK. I requested opportunity to appear in connection with the reciprocal tariff agreement.

The knitted surgical industry will not be classed as one of the large industries, but is an important one.

It cannot exist without a protective tariff—but because of this—this does not imply, much less prove, that it is inefficient.

The lower wages in France and Belgium, longer hours, cheaper materials due to wages and hours, and the lower standard of living, enables them to manufacture much cheaper.

Given the same wages and hours and conditions we would not need a high tariff rate.

For about 3 years prior to the change of rate in 1930 our factory and I believe others were conducted at a loss in order to keep employees from disaster. Then for not more than 3 or 4 months after the new rates went into effect we were busy. Then the prices of French knitted elastic were reduced to the extent of wiping out the increase and them some. And again conditions became worse and worse.

Due only to the protection afforded by the devaluation of the dollar, we are now working 40 hours instead of from 16 to 20. To reduce the tariff will without question close these factories and throw men and women out of work—people who know nothing of any other industry but do know the art of making knitted elastic.

Thousands and thousands of French knitted elastic pieces are still imported, but the change in currency values gives us the first break in years. It became less profitable to import.

I consider the idea of taking steps which might close an industry un-American and unmoral. That the bill is a vicious one, that law-abiding citizens have the right and should continue to have the right to continue in their chosen occupations without hindrance from the Government—but rather with its help. Stop to consider what will become of the investments in buildings and machinery.

This industry uses hundreds of thousands of pounds of cotton yarns, rayon, silk, and rubber thread.

If we should by adverse legislation be forced out of business, it seems that the best policy would be to get from under now and become an importer.

I consider that no one man, but only that body of men by law so constituted, the Congress of the United States, is competent to decide these questions justly and they only after a proper investigation, giving every threatened industry the right to present facts.

I believe depriving your own people of jobs to give employment to foreign people will be adjudged not much less than a crime.

The CHAIRMAN. Thank you very much. Is Mr. Vincent here?

A VOICE. He cannot be here today.

The CHAIRMAN. Mr. Monro, of Pittsburgh.

Mr. MONRO. Yes, sir.

The CHAIRMAN. How much time, Mr. Monro?

Mr. MONRO. Say 12 minutes, and I will try to finish in 10.

The CHAIRMAN. We have a long list and would like to get through.

Mr. MONRO. All right, sir. I appreciate that.

The CHAIRMAN. We called you yesterday, and I do not think you were here.

Mr. MONRO. I had arranged with the secretary. I could not be here yesterday.

STATEMENT OF WILLIAM L. MONRO, PITTSBURGH, PA., AMERICAN WINDOW GLASS CO.

Mr. MONRO. Mr. Chairman, my name is William L. Monro. I appear on behalf of the window-glass industry. I am the president of the Window Glass Manufacturers' Association, and also president of the American Window Glass Co., and I wish to protest against the passage of this act for a number of reasons.

But that you might understand the extent of the window-glass industry in this country, I just want to briefly call your attention to

the fact that there are about 21 factories with a total capitalization of about \$60,000,000 and paying out in wages about \$8,000,000 a year to about 9,000 men.

We consume in this country about 80,000,000 feet of lumber in an average normal year; we use up, figured in natural gas, about 9 billion feet; we use, figured on a basis of coal, about 450,000 tons of coal. Consequently, the industry is a very sizeable industry, but you are not interested in that except as I say, to give our standing to show our interest in this matter.

Among the reasons for our objecting to the passage of this act is this: First of all, with the announcement of the plans of the N.R.A., came the announcement that adequate tariff protection would be afforded to industries that might be adversely affected through a shortening of hours, and a raising in the rates of pay. So that you may understand how vital that was to us, and for our cooperation, I want to say to you that the cost of manufacturing in the window-glass industry through the result of our adoption of the P.R.A.—we still have not got a code, but we are negotiating yet for a code, and are still operating under the P.R.A.—has been an increase in our manufacturing cost of over 20 percent, with no increase whatever in our selling prices.

We feel that to intrust—not to the President, he is only the figure-head, because he must necessarily look to his advisers—to intrust to those the right to trade off our industry for some other industries on the ground that we are incompetent, that we are selling below the cost of production, that we cannot compete with the foreigners, is not fair, in view of what we have done to assist in the program of recovery, and with the consequent raising of costs over 20 percent to us.

That is one factor that strikes me as being quite unfair to the industry.

Another thing: we do not believe that any industry should be sacrificed for the common good, and, if you may say, of the country, without giving that industry a chance to be heard, and if it is found to the common good that that industry should be sacrificed, surely that industry should be compensated, because it has been built up under the protection of the laws of this country, with large amounts of capital invested, and why should one particular industry or two or three be singled out for sacrifice for the benefit of the whole, without any compensation to that industry, and without offering that industry any chance to be heard?

The CHAIRMAN. You do not think that your industry is an inefficient industry, do you?

Mr. MONRO. It is not; sir. It is a very efficient industry. We make the best window glass that is made anywhere in the world right in this country, but we cannot make it in competition with the factories in Europe. For example, Senator, one of the largest raw materials entering into the manufacture of window glass is silica sand. The last report of the Tariff Commission which reduced the duty on window glass 25 percent showed that silica sand cost the American manufacturer six times per ton what it cost the Belgian manufacturer. That limestone, which is another factor that enters into our industry, costs between six and seven times what limestone costs over there. That the chemicals, such as carbonated soda and sulphate of soda, that enter into it cost more than double what it does over there.

That the labor in our industry, before we went into the N.R.A., was costing us four times what they were paying for labor.

If you say, "Your industry is not an inefficient industry" I say that when you judge it by the character of the product, I say it is one of the most efficient industries in this country, but if you judge it by what other people can produce glass in foreign countries, you will say "You have no right to exist with the very low costs that prevail in Czechoslovakia or in Belgium."

There is one other thing also to which I wish to direct your attention, and I think we should give this serious consideration. You Senators have realized that every time there is a general tariff bill up for discussion there is a slump in business. If the tariff is being fostered by the Republican Party, then that slump is nothing so severe as a tariff that is fostered by the Democratic Party, for the reason, as is well known, one party is for a higher tariff and the other party is for a lower tariff.

But here is the point I wish to make to you. You all realize that during the period of discussion of any tariff bill there is that great uncertainty in business which slows up business.

Now, to incorporate this provision—

The CHAIRMAN (interposing). That is why we are trying to expedite the consideration of this bill.

Mr. MONRO. Yes; you may expedite the passage of the bill, but the moment you do that you say to the country, "The President, through his advisers, can now at leisure take up any industry that they see fit and trade it overnight for some other line of product."

Who is going to stop them? For instance, if the window glass industry, which I believe, has occupied more attention of Congress than any other—

The CHAIRMAN (interposing). Yes, we have heard a lot from it. [Laughter.]

Mr. MONRO. More than the volume of it perhaps justifies, but if the dealers in that industry or if the jobbers say to us, as they are saying now, "Why should we stock up glass? We are liable to have a reciprocal trade agreement with Belgium whereby there will be a material reduction in the duty on window glass. So, even at your present prices, glass will be dear."

Consequently they are not buying. They won't buy.

The CHAIRMAN. I am just wondering—and I am asking more for information—I do not want to extend your time—but the American window-glass companies use the most modern machinery, don't they?

Mr. MONRO. Absolutely.

The CHAIRMAN. We found in an investigation on some of the glass industry that they were not using it—some of them.

Mr. MONRO. There is only one factory, Senator, and that is a small factory down in Oklahoma, that is not using the most up-to-date process. There are really three processes, and they are all very similar, but the largest number of factories use what is called the Furko process, which is the principal process used in Belgium, France, Germany, Czechoslovakia, and in Japan. So that our industry is right up to the minute, and we took their machinery, and we are making a much better product than they are.

In my opinion, Senator, no advisers to the President can in a brief space of time collate the information that is necessary for a judicial

determination or an economic determination of what is best. They do not know the industry, they do not know the ramifications of the industry, and they can not get it in a few minutes. It is too much to expect of them. And as I say, I am not referring to the President, because he cannot know it. It is his advisers.

The CHAIRMAN. Did the Tariff Commission recently investigate your rates?

Mr. MONRO. Yes, sir; they investigated them twice. The first time in 1927, they took 2 years to make a report, and again they reinvestigated under a resolution attached to the Smoot-Hawley bill, and they took 16 months 2 years later, over the same subject. That is utterly ridiculous.

The CHAIRMAN. They did not make any snap judgment.

Mr. MONRO. No, but they move most ponderously, and they deal, I always say, with astronomical accuracy in weighing a business problem. They do not operate in a practical way.

You can get a number of business men together and they can arrive at the essential facts necessary to make a finding based on the difference in the cost of production in one country and another.

I do not need to repeat to you that when you come to trade with these people, you are trading American wages, American hours of pay, and American standards of living, American measures of profit, against a foreign country's.

The CHAIRMAN. I think we understand that.

Mr. MONRO. You understand that, but, Senator, I do not believe that we realize in this country the extent of the deep nationalism, the deep nationalistic feeling that pervades all of Europe ever since the war. In my visits to Europe, in my talks to manufacturers over there, they said that every little country realizes that Germany was beaten because it was not self-contained, it could not support itself, and every little country that was created under the Versailles Treaty is imbued with the same idea, "We must have within ourselves the means to exist so that if we are blockaded or our boundaries in the possession of enemies, we can still live among ourselves."

As an example of it, I am told by one of my friends that they put up an automobile factory in Poland to manufacture automobiles, that can make as many automobiles in a month as Poland uses in an entire year. That is the spirit. An that is what they are going to, and I believe that what we need is a restoration of confidence in this country, because as the people have more money they reach out and they buy luxuries that perhaps they think are better on the other side than they are here, and they in turn, they are the people who will increase your foreign trade. Because, after all, what are you going after? Ten percent of your trade is foreign trade and 90 percent domestic, with the greatest market in the world, and why jeopardize the 90 percent in order to chase the chimera of another 10 percent? You are not going to get it anyway.

The CHAIRMAN. Thank you very much. If you have any extension of your remarks, you can give it to the reporter.

Is Mr. Davis here—Mr. Bernard Davis?

Mr. BERNARD DAVIS. Yes, sir.

The CHAIRMAN. What time do you want?

Mr. DAVIS. Five minutes.

The CHAIRMAN. All right. You have 5 minutes.

STATEMENT OF BERNARD DAVIS OF THE COTTON RUG ASSOCIATION, PRESIDENT OF THE KURSEAN RUG CO.

Mr. DAVIS. I am the president of the Kursean Rug Co. I am not going to speak for or against the bill, because we feel that it has been pretty well covered. But I only will speak about the few points of the bill, and how they affect our industry.

We feel that we should not have taken suddenly away the present tariff protection, and that we should have a public hearing, and I believe there is some provision to that effect that has been made in the present reciprocal tariff bill, and we hope those provisions are sufficiently adequate.

In our particular case, we have worked the last year in competition with the importers of rugs until the N.R.A. has been in force, and then we had to ask for relief. Our raw materials have doubled in costs, our labor has increased 50 percent. We have gone to the United States Tariff Commission with several hundreds of people who were thrown out of work because we could not compete with the new rising costs, and we were compelled to shut down our plant, completely.

Under the provisions of the National Recovery Act, we were given some promise of relief, either in the form of a higher tariff, or in the form of embargo, due to higher costs.

In the importations from some countries like Japan, we have calculated that a rug brought into this country for 63 cents and sold for a dollar, that the chenille yarn we have to buy for that rug would cost us \$1.50. We cannot compete with the child labor, we cannot compete with the longer hours, and the different standards of living.

We have had a case since last August before the N.R.A., Importers Division. Our men have made personal trips to Washington, stating that they have been thrown out of employment, and still are a public charge, and here having this bill come up before the Senate today, we are afraid, that our whole industry is afraid, that all the good and all of the promises and all of the representations that we have made in order to substantiate the differences and reconcile the differences before the N.R.A., and the possibility that further reduction in hours from 40 to 35 would be made, with the consequent readjustment of rates, would be fully nullified if this bill comes into effect.

The CHAIRMAN. When did you go into business?

Mr. DAVIS. Twenty years ago.

The CHAIRMAN. How long has this concern you now have been organized?

Mr. DAVIS. This division of our business started 16 months ago. The cotton rug business.

The CHAIRMAN. Since 1932?

Mr. DAVIS. We have been operating since 1932 on day-and-night-shift basis, competing with foreign importations. In July when the N.R.A. costs had been put in effect, we put in our complaint in order to adjust the tariff. We waited 2 or 3 months for relief, and finally all of our people at this particular factory had to be laid off and are still laid off. They have sent a delegation to Washington.

The CHAIRMAN. How many people are engaged in this Association?

Mr. DAVIS. In our entire company?

The CHAIRMAN. Yes.

Mr. DAVIS. Two thousand people.

The CHAIRMAN. Where is it located?

Mr. DAVIS. In Philadelphia, and South Carolina and in New Jersey. We have several plants.

The CHAIRMAN. How many plants have you?

Mr. DAVIS. Four. This particular plant I am referring to is making the cotton rug, and that plant has been operating very successfully prior to the enactment of the N.R.A. The new costs of N.R.A. and the new costs of raw material have forced us, not being able to meet the condition, to close the plant completely.

We have had the case for 6 or 7 months before the United States Tariff Commission, and we had a hearing in January, and we have not received any reply as yet.

We are hopeful that the figures and the facts we have presented, which cannot be refuted, will find a sympathetic attitude in the N.R.A. headquarters and in the United States Tariff Commission, and we will be given some relief.

The CHAIRMAN. You are seeking really a higher rate?

Mr. DAVIS. We are seeking a higher rate.

The CHAIRMAN. But you are afraid this might give you a reduced rate.

Mr. DAVIS. We are afraid of two things. First of all, this bill prevents the N.R.A. findings, or even that their decision would be effective. If according to this bill a treaty is made without warning to any industry, we would not have a chance to go against the established treaty, which probably would require diplomatic or other relationships to be broken to abrogate such a treaty in order to find relief. We find that this supersedes and nullifies the President's operation of relief, and the present operation of adjustment under the tariff act and the N.R.A. Act of the new rising costs, due to the shorter hours, the elimination of child labor—although we never had child labor—and the new conditions, and that we are going to have destroyed all that we have tried to build up under the present Administration, and unless the present bill will give us some assurance that we will get the confidence whereby we can build new factories and get further employees and have more commitments of material, and by constantly newly developing machinery, we will seriously suffer under the present provisions of the bill.

Should they be properly modified, I think the bill would more or less create less care to industry.

I am not here to oppose the bill or to kill it, but simply for a bill that would be equitable to American industry, and to do that we should be given the same protection that a foreign nation does. They are given 6 months' time in foreign countries. There is no such provision here given to American industry. We can be told within 24 hours that a new tariff is in effect, and we cannot compete, and must close our factories, destroy our investment, and lay off our people.

The CHAIRMAN. You would like to have, before the treaty is negotiated—you would like to have an opportunity to be heard?

Mr. DAVIS. Yes, sir.

The CHAIRMAN. Anything else?

Mr. DAVIS. No, sir.

The CHAIRMAN. Thank you very much. Next on the list is Mr. Patrick H. Quinn.

**STATEMENT OF COL. PATRICK H. QUINN, PROVIDENCE, R.I.,
REPRESENTING THE LACE INDUSTRY**

Mr. QUINN. I appreciate this opportunity to appear today, Mr. Chairman, as a lace manufacturer, because I understand that the industry was reached yesterday, and Mr. Phillips made a very complete talk upon our reasons for being against this bill.

I will try not to repeat anything that he said or read any part of my speech, but because of a question that Senator King asked this morning of one of the speakers, I would like to put this paragraph into the record.

The Senator referred to a statement of the President, which he made during the campaign:

I have advocated a lowering of tariffs by negotiation with foreign countries, but I have not advocated, and I will never advocate, a tariff policy which will withdraw protection from American workers against those countries which employ cheap labor, or who operate under a standard of living which is lower than that of our own great laboring group.

That is the statement of President Roosevelt on October 20, 1932.

I have a good deal of the money that I was able to earn as a lawyer invested in two lace mills down in Rhode Island. The lace industry was introduced into Rhode Island at the suggestion of Mr. Shepard, who was consul general in Italy under Grover Cleveland. It lingered along for a number of years, amounting to little until 1909 or 1910, when the Payne-Aldrich bill invited the industry to expand by putting lace machines on the free list. And now it has grown so that it produces one third of all of the lace consumed in this country, and that, I say, is not an inefficient industry, and the only thing that could be classed as inefficient about it is that the wages paid in France to the employees of the industry there are less than one third what we pay our employees for the same lines of work in this country.

Senator KING. With your superior machinery and your superior technique, and your more efficient labor and your greater use of electrical energy for man power—aside from that, I presume, however, that your output per man is very much greater than in France.

Mr. QUINN. I doubt that very much, Senator. I know that used to be our argument on the Democratic stump—that the American workman produced so much more than the workman abroad. Because most of our workmen in this industry—that is, the key men who run the lace machines—are Frenchmen from France and Englishmen from Nottingham.

The CHAIRMAN. You mean that the general rule would not pertain to the lace industry.

Mr. QUINN. I think that is true.

Senator HEBERT. May I ask a question there, Mr. Chairman?

The CHAIRMAN. Certainly, Senator.

Senator HEBERT. Have we ever produced any lace machines in this country?

Mr. QUINN. No; they attempted in Massachusetts to produce a couple down there. A machine concern attempted to build and did build, I think, two or three machines, but they were not a success. These machines are all imported from France and England.

Senator HEBERT. So that the industry here uses the same machines as they do in Calais or in Nottingham?

Mr. QUINN. Exactly.

Senator HEBERT. Working less hours than they do over there?

Mr. QUINN. Yes; less hours, and for less than one third of the wages.

Now, I stand exactly with the President where he stood on this question in October 1932. In the town where Senator Hebert and I live, within 3 miles of our homes, there are a half a dozen of these lace mills whose pay rolls turned out into that rather small community amount from \$12,000 to \$15,000 a week. It is a very considerable item.

This is an important industry in Rhode Island. Why do we talk so much about lace? Because we have been warned. Because utterances have been made that we ought to have a fair warning in advance that something is going to happen to us. We have been picked out as one of those industries for the execution.

If that had come only from the Secretary of Agriculture, after listening here all day, I would not have been so fearful about it, but I listened with great attention to Senator Costigan Saturday afternoon last in his debate with Mr. Oswald Villard, which was the first debate I ever attended where the speakers on both sides were in favor of the affirmative. But Senator Costigan named a half a dozen to ten industries, and he named the lace industry, and he named it incorrectly, and I think when a man of Senator Costigan's experience on the Tariff Commission has a wrong idea of what the lace industry is, that it would not be strange to some of you other Senators, too.

He talked about the hand-made lace industry. There is nothing of the kind. There is no hand-made lace industry in this country. It is a machine-made lace industry.

I listened with great attention to Senator Costigan, and if you were to take all the industries that Senator Costigan listed as inefficient and unimportant and having, as he said, a protection of 100 and 105 and 110 percent, and list them together, the trading value would be practically nil.

Now, may I say in closing, I want to make my protest as broad as I can. I refrain from saying anything more about the lace industry. I want to protest, Mr. Chairman, against the passage of this bill on a broader scope than that of a lace manufacturer. The bill is wrong in principle and will not work in practice, and I want to call to your attention, both of you Senators being lawyers—I think I have followed these hearings fairly well, and therefore I am not astray when I say to you that of all of the witnesses who have appeared here as proponents of this bill before your committee, only one I think, Mr. Graham, of the automobile industry, was what we would call in court a witness testifying to facts.

Who else has appeared in favor of this bill? The opinion of expert witnesses buried my dear good friend Cordell Hull, the Secretary of State, the Secretary of Agriculture, and men of that type, Mr. Former Secretary Stimson—they have simply expressed to you the opinion which I say to you is nothing more than a hope that the passage of this bill will do some good.

I think it will do harm. I do not feel as that speaker from Texas and one other gentleman speaking for the wool industry this morning suggested, that there might possibly be an apology from a Democrat talking here for protection. That is not my understanding at all. I know of no organized Democratic movement in favor of anything

contrary to protection. I have attended every Democratic National Convention since 1900, beginning with that one, except one, and it is only a difference in degree between the two parties.

Senator KING. You mean on the tariff question.

Mr. QUINN. On the tariff question. The only prominent statesman or distinguished economist in this country of whom I have read this year who has gone on record in favor of free trade is Professor Tugwell, and when we find Professor Tugwell fathering the statement that he believes—I am not pretending to quote him, but in substance—that no industry that required the protection of a tariff had any business in this country; and on the other hand, when we find the Secretary of Agriculture spotting out this industry and that industry, which includes my industry, and saying, “You ought to be given fair warning”, you can understand, Mr. Chairman, that it creates a disturbance in the section of the country where I live.

I think it would be bad for the country, and in answer to my good Democratic friends who talked here this morning, apparently they belong to the same party with me, and I never belonged to any other party, but I believe it will be bad for the country and worse for the Democratic Party if you pass this bill, and I appeal to the Administration now in power in Congress, and I appeal to the men who have the large working majority in both Houses of this country, not to try this upon us.

It is asked for, Why? My answer to that will be my closing, Mr. Chairman. Secretary Hull and those other distinguished gentlemen who come here and ask for this, put it upon what ground? The ground of emergency. Not one of them has said that this thing is good inherently. They ask that it be tested. They say that a great emergency has fallen upon us. One of the Senators interrupted Secretary Hull the other day with a question, and when he did, the only answer he could give for it was that the day of emergencies required extraordinary remedies.

Well, if those gentlemen were contrasting present-day conditions with conditions previous to October 1929, I would agree with them that there was an emergency and an extraordinary condition, but there is no extraordinary condition today compared with when President Roosevelt uttered that paragraph that I have inserted in the record.

The CHAIRMAN. Thank you very much.

Senator HEBERT. Mr. Chairman, may I ask Mr. Quinn a question?

The CHAIRMAN. Certainly.

Senator HEBERT. This question is prompted by a letter which I received this morning from a man I do not know. I assume from the tenor of his letter that he is probably an importer of laces. He made the statement that it seemed to him that the inefficiency of the lace industry was due to watered stock.

You are familiar with the conditions in Rhode Island where you and I live. You are one of the investors in the stock of some mills down there. Will you make a statement as to whether or not there is any water stock in those mills?

Mr. QUINN. It is absolutely ridiculous to charge the lace industry with having watered stock. There are only two families in this country, the Bromley's of Philadelphia and the Goff's of Pawtucket, R.I., who could be classed as rich people. All of the other lace mills are owned by people of very ordinary means.

The mills in your town and mine have around 150 or 200 stockholders.

Senator HEBERT. I understand some of them were workmen in the cotton mills who invested their savings in that stock.

Mr. QUINN. Yes, sir; and not a few of them were workers in the lace mills themselves.

The CHAIRMAN. Thank you very much. Is Mr. J. F. Calbreath, representing the American Mining Congress, present?

TESTIMONY OF A. W. DICKINSON, REPRESENTING THE AMERICAN MINING CONGRESS

Mr. A. W. DICKINSON. I appear for Mr. Calbreath and the American Mining Congress. I appear for the mining industry.

It is the feeling of the mining industries that they wish tariff matters to be handled as in the past, so that they may appeal to their Representatives in Congress. They do not wish the matter taken out of their hands as contemplated in this bill.

The mining industries are widely spread, and all over the United States, and for that very reason there are conditions which make it necessary for appeal from the local interests to the Members of Congress. That is their expression to us.

I have here a statement which I would like to file, and that is all I wish to say.

Senator KING. I suppose you knew that an amendment had been prepared, or would be prepared, under the terms of which restricted and limited probably, but properly comprehensive hearings, would be had before any agreement is put into operation.

Mr. DICKINSON. I have heard that spoken of today, and by the newspaper reports this morning. That is certainly an improvement, but the industry has expressed themselves, and still wish to be heard through their Representatives in Congress. They do not like to see that method ended.

STATEMENT OF THE AMERICAN MINING CONGRESS BEFORE THE SENATE FINANCE COMMITTEE ON H.R. 8687 TO AMEND THE TARIFF ACT OF 1930

(By A. W. Dickinson)

In making appearance for the membership of the American Mining Congress in the matter of H.R. 8687, a bill to amend the Tariff Act of 1930, we wish to say that the American Mining Congress represents a preponderance of the mining industries of the United States.

We have read the bill now before this committee and are unable to find therein any mention whereby industries may be heard before this body or before the Tariff Commission in the matter of the contemplated foreign-trade agreements with foreign governments or instrumentalities thereof. We submit that the mining industries of the United States are now engaged in a diligent effort to carry out the provisions of the National Industrial Recovery Act and the vast detail of rules and regulations which have arisen under the administration of that act by the National Recovery Administration. The National Industrial Recovery Act, under section 3 (e) definitely states as follows:

"3 (e) On his own motion, or if any labor organization, or any trade or industrial organization, association, or group, which has complied with the provisions of this title, shall make complaint to the President that any article or articles are being imported into the United States in substantial quantities or increasing ratio to domestic production of any competitive article or articles and on such terms or under such conditions as to render ineffective or seriously to endanger the maintenance of any code or agreement under this title, the President may cause an immediate investigation to be made by the United States Tariff Com-

mission, which shall give precedence to investigations under this subsection, and if, after such investigation and such public notice and hearing as he shall specify, the President shall find the existence of such facts, he shall, in order to effectuate the policy of this title, direct that the article or articles concerned shall be permitted entry into the United States only upon such terms and conditions and subject to the payment of such fees and to such limitations in the total quantity which may be imported (in the course of any specified period or periods) as he shall find it necessary to prescribe in order that the entry thereof shall not render or tend to render ineffective any code or agreement made under this title. In order to enforce any limitations imposed on the total quantity of imports, in any specified period or periods, of any article or articles under this subsection, the President may forbid the importation of such article or articles unless the importer shall have first obtained from the Secretary of the Treasury a license pursuant to such regulations as the President may prescribe. Upon information of any action by the President under this subsection the Secretary of the Treasury shall, through the proper officers, permit entry of the article or articles specified only upon such terms and conditions and subject to such fees, to such limitations in the quantity which may be imported, and to such requirements of license, as the President shall have directed. The decision of the President as to facts shall be conclusive. Any condition or limitation of entry under this subsection shall continue in effect until the President shall find and inform the Secretary of the Treasury that the conditions which led to the imposition of such condition or limitation upon entry no longer exist."

We pointedly present the fact that in section 3 (e) use is made of that able and experienced body, the United States Tariff Commission, and we call to your attention the fact that where petitions have been brought by industries under the provisions of section 3 (e) that the precedent has been set whereby those industries have appeared before the United States Tariff Commission and presented the facts pertinent to the issues involved.

The powers granted to the President under section 3 (e) are broad and sufficient to protect and further the interests of all of the producing peoples of our country. Labor, agriculture, mining, manufacturing, transportation, construction, and all may be afforded proper treatment under section 3 (e). The adjustments through which the mining industry is passing and must still pass under the administration of the National Industrial Recovery Act are sufficiently vital and serious without introducing at this time numerous further unknown quantities in the problems with which we are faced. Under the existing situation, finance, management, and labor are confused and while management is struggling loyally for the success of the present program the results in the ultimate are by no means clear and many of the factors remain uncertain or unknown.

The bill before you places in the hands of the President and those to whom he may delegate his authority the absolute power of life and death over every domestic industry dependent upon tariff protection and it must be remembered that all of our industries are interdependent including agriculture and agricultural machinery. The mining industry does not doubt the good faith and high purpose of the President in any action he might take under the provisions of this act, but the fact remains that the carrying on of the negotiations involved in the contemplated trade agreements must be in the hands of others whose opinions will rule in the matter of the industries affected and whose training and experience may easily be lacking in the knowledge so vital to the welfare of those concerned with the industries.

Tariffs have been made effective by prior Congresses and undoubtedly will be, again and again, where Congress considers the welfare of domestic industry and representatives voice the wishes of their constituents. It may be that some rates have been too high and some too low, but on the whole our people have prospered thereunder. We have developed the highest living standards in the world and our Nation has grown great. To harmonize and crystallize the desires of 120,000,000 people so well is a triumph of democracy. This is a representative government. Representative government may have its weaknesses, but it has served our people through many crises and has in the main given satisfaction. Under this bill those representatives of the people charged with the responsibility to express the views of their constituents as voiced in party platforms and pre-election promises are required to surrender their rights and their duty and to turn their responsibility over to others with full power to wreck any industries employing American labor at American wages sufficiently high to make possible American standards of living.

The purpose of this bill as outlined by those who have prepared it is to make bargaining tariffs with foreign countries through which we may develop for some

industries a larger market in foreign countries by permitting increased importation of foreign goods; this must necessarily displace that much of domestic production now absorbed by our domestic markets. The inference is that many of our industries are not on a proper economic foundation and that such industries shall be stifled or traded away in order to permit larger markets for some other line of our domestic industry. It is assumed that any industry which has heretofore been supported by a protective tariff is necessarily built upon an unsound economic foundation.

The bill before you provides no opportunity for industry to be informed or heard with reference to any proposed tariff changes. Neither in the bill before you nor in the course of the hearings which have been held up to the present time is there any intimation as to the industries which may be used in entering into foreign trade agreements with foreign governments or instrumentalities thereof.

At the present time domestic producers are in doubt as to their position in addition to the very uncertain situation in their efforts in carrying out the provisions of the National Industrial Recovery Act. They are in constant fear under the threat of this bill that they may be destroyed by the removal of the present tariff protection against destructive foreign competition. This state of mind is decidedly harmful and particularly so at this very time.

There are numerous examples of mining industry now hesitating under this cloud of fear. We call your attention to the producers of quicksilver and of antimony. Both of these metals are subject to monopolistic control in the foreign countries from whence comes the major part of the world's source of supply. Both of these metals are produced at reasonable costs in the United States. In the event of a disturbance in Europe or Asia, the price of quicksilver and antimony will mount to impossible figures and our domestic supply will be sorely needed. It must be remembered that the production of metals by underground method cannot be restored in any brief period of time.

Our Government is particularly interested in the production of potash within the confines of continental United States. There is a long history behind the bringing into production of ample quantities of potash to supply the entire needs of this Nation. In the Congressional Record of April 14, 1934, on page 6531 and thereafter, Senator Hatch of New Mexico, is quoted in a clear and able statement with exhibits attached, setting forth the story of our Government's success in the finding, development, and production of this vitally important mineral. This Congress in June 1926 enacted legislation which provided \$500,000 for the finding of potash. The deposits were drilled out and developed and there is today a thriving industry which has come into being, employing increasing numbers of workmen, and fitting in splendidly with the very objectives of the National Industrial Recovery Act. The production costs of these properties are such that we can compete with the well-known German production.

Today, however, we are faced with new developments in Russia, which are in actual operation and production and which have already placed potash in our market in the United States at prices with which we cannot compete. It is not necessary to dwell on the Russian labor condition or for that matter on the Spanish, but the fact remains that the potash industry of the United States developed by our own Government to fill a most vital need now operates under a cloud of fear made real by the provisions contained within the bill before you.

We desire to record our protest in behalf of the mining industry against the delegation of power to sacrifice that industry. We protest the transfer of legislative power to the executive, we urge that no change shall be made in the power of those governmental agencies through which business prosperity in the past has been developed. No more revolutionary effort has ever been made in this country than that which proposes to take from States and local communities their right to be heard in matters of vital importance.

Practically all of the mining industries of the United States are deeply concerned in the matter of this pending legislation. They are struggling loyally to carry out the national program as they understand it at the present time. By modern methods and improved technique they will continue to struggle to bring production costs down to the point where we will be able to secure our just and warranted share of international trade. We submit and insist that in the event that our Government enters into foreign trade agreements with foreign governments or instrumentalities thereof that provisions be made for our industries to be heard before their Congress and its properly qualified investigative agencies.

TESTIMONY OF ROBERT HOOD, REPRESENTING THE NATIONAL COOPERATIVE COUNCIL

The CHAIRMAN. Mr. Robert Hood, National Cooperative Council.

Mr. HOOD. Yes, sir.

The CHAIRMAN. How much time, Mr. Hood?

Mr. HOOD. Five minutes, possibly 10.

The CHAIRMAN. We will give you 5 minutes. You represent the National Cooperative Council?

Mr. HOOD. The National Cooperative Council is a federation of practically all of the large so-called "farmer business cooperative organizations" of the country.

Senator KING. Is that the Farm Bureau, represented by Mr. Chester Gray?

Mr. HOOD. That is a general farm organization. The National Cooperative Council is an organization of national farm business cooperative organizations, farmers' cooperative purchasing, et cetera.

Senator KING. Are there any farmers in it?

Mr. HOOD. Oh, yes; about one and a quarter million, according to the Farm Credit Association. We wish to take a constructive attitude toward this bill, and therefore instead of voicing any of our objections, I should like to confine myself to a statement of the changes which, if adopted, would remove the reasons for our criticisms.

I offer a resolution adopted by our executive committee a couple of weeks ago, and I request that it be recorded in the record.

In brief, the resolution set forth the handicaps and disadvantages to agriculture which, in the judgment of the council, justify this committee in favoring the products of American farms with respect to tariff bargaining.

I need not outline the disastrous condition of agriculture, because you men have been dealing with it on the Senate floor for many months. We have noted with genuine satisfaction that the Secretary of Agriculture, in testifying before this committee last week, indicated the desirability of assistance to agriculture which might be possible in connection with these trade agreements.

While the administration thereby has shows its intent and while we believe the President will seek to protect American agriculture, we believe it would be a wise protection to the President to so amend the bill as to prevent his subordinates from handicapping agriculture in their negotiations.

To this end the council suggests some such amendment as the following:

No proclamation shall be made reducing any import duty on any farm-produced commodity of which in either one of the two calendar years last completed there was produced in the continental United States sufficient quantity to supply 70 percent or more of the quantity thereof consumed in the United States in such year.

Our choice of the figure 70 percent is very frankly rather an arbitrary one, but it is intended to take care of the great bulk of farm products.

The CHAIRMAN. Would you object to a similar provision being written in with reference to industry generally?

Mr. HOOD. Our viewpoint is that the inequality between agriculture and industry justifies safeguarding agriculture in this case.

The CHAIRMAN. As I understand you, you are in favor of that, but not in favor of the other.

Mr. HOOD. Well, we feel that we are not qualified to either favor or oppose such a limitation with respect to nonagricultural commodities. We have no objection to any reasonable modification of that amendment which would accomplish the purposes which we are seeking. We would also suggest that the purpose might be accomplished by the insertion of a few words in the first section, where the purpose of the bill is stated. Such additional language as this:

And in order to bring about an equality of opportunity for agriculture.

In other words, let it be set forth clearly in the bill that one of the purposes in the bill is to remedy the inequality that exists at the present time.

We would also suggest to the committee the wisdom of allaying the fears of all agriculture by clarifying the term "excise treatment" where it appears, I believe, on the second page, in order to eliminate any danger of removing or curtailing the excise taxes upon imported vegetable oils, which are included in the revenue act of 1934.

The CHAIRMAN. The bill specially freezes the existing excise customs duties.

Mr. HOOD. Attorneys for our organizations found themselves at odds with each other as to the significance of that language.

Mr. HOOD. If that is clear, in the judgment of the committee, we are delighted.

The CHAIRMAN. It is the intention of those who framed this legislation that those excise duties are not to be reduced, but they may be continued; in other words, they are frozen.

Mr. HOOD. Splendid. We would further suggest that there be added at an appropriate point language which will make it clear that no provision of the act will permit the removal of limitations or prohibitions intended to protect the standards. For instance, it would be rather unfortunate if, say, the foot-and-mouth embargo could be removed.

The CHAIRMAN. They have not been removed for a number of years, have they, on this stuff that they say the Argentine animal has.

Mr. HOOD. It is a case of "On again, off again, Finnigan."

The CHAIRMAN. It has been off ever since I have been here.

Senator CLARK. Do you think there is any particular probability that the President of the United States or any responsible department would wish to break down any quarantine regulations that have been established?

Mr. HOOD. He certainly would not do it knowingly.

Senator CLARK. If he did not do it knowingly without the amendment that you suggest in the act, it does not seem to me that the amendment would have any force. In other words, nobody wants to break down quarantine regulations or endanger public health, and it does seem to me that this act ought not to be required to provide against every possible contingency of the most speculative character, which that seems to me to be.

Mr. HOOD. Of course, our intent is to protect him against well-meaning subordinates.

Senator CLARK. If they would not do it knowingly, I do not see how you protect him by writing it into the statute, if you concede that he would not do it knowingly.

Mr. Hood. If he unknowingly removed such a quarantine, the order would be in violation of the act, and therefore might be very quickly ruled out.

The CHAIRMAN. You would not want to perpetuate an order against a country that has no foot and mouth disease?

Mr. Hood. Oh, no.

Senator KING. I think you need not waste much time on the question of removing sanitary measures or measures in the public-health interest. It is inconceivable that there would be any modification of them.

Mr. Hood. Thank you.

The CHAIRMAN. Proceed.

Mr. Hood. One concluding thought. With all this, we are very favorably inclined toward the idea that some opportunity should be given to hear from the interests which would be affected by a change in the tariff. I understand the committee has had that subject under consideration, and I will not expand on that idea, except to say that we are favorable to the idea of affording us some type of public hearing before these trade treaties or changes in the tariff rates actually come into effect.

The CHAIRMAN. We give you no assurance as to a public hearing, but there will be an opportunity to be heard.

Senator LONERGAN. I want to ask the gentleman a question. You say you have one and a quarter million members.

Mr. Hood. I have not checked those figures. The farm Credit Administration reports to us that we have one and a quarter million members.

Senator LONERGAN. What is necessary to become a member of the organization?

Mr. Hood. The cooperative association must first demonstrate by satisfactory legal proof that it is a cooperative association within the meaning of the Capper-Volstead Act and the Farm Credit Act of 1933. Secondly, its board of directors must adopt a resolution showing clearly that the board directs that an application be made for membership. Then in addition to that the commodity division of the council into which that cooperative would fit must pass upon the application.

Senator LONERGAN. What is the name of this organization?

Mr. Hood. The National Cooperative Council.

Senator LONERGAN. How many States are represented?

Mr. Hood. Every State in the Union.

Senator LONERGAN. Every state in the Union?

Mr. Hood. Yes, sir.

Senator LONERGAN. Is it your idea that in the exchange of commodities preference should be given to farm products?

Mr. Hood. Precisely.

Senator LONERGAN. That we should promote the sale of farm products in foreign countries and in entering into the agreement to reduce the sale of the products manufactured.

Mr. Hood. If that is a corollary to the first proposition, then yes. Agriculture now stands at a 76 index of articles that the farmers sell, weighted averages, according to the figures of the Bureau of Economics.

Against an index of 120 and something of the products which the farmer must buy that enter into the cost of production of his products. That ratio is 8 points worse, even, that it was a year ago, for instance.

If I remember the figures it was 71 last July, and it is 68 today. This condition has been continuing for a number of years, and we simply think that at every opportunity such as this bill affords we should insure the products of agriculture of having their opportunity for export, particularly those of which we have surpluses, and that in the treaty bargaining that is carried on it should not be at the expense of exportable agricultural commodities. That is our whole proposition in a nutshell.

Senator LONERGAN. That would mean, then the manufactured products from abroad.

Mr. HOOD. If it is necessary to take some manufactured products from abroad in order to move some of our surpluses abroad, then we will favor that.

Senator LONERGAN. That is all.

The CHAIRMAN. That is all. Thank you. Mr. Flynn, I understand you wanted to appear for Mr. Woll.

Mr. M. J. FLYNN. I do. Mr. Woll is unable to get here.

STATEMENT OF M. J. FLYNN, REPRESENTING THE AMERICAN WAGE EARNERS' PROTECTIVE CONFERENCE

Mr. FLYNN. I am the executive secretary of the American Wage Earners' Protective Conference.

The question before the Congress, in the authorization to the President to enter into reciprocal trade treaties with foreign nations, without public hearings and without ratification of any such treaties by the Senate, is rather simple.

The question is, shall we change our present course and seek to increase the purchasing power of foreign nations or shall we continue to seek to increase the purchasing power of our own people?

During the past few years the American people have spent billions of dollars in an effort to eliminate the present depression, to increase purchasing power, to provide employment opportunities for America's workers, and to make possible a profitable market for the products of America's farms and mines.

The proponents of this legislation contend that an increase of some 3 billions of dollars in our export trade will lift us out of the present depression. However, they also contend that in order to make possible the exporting of these 3 billions of dollars' worth of articles and commodities we must import additional billions of dollars' worth of foreign commodities and merchandise.

The proponents point to our export trade of 1929. They seemingly neglect or forget the conditions which made possible the exporting of some 5 billions of dollars worth of American products in 1929. They neglect to point out that large portions of those exports were paid for in I.O.U.'s, or with money which our people had loaned foreign nations and foreign nationals. They neglect to point out that most of the bonds which we purchased have defaulted in their interest payments and greatly depreciated in value. They fail to point out that most of the I.O.U.'s have been charged off to losses, to the greater loss of our Government in the form of tax collections. More important, they fail to point out that these exportations of 5 billions of dollars were based upon a price structure of about twice what current prices of the same articles and commodities were in 1932.

In 1929 we received an average of 19 cents per pound for the cotton we exported, while the average price we received for our exports of cotton for 1932 was only 7 cents per pound; we averaged 26 cents per pound for our exports of tobacco in 1929, while during the year 1932 we averaged only 16 cents per pound on the tobacco we exported; we averaged \$1.25 per bushel for our exported wheat in 1929, while in 1932 we averaged only 60 cents per bushel for the wheat which we exported; we averaged 12½ cents per pound for the packing-house lard we exported in 1929, while in 1932 we averaged less than 6 cents per pound on our exports of lard. In 1929 we received 18 cents per pound for our exports of copper, while in 1932 we received but 6 cents per pound for the copper we exported. In 1929 we received \$1 per bushel for our exports of corn, while in 1932 we received only 35 cents per bushel for our exported corn.

The drop in the export value of these 6 commodities is but 50 per cent, while the drop in the purchasing power of the workers amounted to 60 percent.

Naturally, with the price structure prevailing in 1929, our exports in value amounted to 5 billions of dollars, especially when in many cases we received in payment not cash but some form of payment which in too many cases we have yet to realize upon.

America's industrial workers, opposing entry into reciprocal trade treaties with foreign nations without first having the opportunity of a public hearing, and, secondly, without ratification by the Senate of any treaties entered into with foreign nations, contend that our own assurance of safety, our assurance of providing employment of opportunities of America's unemployed millions, our assurance of providing and of maintaining a market for the products of our farmers, lies in substantially increasing the mass purchasing power of our 50,000,000 workers.

The Census of Manufactures reports that those engaged in or employed in manufacturing industries in the United States in 1929 received in wages some 11½ billions of dollars; salaries paid in the same industries were some 3½ billions of dollars; with some 36½ billions paid for materials and containers, or a total of some 52 billions of dollars.

It is quite generally understood that the present administration seeks to restore the price levels and conditions which existed in 1926.

Table 325, Employment and Pay-Roll Indexes in Manufacturing Industries, as shown in the Statistical Abstract of the United States, 1933, published by the Department of Commerce, based on an index for 1926 of 100, shows that the 1929 index for pay rolls in these manufacturing industries was 100.5. The index for 1932 for pay rolls in the same industries had dropped to 41.6.

In other words, those engaged in or employed in our manufacturing industries alone suffered a loss in purchasing power of from 52 billions of dollars to some 20 billions of dollars. Instead of chasing this lost 3 billions of dollars in export trade, based upon the price structure of 1929, we believe it safer, saner, and more constructive to bend our energies toward regaining this lost 30 billions of dollars of purchasing power formerly possessed by those employed in or engaged in manufacturing industries alone.

The compilation I have just cited pertains only to manufacturing industries. This compilation does not include those employed in or

engaged in steam and electric railways; in mining, quarrying, or oil production and refining; in building; in wholesale or retail trade in hotels; in canneries, and so forth. We understand that the wages and salaries paid to those employed in or engaged in these nonmanufacturing groups amounted to more than 12 billions of dollars in 1929.

We know that the loss in purchasing power of 1932 as compared with 1929 was as great as that suffered by those in the manufacturing industries.

The Statistical Abstract of the United States for 1933 contains a table showing the estimated gross income of American farms for 1929 and for 1932.

We note that this shows the income for 1929 at some 12 billions of dollars, while for 1932 it was some 5 billions of dollars, or, in round figures, a drop in purchasing power for those located on American farms of some 60 percent from that of 1929. Thus, the drop in purchasing power of those employed in or engaged in manufacturing and nonmanufacturing industries and of the farmers was practically the same.

We find that the 1929 purchasing power of some 75 billions of dollars, possessed by the three groups which I have just referred to, had dropped to some 30 billions of dollars in 1932.

It is contended by those who wish to experiment with these reciprocal trade treaties with foreign nations that in order to enlarge our exports we must enlarge our imports.

What are those articles or commodities which those representing the United States in these bargaining tariffs will agree to facilitate the importation of without injury to the employment opportunities of America's workers, or the destruction of the market in the United States, for the products of the American farms.

The press reports that farm organizations have been led to believe that importations of farm commodities will not be increased under these proposed reciprocal trade treaties. Is this possible?

Can we enter into reciprocal trade treaties with any nation on the American continent without accepting from such nations farm products?

Canada, Mexico, Argentina, Brazil, Patagonia, to mention but a few, have surplus dairy and cattle products, other nations have surplus fruits, vegetables, sugar, etc.

All of these farm products of these foreign nations are produced at total costs which are so much less than the costs which prevail on American farms that the prices which the American farmers would be forced to accept for domestic products in competition with the products imported as a result of our entering into reciprocal trade treaties that the American farmers would be worse off than they are today.

When we look at Europe what do we find? With few exceptions they have, or they can easily arrange to have, a surplus of industrial products which they may be willing and anxious to trade to us in return for some of our surplus farm products.

In the case of most of the industrial products of Europe the labor costs of production is so much lower than the labor costs of similar goods, the products of America's workers, that hundreds of thousands of our industrial workers would necessarily be deprived of employment opportunities. Again, and well worth your having in mind, is

the fact that capital is very mobile. Already we have a number of American factories in foreign countries. Not only would these factories be supplying that foreign trade, which only a few years ago was supplied with the product of American labor, but we believe that even the American trade might be furnished with the products of these branch factories, located where the concern has the benefit of cheap labor costs.

In such a situation both America's industrial and agricultural workers would lose the benefits which they now have of the purchasing power of those industrial workers who would necessarily be deprived of employment.

Stressing the point further, what are those surplus products which it is claimed we must dispose of in foreign markets?

Short Staple cotton? Ordinarily we produce some 5,000,000 bales of cotton more than we can market in our own country. However, much of this trouble is not due to loss in our exports as the figures show that our exports of cotton for 1932 was 9,058,000 bales, while for 1929 we exported 7,581,000 bales. The loss of the domestic market to products of cotton is due in part at least to the development of the rayon industry. Congress has just enacted legislation which restricts the production of cotton to some 10,000,000 bales annually, or, with any increase in our purchasing power, to such a figure that the cotton planters won't have to worry about the export market.

Insofar as it is legislatively possible, you have already eliminated the need of looking for foreign markets in which to dispose of our surplus cotton production.

We have a surplus ordinarily of about 20 percent of the wheat which we produce. Eighty percent of our wheat is sold in the domestic market, and we understand that we, American consumers, pay some 15 cents per bushel more for our wheat than is paid for the same type of wheat the foreigners buy from us.

We have tried to obtain a fair compilation of the net prices which the American farmer secures for his farm products as compared with the selling price plus transportation costs of similar farm products from other agricultural countries without success.

We believe that if such a compilation was prepared it would show that with the higher standards of living which ordinarily prevail in our own country the American farmer nets far more than he would through our entry into reciprocal trade treaties with foreign countries, which, as we view it, means the forced unemployment of additional hundreds of thousands of America's industrial workers.

A hue and cry is raised from time to time of the necessity of our increasing our sales of American automobiles in foreign countries. It is claimed that we can undersell the foreigners in their own countries due to some supposed wizardry which we possess.

This is not true. We can undersell the foreign producers of automobiles solely because of the vast market for automobiles which exists in our own country.

Not alone is this true but several of the large American automobile producers now possess plants in foreign countries. Will it be contended that they will dismantle these foreign plants and supply any increased trade which they might secure with the products of Detroit, Cleveland, and so forth?

Realizing the necessity at this time of installing confidence and eliminating fear, as much as possible, we believe that the authorization to initiate and conclude reciprocal trade treaties with foreign governments, without hearings to those affected, and without final ratification dependent upon action of the Senate, will result in employers of labor hesitating or refusing to produce, except for immediate sale, which means increasing unemployment for America's industrial workers.

Mr. Chairman, I want to here mention a question which was just raised with the previous witness as to excise taxes.

The treaty signed with Colombia, of which a press release was issued by the State Department on December 15, 1933, specifically prohibits the United States from placing excise taxes on imports of Colombia.

In answer to a suggestion of Senator King on the efficiency of American workers, I want to say that the Tariff Commission in its comments in various parts of the report which was made to the Senate as the result of the resolution presented by Senator Costigan, has found in numerous instances that the foreign, that is, cheap labor, is highly productive, which offsets any thoughts of our supposed advantage.

The CHAIRMAN. Thank you very much.

Mr. FLYNN. Mr. Chairman, as a part of my remarks I would like to present a letter which was sent to the members of Congress.

The CHAIRMAN. Very well.

(The letter is as follows:)

MARCH 12, 1934.

HONORABLE SIR: With some 10 millions or more workers unemployed it is most natural that those who are employed and those hopeful of securing employment are apprehensive and fearful of any legislation which may result in sharply decreasing employment opportunities for America's workers.

Enclosed herein you will find a copy of an address by President Matthew Woll which sets forth clearly the attitude of America's industrial workers.

While it is true that our export trade, during the depression, dropped from some 5 billions in 1929, to 1,600,000,000 in 1932, it should be borne in mind that our export trade represents but 5 percent, while our domestic trade is some 19 times more important.

The United States Tariff Commission, in a report dated March 1, 1933, shows that the drop in our export trade resulted in 500,000 workers (industrial and agricultural combined) being deprived of employment opportunities. This number is but 5 percent of the number of workers who have been deprived of employment opportunities as a result of the drop in our domestic trade.

The same Tariff Commission report shows that an increase of 12 percent in the wages of our industrial workers would, of itself, offset the entire loss of our export trade.

Table 325, "Employment and Pay Roll Indexes in Manufacturing Industries, Statistical Abstract of the United States for 1933," shows that for 1929 the index for employment was 97.5, while for 1933 the same index was but 60.1. The same table shows that wages in 1929 were at 100.5, while for 1933 the wage index was reduced to 41.6.

These figures show clearly the loss in employment and wages and consequent loss of purchasing power to America's industrial workers. These figures illustrate the importance of our domestic trade in contrast with possible advantages we may gain through authorization of reciprocal trade treaties.

There is further doubt of the value of foreign trade when we realize that exports to Europe, Asia, and South America must be paid for in imports of manufactured goods, agricultural products or minerals, or I.O.U.'s.

The imports, manufactured goods, agricultural products or minerals, will be produced at wages and working hours entirely at variance with similar products produced under codes of National Recovery Administration, and, at labor costs which the products of America's workers cannot compete with, unless America's

workers are expected to work at European, Asiatic, and South American wage levels. Should we accept payment in I.O.U.'s are such debts to be paid on the same basis as those debts contracted when "We saved the world for democracy"?

Those advocating reciprocal trade treaties, without hearings to those affected, or, without ratification of such treaties by the Senate, advance the theory that such reciprocal trade treaties would be made principally with south Central American and Asiatic countries. This would mean that we must import large quantities of farm, cattle, dairy, and mineral products, which imports would further depress the purchasing power of the American farmers, dairy, cattle and mineral producers by depriving them of the market they now have—America—and, further, forcing them to accept prices for their products based on foreign costs, which prices would be ruinous to them.

America's industrial workers are opposed to any legislation which is injurious to the best interests of the American farmers. The American farmers are the principal purchasers of the products of America's industrial workers relatively the same as the purchasing power of America's employed industrial workers constitute the principal and only sustained market for the products of American farmers.

The marking of reciprocal trade treaties with foreign governments, would, of necessity, be delegated by the President to some group. Necessarily, in delegating such power, he would lay down some formula for such agency to be governed by so that the American public could foresee what he had in mind.

Some authorities contend that tariff duties should be wholly eliminated when importations do not exceed 5 percent of domestic production, or, when our imports exceed our exports, or, when equivalent ad valorem tariff duties exceed 50 percent.

An analysis of the report of the Tariff Commission, in response to Senate Resolution 325, Seventy-second Congress, based on the above formula would necessitate the immediate reduction of 35 percent tariff duty on most of the principal farm products, mineral and manufactured products named in the Tariff Act of 1930.

Realizing the necessity at this time of installing confidence and eliminating fear as much as possible, we believe that the authorization to initiate and conclude reciprocal trade treaties with foreign governments, without hearings to those effected, or, without final ratification dependent upon action of the Senate, will result in employers of labor hesitating or refusing to produce, except for immediate sale, which means increasing unemployment for America's industrial workers.

In addition, we fear the American farmers, faced with the possible loss of this tariff protection, will hesitate to make the improvements in their property and their equipment so necessary for the continued employment of America's industrial workers. The equivalent ad valorem tariff protection now accorded to the products of American farmers, which we do not complain of or seek the reduction of, may be judged from the following taken from the report of the Tariff Commission, based on imports for 1932: Wheat, 55 percent; corn, 57 percent; dressed beef, 63 percent; beef or veal, pickled, 83 percent; canned meats, 68 percent; frozen meats, 68 percent; butter, 66 percent; whole eggs, 88 percent; sweetened condensed milk, 62 percent; casein, 76 percent; cleaned rice, 102 percent; lemons, 92 percent; fruit juices, 84 percent; citric acid, 115 percent; sugar, 116 percent; long-staple cotton, 55 percent; cottonseed oil, 51 percent; shelled peanuts, 246 percent; flaxseed, 100 percent; beans, 84 percent; soybeans, 103 percent.

In view of the conditions now existing we sincerely believe the authorization to negotiate and conclude reciprocal trade treaties without ratification by the Senate will seriously retard the opportunity of our ten million or more workers securing profitable employment.

Respectfully submitted.

M. J. FLYNN, *Executive Secretary.*

The CHAIRMAN. Is Mr. H. B. Fell of Tulsa, Okla., representing Independent Petroleum Association of America, present?

(No response.)

The CHAIRMAN. Is Mr. F. J. Harwood, of Appleton, Wis., representing the Lockport Felt Co., here?

(No response.)

The CHAIRMAN. Mr. W. R. Peabody?

Mr. PEABODY. Yes, sir.

The CHAIRMAN. How much time do you want, Mr. Peabody?

Mr. PEABODY. I will try to cut my remarks, but even so, I would require about one half hour.

The CHAIRMAN. We will give you 10 minutes.

Mr. PEABODY. I represent the American Tariff League.

The CHAIRMAN. I understood you were representing yourself.

Mr. PEABODY. I do not know how that got in the record. I am here for the American Tariff League.

The CHAIRMAN. Won't you just withhold for a few moments and let us get through with a few of these who will take a little shorter time, so that we can expedite the hearing a little?

Mr. PEABODY. Certainly, sir.

The CHAIRMAN. Is Mr. Frank X. A. Eble present?

Mr. EBLE. Yes.

The CHAIRMAN. How much time do you want?

Mr. EBLE. I will make it short.

The CHAIRMAN. Proceed.

STATEMENT OF FRANK X. A. EBLE, MANAGER OF THE AMERICAN MATCH INSTITUTE, NEW YORK CITY

Mr. EBLE. The American Match Institute is the trade association of the American match industry. The membership of the institute comprises practically 100 percent of the entire industry. The members of the institute are as follows: Atlas Match Corporation, Bell Machine Co., Berst-Forster-Dixfield Co., the Diamond Match Co., Federal Match Corporation, General Match Co., Lion Match Co., Inc., Merchants Industries, Inc., Ohio Match Co., Pacific Match Co., Palmer Match Co., United Engineering Corporation, Universal Match Corporation, West Virginia Match Corporation, Wisconsin Match Corporation.

The American match industry is the most efficient in the world. Our factories are the most sanitary. We pay the highest wages and we have the shortest working hours.

American match factories are located in 12 different States in the Union. These States are as follows: California, Washington, Maine, Ohio, Missouri, Wisconsin, Minnesota, West Virginia, Pennsylvania, New York, New Jersey, and Massachusetts.

The finest quality of raw lumber in the world used for making match splints is grown and cut in Michigan, California, Maine, Wisconsin, Minnesota, Idaho, and Washington.

The members of this industry are in sympathetic accord with President Roosevelt's desires and aims to enliven our international trade. All agree that something should be done to retrieve our lost foreign markets. We were all impressed with the predictions made before this honorable body last week, of the chaos and calamity in store for us if the powers sought for the President through the provisions of this bill are not granted. Such statements have only added to our perplexities and misgivings about the curative effects of this new administrative endeavor of the executive branch of our Government.

We have heard much in recent months about experimental approach of problems confronting the Nation. We are about to enter into a new field of experimentation and, alas, one in which we are many years behind our foreign brethren.

Now, gentlemen, I do not like to talk about my own personal opinions, but I have served my Government 19 years.

Fourteen years of that was spent in the Customs, and for a period of 7½ years (1922 until 1929) in charge of the foreign market value and cost of production investigations of various lines of merchandise exported to the United States from nine of the leading countries of central Europe, and I believe that I can speak with some degree of knowledge with reference to our international trade relations with those countries which were located in my official district.

There I had ample opportunity to study the values and costs of production and factory operations of almost every important commodity coming into our country. In addition to that, I had the novel experience of being the Customs adviser in the Commission to Poland, and with all of this experience, I look over the background, and having had an opportunity to observe some of these treaties in operation, and when I realize how inexperienced our own experts, men who are untried, I want to tell you, gentlemen, that I am considerably alarmed about the outcome of this bill.

I am not looking at it as a political question. It is true that tariff is a political question, but, gentlemen, you now are discussing and considering a business man's question.

To say, gentlemen, that I am apprehensive of the outcome of this new experimentation in a new and untried field of administrative endeavor is putting it very mildly.

The underlying causes of the present economic ills of the world, and incidentally of our own country, are far too deep rooted to give way to any such palliatives as reciprocal trade treaties. I say present economic ills, because we are now in the second stage of this world depression. This stage began when many of the leading nations of the world debased their currencies and we are still in the midst of this era.

This era had its inception on September 21, 1931, when England announced to the world that it had abandoned the gold standard. England's action caused great consternation in international trade circles. Other nations followed rapidly in her footsteps so that in the spring of 1932 practically one half of the nations of the world had debased their currencies. At that time 43 percent of the importations arriving in the United States originated in countries which had abandoned the gold standard.

While I was Commissioner of Customs, I observed that 43 percent of all our importations came from countries which had debased their currencies.

It was then that the nations of the world began the grand scramble to bargain with one another and to negotiate reciprocal treaties, in order to hold on to their vanishing export trade. Some gold-standard countries initiated reprisals in the form of special duties which were levied on merchandise imported from countries which had debased their currencies. Indeed, our own Congress was petitioned to enact legislation which would offset the advantages the products of depreciated-currency countries enjoyed in our own markets.

It was during this era that the sterling bloc fortified its lines of communication at the Ottawa conference and started off three jumps ahead of all the other nations.

I spent the first 9 months of last year in Berlin, in the capacity of United States Treasury attaché and I will never forget the dismay

which was created in the hearts of exporters throughout central Europe when they first became aware of the possibility of the United States abandoning the gold standard.

As you remember, the United States dollar first sold off slightly in the spring of last year, and notwithstanding the repeated assurance that the United States would not abandon the gold standard, a feeling of apprehension existed. When the dollar dropped to lower levels and subsequent events substantiated their fears, many of these exporters became panicky because their contracts with American importers were payable in United States dollars. Shipments were held up, orders were canceled and long-term contracts in the process of negotiation fell by the board.

Now, gentlemen, I am speaking from actual knowledge. I am not speaking from newspaper reports or written statements. I am speaking from personal appeals that were made to me in my office by these manufacturers, by these exporters, and what I am saying here is based on fact.

American buyers in France, England, and other foreign countries were called home. The buying of merchandise for exportation to the United States immediately took the form of hand-to-mouth purchases. Confidence was shattered and there was no such thing as stability in international trade. This condition continued and became more critical from month to month until there arose on the horizon of the economic world a new ray of hope when the World Economic Conference was called to meet in London. It was, as you know, a dismal failure. The world received the shock stoically. However, the failure of this conference was the greatest blow to international trade that the world has ever experienced. It has not yet recovered and it never will until the nations of the world meet on common ground and stabilize their currencies. This is what is needed, and this alone will rehabilitate international confidence and remove the existing obstacles to a normal flow of international trade.

I maintain that this reciprocal treaty endeavor is merely a fantastic dream. It has not got one iota of practical sense from a business man's standpoint.

We fail to see wherein the economic situation of the United States can be improved one iota in this new and untried administrative endeavor.

Then there is the Japanese menace to world commerce. The United States Daily of yesterday, in a well-written article headed "Japan Undersells the World" graphically illustrates this new economic colossus which has arisen to add additional turmoil to an already harassed world.

The Honorable Richard Washburn Child, special representative of President Roosevelt, in a recent interview given out in London to a representative of the United Press, stated that Japan was a menace to world trade and that lower living standards were one of the dangers which confronted all civilized nations because of Japanese aggressiveness in the markets of the world.

I may mention, without going into personalities again, that while I was commissioner of customs, I brought attention to this Japanese menace, and I believe I was the only Government official that did bring that to attention. I was requested to soft-pedal on it, and I want to tell you that Mr. Richard Washburn Child is the first high

official of the United States Government that has publicly brought this to the people's attention.

Senator BARKLEY. What is the approximate date of that statement you have just referred to?

Mr. EBLE. I have it in my files.

Senator BARKLEY. What year?

Mr. EBLE. The statement was made about 3 weeks ago. Just before he started home.

Senator BARKLEY. Mr. Richard Washburn Child——

Mr. EBLE (interposing). He is the special representative of the President of the United States.

Senator BARKLEY. Is he on his way home now?

Mr. EBLE. I have heard that he was. I am not positive.

Senator BARKLEY. Very well.

Mr. EBLE. The match industry of the United States is fully aware of the dangers involved in Japanese competition. During the past 18 months this industry has seen Japanese imports of safety matches increase nearly 600 percent.

Thousands of men and women are employed in our factories and approximately 5,000 homesteaders, farmers, and others are engaged in supplying American match manufacturers with the raw lumber from which match splints are made. Many hundreds of these employees and farmers are walking the streets today because some of our factories have been forced to close down on account of the heavy imports of Japanese and other foreign matches. Indeed, the American match industry has never been free from the disastrous effects of foreign competition, for during the past 10 years about 10 match factories have closed down completely and gone out of business.

The United States is a natural matchmaking country. The American match industry has abundant raw materials and sufficient plant capacity and equipment to produce more than two and one half times as many matches as are needed to supply the entire consumptive demands of the American market.

The American match industry has but one market for its products and that is, the American market, because our industry is barred from almost all countries of the world, either because of government-owned and controlled match monopolies, or other restrictions, such as the Canadian excise tax which has the effect of an administrative embargo on American-made matches.

Notwithstanding all this, American match manufacturers are constantly being bombarded by imports from many foreign countries. Indeed, 10 years ago, during the calendar year of 1924, safety matches were imported into the United States from 24 different countries.

The total importations of safety matches from foreign countries for the calendar year of 1933 amounted to 3,943,012 gross. This is equivalent to 667 carloads or 13 trainloads of 50 cars each, or 13 carloads for every State in the Union. Gentlemen, this represents practically one half of the total consumption of safety matches in the entire American market.

Eighty percent of these imports from came Japan. Japanese matches are being offered on our markets at prices which are 40 percent under the production cost of American-made matches.

Increased imports are now arriving from Russia. The Russian imports are of the white-splint type and these, too, are being offered at prices far below the American cost of production.

In addition to this the first carload of book matches, which heretofore have always been distinctly an American product, arrived on the Pacific coast a few weeks ago from Japan. These matches, which are used as an advertising medium and given away free to smokers by the Nation's greatest advertisers, are being sold at prices far below the production costs of the American manufacturers.

In 1929 the American match industry was subjected to one of the most crucial experiences in its history. The Swedish match king, Ivan Kreuger, attempted to gain control, not alone of the American match industry, but of the entire match-producing facilities of the world. The American match industry has not yet recovered from the effects of the unscrupulous and ruthless Kreuger manipulations. We are told that approximately 25,000 American citizens invested \$225,000,000 in the Swedish match trust. The story of the match king's career, his manipulations through the Swedish match trust, and his suicide has been published and told in romantic form, but, nevertheless, there is nothing but tragedy in the trail of loss and ruin which he left behind him. One can sympathize with the American investors. Think of it—\$225,000,000—why, this is nearly three times more than the invested capital of the entire American match industry.

The American match industry is supporting the administration's recovery program 100 percent. It is operating under the match code. It has increased wages 28 percent and reduced the number of working hours per week. The President has again asked the American match industry to further reduce the weekly hours of labor without any reduction in wages.

Senator BARKLEY. Did you increase your prices?

Mr. EBLE. I would like to put that into the record, with all of the force of the English language I can command. The price of a box of matches that was a penny is still a penny, and the 5 cent box is still 5 cents, notwithstanding that we have all of those additional costs to our product, and that we are paying 6½ million dollars in excise taxes that goes into the Treasury of the United States, and is not passed on to the consumer.

Senator BARKLEY. Is the industry as a whole making any money?

Mr. EBLE. The safety box manufacturers are not making any money at the present time.

Senator BARKLEY. Before they raised their wages 28 percent, they were making money?

Mr. EBLE. Their prices to the wholesalers were lower then.

Senator BARKLEY. What I am speaking about is this, that unless you have a considerable surplus laid by, you could not increase your wages 28 percent without increasing your income.

Mr. EBLE. I will tell you how the increase was passed on. It was passed on to the wholesaler and the jobber, and not to the public.

Senator BARKLEY. You did increase your prices?

Mr. EBLE. Not to the public.

Senator BARKLEY. That is the wholesalers and jobbers business.

Mr. EBLE. Yes.

All the members of the American match industry are in deep sympathy with the President's recovery program and are generous in their praise of his past efforts and agree that he is entitled to great credit for the industrial and economic recovery thus far attained. They wish they again could be as prompt in meeting the President's recent request. However, conditions confronting the industry are

far from being favorable. To add any additional burdens in the form of increased production costs at this time would merely be giving additional advantages to the foreign manufacturers of matches, who for the past 18 months have been forcing us out of the one and only market we possess for our products. While the entire American match industry has thus far supported the N.R.A. program, and will continue to do so, the members of this industry feel disheartened and discouraged because of the Government's delay in giving us adequate relief from the menace of foreign importations.

There is at the present time a provision of law in the National Recovery Act which is supposed to afford relief to American industries which are suffering from destructive foreign competition. Under date of October 27, 1933, the American match industry appealed to the President for relief under the provisions of section 3 (e) of the National Recovery Act. Under the provisions of this act the President has authority to levy a fee, restrict, or even embargo imports which endanger the maintenance of any code. Up to this date, May 1, no relief has been granted.

Members of this industry are dismayed over the delay in reaching a decision on our appeal for relief and they can not understand why it should take 6 months to make a finding favorable to our industry. We have no assurance even now that the decisions when they are made will be favorable because we are told that ambassadors, ministers and their attachés of all the foreign countries interested in exporting matches to this country have appealed to the State Department and the White House in an endeavor to frustrate us in our efforts for relief. This is indeed a sad commentary on our representative form of government.

Now you can understand, gentlemen, why we are apprehensive over the bargaining provisions of this bill. We are asked to have confidence in the President. To leave this matter in his hands and that no injustice will be done any industry. What assurance have we, that he personally, will handle these matters? We have every confidence in President Roosevelt's integrity, his sincerity, his honesty or purpose and the great spirit of leadership which he has so ably demonstrated during the first year of his administration, which everyone will admit was most trying, but every individual familiar with the inner workings of the executive branch of our Government knows full well that President Roosevelt will not personally negotiate these reciprocal treaties and personally consider the infinite variety of factors involved. That, of course, is self-evident. The many thousands of items to be bargained with will certainly require a staff of experts conversant not only with the technicalities of tariff-making, but with conditions affecting the industries concerned at home and abroad. Where are we going to find the rare combination of such knowledge in the personnel of this body of experts?

If the State Department is desirous of having the time limit removed or extended, that in itself would be evidence of the admission of the gigantic task involved, the possibility of the passage of years, taxing the ability of a large staff of experts, before final agreements satisfactory to all are reached. I raise these questions not facetiously but as a matter of practicability. There are only a few men in the world who know anything about tariffs, let alone about the principles of equitable tariff making.

We are told that matches are on the list of items to be bargained with foreign countries when reciprocal treaties are to be negotiated. Senator BARKLEY. You did not get that out of one of Secretary Wallace's speeches, did you?

Mr. EBLE. No, sir; I think we got it out of the Costigan report.

Is our industry designated as one of the inefficient institutions because we have a higher wage scale than any match manufacturing country in the world? Are Japanese match manufacturers and producers to be considered more efficient because they operate their plants on a more economical basis with a wage scale for female labor of 1 cent an hour for a 10-hour day? Bear in mind, gentlemen, I said maximum, while the minimum wage scale in an American match factory is \$15.20 per week. Is our industry to be sacrificed on the altar of international trade because we have a 40-hour per week schedule of work, against the 60-hour week prevalent in Japan? Are the thousands of men and women employed in our factories to be treated as pawns in the hands of individuals negotiating these reciprocal treaties? Are they to be sacrificed in an endeavor to salvage the millions of dollars invested in a Swedish match trust, which is now in the hands of receivers? The American match industry was not associated with these foreign interests, nor was the industry in any way responsible for the flotation of stocks and bonds of foreign match corporations.

The American match industry represents an investment of approximately \$85,000,000. Is the capital invested in this industry to be jeopardized or wiped out simply because Russia, through a system of confiscation of industries and without any capital investment, can produce matches more cheaply?

For many years every proposed legislative enactment involving tariff or tariff adjustment has always been a subject of intense and even bitter political debate. This question now before your honorable body is not a political question. It is a commercial question of the greatest import to the Nation. It is closely interwoven with the fundamentals of American industry, agriculture, and labor. Indeed, it is a question of vital interest to every farmer, business man, and workingman in our country. All three classes cannot help but be confused when they read and hear the maze of bewildering and conflicting thought expressed by various leading citizens with relation to the merits of this bill.

The latest urge to pass this bill has come from the distinguished gentleman, the former Secretary of State under the Hoover administration. In a very recent speech broadcast over a national hook-up, Mr. Stimson stated that congressional or Tariff Commission duty revision is too slow. Now, if anyone can point out a single department of the United States Government which has less speed than the Department of State, the affairs of which the distinguished gentleman administered during the Hoover administration, he certainly should be rewarded with the Congressional Medal of Honor.

I know in one instance where this Department fiddled around more than 6 months in an endeavor to negotiate and pass one reciprocal treaty.

In the spring of 1932 the Commissioner of Customs in Washington received so many complaints from American manufacturers relative

to Japanese competition, low prices, and the loss of their markets, that he conceived the idea of making a collection of the various articles of merchandise imported from Japan. The display also contained a collection of similar competitive articles of the American manufacturer.

All who saw the display were impressed. They all said something should be done. Some suggested that the American Manufacturers' Association or the United States Chamber of Commerce should place a similar display in every big city of the United States to educate the people of the new menace confronting American labor and industry. Certain high officials of the administration, however, were not so enthusiastic about the display. Indeed, there was some thought of prohibiting it altogether. Certain State Department officials cautioned the Treasury Department that it might be objectionable to our friendly neighbor in the Orient. This, in my opinion, was the quintessence of pussyfootism, an affliction quite prevalent in that Department during the former administrations. Later on the display was sent to the Senate Finance Committee where it was buried.

I have the greatest respect for the opinions of the distinguished gentleman who is Chairman of the United States Tariff Commission, but let us look at the recommendation of another individual, also a distinguished gentleman who was the Chairman of the Tariff Commission and who belongs to a different school of political and economic thought—Chairman Taussig, who was appointed by President Wilson to head the Tariff Commission. Chairman Taussig's report on reciprocity and commercial treaties was submitted to the Congress on December 4, 1918, and an extract from same is as follows:

Finally, it cannot be too much emphasized that any policy adopted by the United States should have for its object, on the one hand, the prevention of discrimination and the securing of equality of treatment for American commerce and for American citizens, and on the other hand, the frank offer of the same equality of treatment to all countries that reciprocate in the same spirit and to the same effect. The United States should ask no special favors and should grant no special favors. It should exercise its powers and should impose its penalties, not for the purpose of securing discrimination in its favor, but to prevent discrimination to its disadvantage.

Every business man knows that the price, plus quality, at which a commodity is sold generally regulates its bargaining power. What advantages have we to offer in the way of price for any of our commodities, outside of a few manufactured lines such as automobiles, agricultural machinery, typewriters, adding machines, and a few other products of the durable industries. Are we going to be able to compete with Indian and Egyptian cotton when we realize that the price of Indian cotton in Liverpool during the month of March was more than 30 percent below the price of American cotton?

During the 6 months' period ending January 31, 3 types of Indian cotton at Liverpool averaged 23 percent less than the price of American middling and low middlings as compared with 16 percent during the preceding 6 months. This information was contained in a Washington dispatch dated April 2, 1934, and is supposed to be taken from a report of the Bureau of Agriculture Economics on world cotton prospects.

Under date of March 30, I read in the New York Times a statement that Argentina urges a big cotton crop. This South American country

wants to increase her acreage in an effort to build up a new textile industry. The article goes on to say that she is intensely interested in our plans and her farmers are told that curtailment here in the United States means a broader market for their crops. Every move that the United States is making in the direction of crop control is accompanied by editorials in the leading Buenos Aires newspapers urging Argentine farmers to raise more cotton, assuring them that new markets are theirs for the asking.

Let us be practical and examine the question from a business-man's viewpoint. In this day and age of depreciated currencies, statistics on the basis of value are confusing and do not give a true picture of our real foreign trade balance. Satisfaction is constantly expressed by statisticians, economists, and students of international finance when they observe that our trade balance is always a favorable one. But has our trade balance really been a favorable one during the past 3 years? I doubt it.

Let us take the trade figures between Japan and the United States. We always sell her more than she buys from us. These figures are always on the basis of value in dollars and cents.

Let us assume that she sold us in the last 10 months \$100,000,000 worth of products, bearing in mind that outside of raw silk, mostly all of her exports are manufactured or semimanufactured items. Let us assume she bought from us \$120,000,000 worth of cotton, lumber, scrap steel, and so forth, the greater portion of her purchases being raw materials. We immediately come to the conclusion that here is a fair example of a favorable trade balance in our favor. But is it?

I could cite you several hundreds of items, all competitive with manufacturers of the United States, but I am only going to give you one example and that is of matches.

There were approximately 3 million gross of safety matches imported into the United States from Japan last year. The invoice price on these matches averaged 15 cents per gross. The Japanese, therefore, actually received the sum of \$450,000 as their share of this transaction. The Government receives a duty of 40 percent ad valorem, approximately 6 cents per gross, and the matches are sold on our markets at 38 cents per gross. The big factor, however, is that these 3 million gross of imported matches displace 3 million gross of American-made matches for which our manufacturers receive 82 cents per gross and thereby suffer a loss of \$2,460,000 worth of business.

Now when it comes to bargaining with Japan on a reciprocal basis, the proceeds of her 3 million gross of matches would only enable her to purchase \$450,000 worth of, let us say, American cotton. The economic loss to our country is a difference between \$2,460,000 and \$450,000 which is exactly \$2,010,000 and this loss is less than one-half of 1 percent of the total imports from Japan. Multiply this by 100 and you have an economic loss of approximately \$200,000,000.

There is only one safeguard to the Nation and its industries when reciprocal treaties are being negotiated. They should be approved by the Senate of the United States. This is a policy which our Government has followed successfully for 150 years. It is a safeguard which was placed in the Constitution of the United States and was approved by the Executive head of our Government when another Roosevelt was President. We believe that we can profitably follow

President Theodore Roosevelt's excellent recommendations which are contained in his annual message to Congress in 1901, as follows:

Reciprocity must be treated as the handmaiden of protection. Our first duty is to see that the protection granted by the tariff in every case where it is needed is maintained, and that reciprocity be sought for so far as it can safely be done without injury to our home industries. Just how far this is must be determined according to the individual case, remembering always that every application of our tariff policy to meet our shifting national needs must be conditioned upon the cardinal fact that the duties must never be reduced below the point that will cover the difference between the labor cost here and abroad. The well-being of the wageworker is a prime consideration of our entire policy of economic legislation.

It is the sincere hope of all the members of the American match industry that if this bill is to pass that it will carry an amendment which will give American industry an opportunity to be heard. This is no unreasonable request. We of the American match industry having but one market in which to sell our products, i. e., the American market, feel that we are fully justified in making such a request. We feel that under our representative form of Government that we are entitled to this privilege.

Acting Chairman BARKLEY. Frank R. Wheeler, representing the velvet industry.

STATEMENT OF FRANK R. WHEELER, REPRESENTING THE VELVET INDUSTRY

Mr. WHEELER. Mr. Chairman, the manufacture of velvets was started in the United States during the years 1887-88. The real impetus, however, was provided only after the passage of tariff legislation. Like many other textile enterprises, the velvet industry has grown behind the protection of a tariff wall to an extent which almost gives it a chartered right to existence. The tariff protection has, however, from time to time, proved inadequate due to the vast difference in costs of labor and raw material between this country and foreign countries, making it necessary for the industry to appeal for a more adequate protection. The records, as well as the results of this, appear in the files not only of the Tariff Commission but also with the congressional committees having to do with tariff matters.

It is interesting to note that the major tariff bill passed some 40 years ago was, we believe, the vital factor in bringing about recovery after a period of serious depression. That tariff bill was passed as a matter of governmental policy in an effort to stimulate a wider variety of industrial enterprise in the United States. The results are well known. It was the beginning of the unparalleled industrial expansion which has taken place in the intervening period.

We are thoroughly in sympathy with and have aided the efforts of the administration to restore prosperity to this country and our lack of confidence does not rest in a lack of confidence in any individual but it does rest upon the principle that it is wrong and contrary to the principles of democratic government to place in the hands of any one individual the power of life and death of an industry without a hearing. This refers to all industries which are today dependent for existence upon the principles of tariff protection.

We believe that the protective tariff has amply demonstrated that in normal times it is an invaluable instrument in the protection of wealth inasmuch as it enables American industry to both produce

goods at prices which are competitive with foreign made goods, and at the same time maintain the high scale of American living.

The United States Government excludes completely Asiatic labor because of its willingness to work at rates of pay which would be starvation wages for American labor. It also restricts through quotas, the admission of European labor upon the grounds that it creates a surplus of employable population. Why should we admit the products of foreign or Asiatic laborers manufactured in their own countries when we exclude the individuals who manufacture such products?

If the product of that labor is to be admitted, we might better admit the laborer who becomes a potential consumer whereas the product of his labor becomes a destructive factor in that it displaces an equivalent amount of American productivity, and destroys capital and increases unemployment.

It must be recognized that hand-to-mouth buying is the order of the day. This translated into actual occurrence means that every manufacturer must create an inventory if he is to meet the customer demands which he hopes will be made upon him. Add to all the difficulties and uncertainties of the present situation the possible prospect of a small profit being inevitably turned into certain loss and what inducement do you leave to industry to risk its capital in such a venture? In our industry the uncertainty of continued existence dependent upon tariff protection would be the most serious menace.

Under the proposed bill no industry now protected by a tariff is afforded the opportunity to be heard in its own defense. The most fundamental principle of democratic government is, in our opinion, thereby completely destroyed. This is our major objection to this bill. If we could be given the same opportunity to be heard as was afforded under the procedure before the Tariff Commission, it would remove that objection. It is our belief that this bill is predicated upon the theory that the present incumbent will continue in office during the life of the bill. We do not question his high motives nor the disinterestedness of purpose. Nevertheless it is fundamentally unsound and thoroughly undemocratic to predicate any legislation upon the uncertainties of life of any one individual.

Is it wise in the face of the example of the air-mail case which the country has recently had before it to entrust to even the best intentioned individual the powers of life and death over industry.

Acting Chairman BARKLEY. Is there anyone here representing the Central Fibre Products Co., of Tama, Iowa?

(No response.)

Acting Chairman BARKLEY. Mr. Cheney, how much time do you want?

Mr. CHENEY. I will be as brief as possible. I won't be more than 15 minutes at the outside.

Acting Chairman BARKLEY. I will give you 10 minutes.

STATEMENT OF HORACE B. CHENEY, REPRESENTING THE NATIONAL FEDERATION OF TEXTILES, INC.

Mr. CHENEY. Mr. Chairman, we are opposed to this bill. The bill is based upon the theory of power given to a person respected and trusted, but when nobody can be assured of continuance in life from one day to the next.

Secretary Hull appeared before this committee and, when asked to commit himself in relation to what it meant, absolutely refused to do so.

If the State Department won't commit itself to what they mean to do under this, how can you expect that the rest of the country can understand what is intended by the bill to be done?

I have the greatest respect for Secretary Hull. I know him personally, and have for years. He is a high-minded gentleman, and a gentleman also bred-in-the-bone free-trade, a policy which is not in practical existence in any country in the world today, and which is just as dead, as an international policy, as the dodo bird.

Senator BARKLEY. I do not think it ought to be allowed to pass in the record without contradiction that Mr. Hull is a free-trader.

He helped to frame the Underwood tariff of 1913, and that was by no means a free-trade measure. He is opposed to some of the high duties and high tariffs that have been enacted, but I should not like for the record to show that nobody disputed that statement, that Mr. Hull is a free-trader.

Mr. CHENEY. We will modify it to that extent, Senator Barkley.

I will accede to that; but Secretary Hull, in his recent public statements, has indicated very clearly that he believed that industry at least should not be continued by the means of a protective tariff.

I further wish to refer to the planning committee which, I am creditably informed, was very influential in the forming of this legislation.

That committee has given its report, I am again creditably informed, indicating a belief that there are industries in this country which we would better be without, which should be eliminated, and even some of their members went so far as to provide an alternative for providing for the maintenance of the displaced population of New England on subsistence funds. Of course, that is not to be taken absolutely literally, yet it expresses a belief and a tendency in thought on the part of some persons who are concerned with import duties, in this connection.

Senator BARKLEY. What do you mean by the "planning committee"? We have not heard that mentioned.

Mr. CHENEY. It was a committee appointed by President Roosevelt that considered and made a report on which, I am creditably told, this bill was largely drafted.

Mr. Tugwell is one of the committee.

Senator BARKLEY. I had not heard of that.

Mr. CHENEY. I cannot remember the names of the rest of them.

Senator BARKLEY. I had not heard of that committee. Frankly, I did not know that there was such a committee as the planning committee.

There has been an interdepartmental policy committee that works rather in harmony on administrative matters. I do not want to take your time with it.

Mr. CHENEY. This is a general planning committee.

Further, I wish to point out that when the administration of such a law as this is put into force it will not be President Roosevelt nor Secretary Hull who will formulate and draft the treaties and general policies on which industry will depend. Those will be chiefly done by persons of less responsibility and of less experience and particularly of less knowledge of the industries of the country as a whole.

There is an old theory which I still encounter in Congress, that in order to have importation of goods we must have a corresponding exportation of goods, and that it is an exchange of commodities on the basis of the old theory of barter.

I think that if you will refer to the report of the Department of Commerce, the plans of international payments of the United States, you will find that there are many other ways in which trade is balanced, and that the balance of trade for almost a generation has been in favor of the United States; and that that balance has been maintained not by any means through the exportation of merchandise but through various other instrumentalities which export in one form or another credits, capital, and so forth, including shipments of specie, as a minor proposition.

I wish to call attention to the fact that under the action of the N.R.A., which has so increased wages, under our monetary policy, in the purchase of gold, and various other influences, particularly the heavy depreciation of currencies in Asiatic countries, the duties enjoyed by industry today in this country under the present bill have been cut 50 percent, and we have already got a reduction in duty, which puts the present tariff on the basis of as effective an instrumentality of the lowest tariff that we have had in the last 50 years, the most-favored-nation clause of treaties; and I wish to call attention to the fact that if we give a reciprocal treaty under this bill to every nation, we will have to give the benefits of those tariffs to every nation which has a most-favored-nation treaty with the United States.

Most particularly I wish to emphasize that China has such a treaty and that Japan has a conditional treaty which, in effect, will mean that unless we deny her something, or she denies us, rather, in the trade, what they consider an equivalent, we can not deny them the benefits of this treaty.

I want to call attention to Asiatic competition. The results of Asiatic competition under their heavily depreciated industries, under their pressure of wars between Japan and China, have grown with leaps and bounds, so that not only in the United States has Asiatic industry supplanted a large part of the industry of this country, but of all the other countries in the world; so much so that I happened to see in the record a little while ago a document put in by Senator Hebert, a petition from the Chamber of Commerce of Lyons, France, to their Government, to protect them against the terrible competition which the industries of France were having from Japan, calling attention to the fact that Japan had already taken away half of the cotton industry from England, in India they have doubled their importations, in Australia and in other countries, to an extent which is a "stop, look, and listen" sign to everybody who is interested in the international relations and welfare of this country.

The question of the necessity, of what are essential industries—there used to be an old theory that there were industries which had a natural aptitude for a country, and that only those industries should be favored which had natural advantages. I say that outside of the naturally fertile soil and mineral resources of a country, there is no natural resource of any kind whatsoever today.

There is the minor advantage of distance, but distance in this country is as great as distance from another country, or almost any

other country, and that is a very unimportant and minor factor today.

Aside from that, the only natural advantage which a country has from another is the question of its scale of living, the ability of its labor, the ingenuity of its people in creating new instrumentalities of industry.

No country should ever, of its own free will, undertake any policy which might result in its not having a full, rounded industrial development of all industry of all kinds.

During the war I had occasion to talk to one man who was our coal administrator in Connecticut. He was told that he must not allow people to use coal that were not essential industries to the conduct of the war; and so he started out, with enthusiasm, to see what were essential industries.

"Well," he said, "the silk business certainly is not an essential industry. Let us go out and see this Cheney and see what he says about it."

Well, he came out there and found that about half of our firms were running on cartridge bagging cloth, on flare cloth, on parachute cloth, or other materials for the use of the Government.

"Well," he said, "we cannot do anything about this."

"Well, certainly the jewelry industry is one which is not essential. That does not need coal; not that I suppose that it uses a great amount, but lets us see what they do. They have some things."

He went down to Meriden and found the jewelry industry in Meriden was entirely occupied, its entire plant, in the production of precision instruments, compasses, and navigating instruments, and other things for the Government.

So he went from one industry in Connecticut to another, and he could not find one industry in Connecticut that was not essential to the conduct of a war.

Moreover, you may start blithely to say that this industry is not essential; yet when you find that that industry not only is one industry but it is a cross section of industry—it is the building industry, it is the machine industry, it is the chemical industry, it supplies of all kinds—and every time you cut one of these industries out, you cut a dozen down, and you never know where you are going when you say, "We will sacrifice this industry."

I feel that any man who comes before a government and advocates that another industry should be abolished for the benefit of his industry ought to think many times before he takes that position, because he is eliminating, perhaps, his own income and his own source of supplies, regardless of what should be his patriotic duty as to having a whole country, as a whole.

I want to just say this: I will file this statement of the imports and the unit values of silks for periods of years, which shows that the peak inventory values of imports of silk have been increasing steadily from Japan, and that today the chief value, the average unit value of all silks imported from Japan is 10 cents a yard, and that it has fallen 50 percent in the last 4 years, in unit values.

Then I want to call attention to this, and I am through.

The foreign trade of the United States, as shown by the National Industrial Conference Board, beginning in 1914, and going up to the present time, which shows that with the exception of the period

during the war, the foreign trade of the United States held exactly the same relation to the domestic trade that it does.

Beginning in 1914, at a point, coming back to practically the same point now, you will find that their relation between imports and exports has remained through the various different idiosyncrasies of time, and that the world trade and American foreign trade show practically the same relation, so that is a chart which is issued by an entirely non partisan fact-finding body.

Senator BARKLEY. Do you want to file that as a part of the record?

Mr. CHENEY. Very glad to file it.

Senator BARKLEY. All right.

You have had nearly 20 minutes.

Mr. CHENEY. Thank you very much. I won't take any more time.

The CHAIRMAN. All right.

(The statement of imports of broad silk fabrics into the United States for the years 1930 to 1933 is as follows:)

Imports of broad silk fabrics into the United States

	1930			1931			1932			1933		
	Yards	Foreign invoice value	Value per unit	Yards	Foreign invoice value	Value per unit	Yards	Foreign invoice value	Value per unit	Yards	Foreign invoice value	Value per unit
Japan.....	11,063,990	\$2,683,677	\$0.24	17,454,480	\$3,130,810	\$0.18	12,282,190	\$1,354,047	\$0.11	14,429,000	\$1,695,671	\$0.16
France.....	3,011,120	2,598,982	.86	4,149,260	2,911,569	.70	1,047,440	615,730	.59	1,523,700	993,347	.65
China ¹	2,732,060	551,415	.20	5,684,700	814,671	.14	965,620	141,226	.15	254,300	49,979	.21
Italy.....	1,195,470	629,199	.53	1,504,640	738,099	.49	610,010	281,000	.46	713,440	398,135	.56
Switzerland.....	1,004,170	728,017	.72	1,138,650	730,405	.64	651,220	348,186	.53	839,530	400,265	.48
Germany.....	381,070	165,925	.44	631,030	154,224	.24	229,520	56,839	.25	215,650	58,525	.27
United Kingdom.....	264,490	380,012	1.44	282,920	326,862	1.16	174,180	153,876	.88	180,190	188,027	1.04
Austria.....	310,170	241,706	.78	311,250	231,196	.74	129,560	81,022	.63	219,950	125,932	.57
Other countries.....	44,680	21,023	.47	45,870	27,507	.60	23,350	4,924	.21	76,000	24,261	.32
Total.....	20,007,220	8,000,056	.40	31,202,800	9,065,433	.29	16,114,090	3,046,909	.19	18,462,560	2,540,082	.14

¹ Includes Hong Kong.

Senator BARKLEY. Mr. Loomis? (No response.)

Senator BARKLEY. Mr. Holman?

Mr. HOLMAN. Right here.

Senator BARKLEY. How much time do you want, Mr. Holman?

Mr. HOLMAN. I won't exceed 5 minutes.

STATEMENT OF CHARLES W. HOLMAN, SECRETARY NATIONAL COOPERATIVE MILK PRODUCERS' FEDERATION, WASHINGTON, D.C.

Mr. HOLMAN. My name is Charles W. Holman, 1731 I Street, Washington, D.C., secretary of the National Cooperative Milk Producers' Federation.

I am filing a list of the member organizations for the record, as follows:

- Berrien County, Mich., Milk Producers' Association, Benton Harbor, Mich.
- California Milk Producers' Association, 947 Maple Avenue, Los Angeles, Calif.
- Cedar Rapids Cooperative Dairy Co., 560 Tenth Street, S.W., Cedar Rapids Iowa.
- Challonge Cream & Butter Association, 924 East Second Street, Los Angeles, Calif.
- Champaign County Milk Producers, 201 North Walnut Street, Champaign, Ill.
- Colorado Dairymen's Cooperative Inc., 1198 Stout St. Denver, Colo.
- Connecticut Milk Producers' Association, 450 Asylum St., Hartford, Conn.
- Cooperative Milk Producers' Association, for San Francisco, Inc., 740 Pacific Building, 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., 110 North Franklin Street, Chicago, Ill.
- 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., 1568 Iowa Street, Dubuque, Iowa.
- Evansville Milk Producers' Association, Inc., 214 Boehne Building, Evansville, Ind.
- Falls Cities Cooperative Milk Producers' Association, 202 Bourbon Stock Yards Building, Louisville, Ky.
- Illinois-Iowa Milk Producers' Association, Room 24, Schmidt Building, Davenport, Iowa.
- Illinois Milk Producers' Association, 208-210 East State Street, Peoria, Ill.
- Indiana Dairy Marketing Association, Muncie, Ind.
- Inter-State Associated Creameries, 310 N. W. Hoyt Street, Portland, Oreg.
- Inter-State Milk Producers' Association, Inc. 210 North Broad Street, Philadelphia, Pa.
- Land O'Lakes Creameries, Inc., 2201 Kennedy Street, N.E., Minneapolis, Minn.
- McLean County Milk Products Association, Farm Bureau Building, Bloomington, Ill.
- Maryland and Virginia Milk Producers' Association, 1731 I Street, N.W., Washington, D.C.
- Maryland State Dairymen's Association, 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., Room 601 Farm Bureau Building, Indianapolis, Ind.
- Milk Producers' Association of San Diego County, Eleventh and J Streets, San Diego, Calif.

Milk Producers' Association of Summit County and Vicinity, 145 Weaver Street, Akron, Ohio.

Milwaukee Cooperative Milk Producers, 1633 North Thirteenth Street, Milwaukee, Wis.

National Cheese Producers' Federation, Plymouth, Wis., Nebraska-Iowa Non-Stock Cooperative Milk Association, 2410 Dodge Street, Omaha, Nebr.

New England Milk Producers' Association, 51 Cornhill, Boston, Mass.

Northwestern (Ohio) Cooperative Sales Co., Wauson, Ohio.

O. K. Cooperative Milk Association, Oklahoma City, Okla.

Pure Milk Association, 608 South Dearborn Street, Chicago, Ill.

Pure Milk Producers' Association, 853 Livestock Exchange Building, Kansas City, Mo.

Richmond Cooperative Milk Producers' Association, 605 East Canal Street, Richmond, Va.

St. Joseph, Mo., Milk Producers' Association, 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, 303 Grand Theater Building, Columbus, Ohio.

Shelby County Milk Producers' Association, 1039 South Bellevue, Memphis, Tenn.

Stark County Milk Producers' Association, Tillamook, Oreg.

Tillamore County Creamery Association, Tillamook, Oreg.

Tulsa Milk Producers' Cooperative Association, 1120 North Boston Street, Tulsa, Okla.

Twin City Milk Producers' Association, corner Raymond and University Avenues, 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.

Mr. HOLMAN. Mr. Chairman, my authority today is very limited with respect to testimony on this bill. First I am authorized to endorse the amendment proposed by Mr. Hood of the National Cooperative Council, with which our federation is affiliated.

Secondly, I am asking for an amendment to title III, at the end of section 350, adding the following language:

(dc) Nothing in this act contained is intended nor shall it be construed to permit the President to make any reductions in or modifications of the excise tax on fats and oils provided for in section 602 of the revenue act of 1934.

Our reason for asking for that, Mr. Chairman, is that as we interpret the bill, even though the chairman of the committee states that the intention of the bill is to freeze the excise taxes, we do not believe that the language effects such freezing, and, consequently, I am assuming that the suggested language that we are offering here will meet the views of the committee with regard to such freezing.

That constitutes the suggestions we make.

Our primary reason for asking that, on oils and fats, is that we are just on the verge of finally winning a fight for which the American farmers have consistently labored since 1909, and if the President should sign the pending revenue bill we would hate to see the possibility even of the effectiveness of that economic experiment being militated against.

Thank you, sir.

Senator BARKLEY. All right.

Mr. Leonard?

(No response.)

Senator BARKLEY. Mr. Lerch?

Mr. LERCH. May I follow Mr. Peabody? Mr. Peabody and I both represent—

Senator BARKLEY. Both going to speak on the same features of this?

Mr. LERCH. Not on the same features; no.

Senator BARKLEY. Is Mr. Brenckman here?

Mr. Brenckman, who represents the National Grange, not here?

Well, Mr. Groff.

Mr. GROFF. Yes, sir; Senator Barkley.

Senator BARKLEY. Whom do you represent?

Mr. GROFF. The Decalcomania Association of America.

Senator BARKLEY. You want only a short period?

Mr. GROFF. A couple of minutes.

STATEMENT OF FRANK F. GROFF ON BEHALF OF THE DECALCOMANIA ASSOCIATION OF AMERICA

Mr. GROFF. The decalcomania industry of the United States consists of less than 15 manufacturers, no one of whom, during 1933, did a gross business of \$900,000 and several less than \$25,000.

The total volume for the industry was less than \$3,000,000 for 1933. The decalcomania industry might be considered a small industry, and as such we protest the passage of the bill before this committee now for consideration because of the fact, particularly, that statements have appeared in the public press, supposed to have had their origin in the State Department, and it will be the small industries that will be traded in the negotiations which will arise if this bill now before your committee becomes a law.

The decalcomania industry has, like all other industries in this country, suffered a very great setback.

From the volume of approximately \$5,500,000 in 1929 it dropped to approximately \$2,750,000 in 1933, and this figure showed an improvement over 1932.

We are commencing to get back some of our trade and the protection that has been extended to us under the Tariff Act of 1930 has been an aid to the industry, and we desire to build up our own industry in this country.

Under the President's reemployment agreement and our code, our operating costs have been greatly increased, and our industry cannot continue those increased costs if the tariff protection which we now enjoy is taken away from us under this measure and our market flooded with decalcomania products of Germany, England, and Japan, where the costs of manufacture are known to be considerably less than those of our own country.

Our products are made very largely by highly skilled labor, artists, stoneworkers, and pressmen, whose wages are maintained on a very high scale and, should our tariff protection be taken from us it would mean positively that the large volume of business in this country, which is the class that is just beginning to come back to our industry, will be placed with foreign factories, and sold to our American markets through agents and brokers whose working forces consist of not more than 3 or 4 individuals.

We ask, therefore, that, as one of the smaller industries of the United States, your committee recommend against the adoption of

House bill no. 8687, which is now before your committee for its consideration.

Senator WALCOTT. I would like to ask how much you think your cost has been increased by the N.R.A. code.

Mr. GROFF. I should say about 22½ percent.

Senator WALCOTT. Have you been able to advance prices?

Mr. GROFF. Ten percent on January 1, 1934, sir.

Senator WALCOTT. It seems to me a sort of general rule with a good many industries. They have given 25 percent increased cost of the N.R.A., many of them, and many of them increased in selling price about 10 to 12 percent.

Mr. GROFF. Yes, sir.

Senator WALCOTT. So you are worse off, really, and yet, would you abolish the N.R.A. if you could?

Mr. GROFF. No, sir; we would not.

Senator BARKLEY. Well, are you really worse off? Is your 22½ percent an increase in wages?

Mr. GROFF. Our 20 percent is an increase in wages; yes, sir.

Senator BARKLEY. So that a 10-percent increase in gross prices practically absorbs that 20-percent increase?

Mr. GROFF. No; it does not.

Senator BARKLEY. It approximately absorbs it?

Mr. GROFF. I don't say it approximately absorbs it; no, sir.

Senator BARKLEY. Well, thank you very much.

Mr. GROFF. Thank you.

Senator BARKLEY. I understand Mr. Fell is here, from Oklahoma?

Mr. FELL. Yes, sir.

Senator BARKLEY. How much time do you want, Mr. Fell?

Mr. FELL. About 6 to 8 minutes.

Senator BARKLEY. Make it six.

STATEMENT OF H. B. FELL ON BEHALF OF THE INDEPENDENT PETROLEUM ASSOCIATION OF AMERICA, TULSA, OKLA.

Mr. FELL. The unique conditions which characterize the petroleum industry and the vigorous efforts which are being made to hasten its recovery as an important element in the restoration of national prosperity and general employment make it advisable as well as desirable, that the reciprocal tariff bill should be amended in order to give to the oil industry and to the Federal agencies which are laboring for its recovery a degree of security which would justify the continued efforts at stabilization.

It is, therefore, proposed that H.R. 8687, commonly known as the "reciprocal tariff bill", shall be amended by inserting after line 7, page 3, H.R. 8687, after the words "Republic of Cuba", the following:

and also except that nothing in this act shall authorize the President to modify any limitation on imports of any article whose production or manufacture in this country is subject to limitation under special legislation designed to balance production with reasonable market demand.

Senator BARKLEY. Well, that would apply to other things besides oil, wouldn't it?

Mr. FELL. It might, sir.

Senator BARKLEY. It would apply to all agricultural products involved in that crop reduction and the withdrawal of the land from cultivation?

Mr. FELL. It would apply to the imports, any restriction of imports which might have been placed on imports of any products, by special legislation in Congress, that those special restrictions which Congress has placed on those imports should not be taken away.

Senator BARKLEY. And it would also apply, according to the way I understand your language, to any commodity in which, under any of the Government agencies, an effort was being made to balance consumption and production.

Mr. FELL. Provided that there had been special legislation restricting it.

Senator BARKLEY. Well, of course there has been general legislation authorizing the Government agencies to bring about restriction, such as cotton.

Mr. FELL. Yes, sir.

Senator BARKLEY. And tobacco.

Mr. FELL. Yes, sir.

Senator BARKLEY. And a good many other commodities, mostly agricultural. There is no special act applying to them, except they are named in a general act as a basic commodity.

Mr. FELL. They are general; yes, sir.

Senator BARKLEY. That has been extended to include the products of those basic commodities, so that your language would cover all that.

Mr. FELL. Yes, sir. In this respect, that if Congress, with respect to those products, had enacted special legislation controlling the importation of those products, restricting the importation of the same, that that law that restricted the importation of that should still be in effect.

Senator BARKLEY. Go ahead.

Mr. FELL. The administration is presenting to the Congress proposed special legislation giving to the Secretary of the Interior authority to definitely control petroleum production in the United States. Production, by the terms of this bill, is to be kept to a balance with reasonable market demand. This means that many wells having large potential flush production would only be permitted to produce a comparatively small portion of their possible output. Only by such balance between supply and demand which is now supervised by the present oil administrator, Secretary Ickes, can the increases in numbers of men employed by the petroleum industry and the additional wages paid workers in that industry be continued. The only alternative appears to be a return to that demoralization which would involve loss of employment by hosts of oil workers in the 20 oil States of the Union and, through the great decrease in the purchasing power of the oil States would seriously and adversely affect the industrial States of the Union who supply the needs of the oil States.

The balance of production with consumption of petroleum products in this country has always been jeopardized by the importation of cheap foreign oil produced, very often, by peon labor in Central or South America. The United States Tariff Commission found that this cheap foreign oil could be produced at a price \$1.03 per barrel below the cost of the American product. The hopeless impossibility of competition in the face of such tremendous advantage to the foreign oil producer is obvious. Actually, however, the American

oil producers are subject to much greater handicap than this since a multitude of taxes is laid upon the oil industry. Even disregarding the Federal and State gasoline taxes which are paid directly by the consumer, although they affect the petroleum industry by limiting consumption through increased cost, amounting sometimes to 7 cents per gallon, the taxes carried by the oil industry are extremely burdensome. In at least one State the taxes are over 100 in number. Many State budgets, as well as the budgets of large numbers of municipalities and counties in the oil States, are very largely dependent upon revenue received from these oil taxes. None of these taxes are carried by the foreign product. This constitutes one more handicap to the American industry as against the foreign.

By executive order, following a voluntary agreement made by importers in March 1933, the importation of foreign petroleum and its products is at present restricted to the average rate of such imports for the last 6 months of 1932. This total had been accepted by the importers themselves as being a reasonable and fair limitation, made necessary if the much more drastic limitation on the American producer was to be effective in restoring the petroleum industry. The bill on the petroleum industry, which has been presented to Congress for the administration, contains a provision imposing this limitation on imports by statute and not solely by Executive order.

The reason for this is the necessity of giving to the American producer a reasonable degree of security if he is to make any plans beyond the immediate present. The effectiveness of the Federal petroleum bill, should it be passed, would be affected by the reciprocal tariff measure unless in this last-named bill there should be a provision such as the one I have suggested. While it is not anticipated that the present administration would make any tariff agreements admitting great floods of foreign oil, and while we believe that the present administration, as is evidenced by its inclusion of the import limitation in the Federal petroleum bill, appears to be in sympathy with that program, nevertheless uncertainty and lack of definite knowledge that there will not be a flood of imports would seriously hamper the efforts of the petroleum industry to cooperate in the largest possible degree with the President's program.

In the past, the petroleum industry has learned that the threat of large importations of foreign oil may sometimes be as effective in disturbing the entire price structure of the petroleum industry as actual importations. The foreign oil was available at prices below any possible competition by the American producer. It could quickly be imported. Its ready availability made it possible for importers to demand lower prices from the American producer under the threat of substituting foreign oil unless these prices were obtained. It was only after the present import limitation had been accepted and then given the force of law by Executive order that the American producer could definitely plan for employment as well as for production.

Unless some proposal, such as that suggested, is clearly written into the Reciprocal Tariff Act, the only positive assurance the American petroleum industry has against this uncertainty is the extremely moderate excise taxes imposed in the Revenue Act of 1932 and continued in the new revenue act. Those excise taxes are so low that they

will not constitute any serious obstacle to demoralization of the industry by foreign oil imports.

The recognition of Russia and the possibility of trading agreements being made with that country, including the importation of Russian oil, is especially disturbing to large sections of the American oil industry. Russia's economic system would make it possible for that country to supply a large percentage of the American market at prices which could never be met by the American industry, since living standards here are so different and since also the wage rates and the hours of labor imposed by the petroleum code make a fixed price differential in favor of the foreign product.

Without making any invidious comparisons, the American petroleum industry believes that it has cooperated with the Federal program for industrial recovery in a degree which is equaled by few, if any, other phases of American industry. The petroleum industry is increasing its pay rolls and maintaining the high employment level which it has reached, according to the report of the Bureau of Labor Statistics in the United States Labor Department, which announces that for the month of March 1934, in the refining branch of the industry, employment was 110.2, taking the 3-year average from 1923 to 1925 as representing 100. While this is a very small decrease from the February level of 110.6, it marks a great advance over March 1933, which had an index figure of 94. The pay-roll level, in spite of the shorter hours, shows a considerable increase, March 1934 registering 92 compared to 90.8 in February, while March 1933 only reached the figure of 70.5.

These increases in employment and in wage scales are the more remarkable since, according to the United States Department of Labor report, the wholesale price of petroleum products in February was almost exactly one half of the price they brought in the same month of 1926. Taking the year 1926 as a basis of 100, February wholesale price of petroleum products is reported as 50.3, a reduction from the January 1934 figure of 51.1. The Labor Department reports that the index of crude oil at the well in February 1934 was 66.9 in California, 49.9 for Kansas-Oklahoma, and 67.7 for Pennsylvania. The index of California gasoline was 58.0, of north Texas 45.2, of Oklahoma 45.9, and of Pennsylvania 38.7. All, with the single exception of the north Texas index, revealed substantial declines from the January 1934 index.

These figures do not fully indicate the contribution being made by the American petroleum industry toward reemployment and better wages. The Independent Petroleum Association of America has just gathered figures from stripper well operators in the industry which are very illuminating. This group, constituting probably at least 75 percent of the number of operators engaged in the producing branch of the industry, have been those most severely hit by the depression. Many of them were ruined. In a number of instances, owners of stripper wells turned over their properties to their employees, permitting the employees to have all the proceeds from the oil sold after meeting the actual expenses for labor and supplies, the owner receiving no portion of the income. By this means, they avoided entirely closing down of their wells, which, in many instances, could never be reopened, and also prevented increased misery through unemploy-

ment. This group would find the importation of foreign oil most disastrous.

The study just made by the Independent Petroleum Association of America covered comparable figures for the month of June 1933 and the months of January and March 1934. They show that in January 1934 the total number of employees had been increased 41 percent by the stripper well operators over June 1933. In March 1934 the increase over June was 55 percent, that is, in number of employees. The total monthly pay roll increased in January 1934, 77 percent over June 1933, while by March 1934 that increase had reached a trifle over 100 percent. The average pay per month per man was increased in January 1934 over the preceding June, 15 percent and by March 1934, 21 percent.

The excise taxes to which reference has previously been made are not tariffs and are not, according to the statement made by Chairman Robert L. Doughton of the House Ways and Means Committee, included in the tariff questions which may be the subject of international agreements made by the President. On this point, Chairman Doughton said:

In order that the necessary reciprocity may be accorded, the President is empowered to promise that existing excise duties which affect imported goods will not be increased during the term of any particular agreement. It should be carefully noted, however, that the President is given no right to reduce or increase any excise duty. His power of reduction of duties is limited to those which are in fact customs duties.

In order that there might be no misunderstanding on the part of the Senate when this bill comes before them for action, might I be permitted to request that a similar statement be made in your report. This will prevent any misunderstanding on the part of members of the Senate and will also be of great value in preventing any misconstructions of the law should the matter ever be brought before the courts.

Senator BARKLEY. All right.

Now, Mr. Peabody.

STATEMENT OF WALTER R. PEABODY, OF NEW YORK, APPEARING FOR THE AMERICAN TARIFF LEAGUE

Mr. PEABODY. I shall probably give you a rather fragmentary summary, because I do not want to duplicate things that have been introduced before.

There are a number of things that, as far as I have been able to read the record, have not appeared, that have an important bearing.

Senator BARKLEY. You testified before the House committee?

Mr. PEABODY. No, sir.

Senator BARKLEY. Anybody representing the American Tariff League?

Mr. PEABODY. We filed a short brief; yes; but this is of a different character.

The first thing that seems to me has not been developed, except by one or two very brief references, is the fact that the possibility of opening up the market for the export of commodities from the United States has been very, very much exaggerated in the impression that has been created.

Our trade has gone up, it has gone down. They have stressed, of course, the value figures.

I have here taken for last year a list of, I should say, approximately 500 commodities, the exports from the United States, of which increased last year.

This list is limited to those commodities for which there are quantitative figures, and the increase is in quantitative terms.

We wanted to avoid any possibility, in looking at this thing, of kidding ourselves, or of kidding anybody else about some of the consequences of changes in exchange ratios, and things of that sort.

This list covers commodities under every one of the divisions, I believe, commodities, for the large part, running into large-value figures.

I don't want to read the list, of course, but you could judge. I am taking the typical ones, under the major headings, undressed furs, canned fruits, unmanufactured tobacco, crude petroleum, a number of cotton items, wool, some timbers and pulps, steel-mill products, electrical products, industrial machinery, agricultural machinery, vehicles, industrial chemicals, pigments.

If I may put this in the record, I would rather dismiss it that way, with that picture.

Senator BARKLEY. Yes; you might do that.

Mr. PEABODY. It shows the percentage increase.

Senator BARKLEY. I know; but does it show monthly increases, on monthly exports?

In other words, does it show whether that was a gradual increase over the full year, or did it begin back in, say, October, some time, when our currency situation may have contributed to an increase? Does it show that?

Mr. PEABODY. This is an annual total.

Senator BARKLEY. Yes. Well, all right.

Mr. PEABODY. I believe that the monthly record, which we could also say is a thing of value, would show the same picture.

Senator BARKLEY. You may file that with the stenographer.

(The statement of exports which increased in 1933 is as follows:)

Exports which increased in 1933

(Only commodities for which physical volume is reported are included)

Commodity	Exports in 1933		Percent increase in quantity from 1932 to 1933
	Quantity	Value	
ANIMALS AND ANIMAL PRODUCTS, EDIBLE			
Lard.....pounds..	579,071,641	\$34,094,937	6
Meat products.....do..	231,440,594	25,507,208	21
Shellfish, not canned.....do..	7,794,177	705,172	13
Fresh salmon.....do..	5,754,305	545,946	9
Canned salmon.....do..	3,421,792	512,652	56
Oleo stock.....do..	8,632,667	481,844	23
Tallow.....do..	0,868,029	320,275	174
Pickled salmon.....barrels..	9,709	268,296	(1)
Hogs, swine.....hogs..	14,207	142,756	26
Meat extracts and bullion cubes.....pounds..	80,729	142,054	45
Gelatin.....do..	193,163	113,099	6
Canned mackerel.....do..	1,968,982	93,071	40
Eggs and yolks, frozen, dried, or canned.....do....	49,146	6,950	11

¹ Less than 1 percent.

Exports which increased in 1933—Continued

Commodity	Exports in 1933		Percent increase in quantity from 1932 to 1933
	Quantity	Value	
ANIMALS AND ANIMAL PRODUCTS, INEDIBLE			
Furs, undressed.....	18,359,075	\$13,495,160	
Patent, side upper leather.....square feet..	27,321,930	4,273,337	(1)
Animal oils and greases.....pounds..	61,776,666	3,032,548	28
Calf and kip leather.....square feet..	6,927,388	1,293,339	9
Upper leather cattle, side, grain.....do..	6,076,053	1,012,883	22
Leather belting.....pounds..	514,291	630,110	20
Reptilian leather.....do..	169,797	624,420	10
Pocketbooks, cigarette cases, etc.....articles..	495,191	205,161	101
Patent goat and kid leather.....square feet..	405,540	127,122	43
Upholstery leather.....do..	741,597	90,977	45
Cut soles.....pounds..	203,857	93,404	67
Sponges.....do..	72,101	67,727	17
Fancy leather.....square feet..	232,309	66,051	13
Leather gloves.....dozen pairs..	20,628	55,082	47
Suitcases.....articles..	6,357	29,637	3
VEGETABLE FOOD PRODUCTS AND BEVERAGES			
Canned fruits.....lb..	266,251,443	17,131,952	1
Oil cake and meal.....tons..	339,499	5,646,119	10
Oranges.....boxes..	3,398,793	6,664,650	9
Dried apricots.....pounds..	35,835,533	3,381,499	1
Berries.....bushels..	7,142,285	3,378,609	4
Dried apples.....pounds..	39,908,828	3,046,927	20
Canned vegetables.....do..	30,370,377	2,832,700	17
Nuts.....do..	23,422,597	2,012,995	60
Cocon and coffee.....do..	10,021,260	1,947,234	20
Refined sugar.....do..	100,991,990	1,616,887	3
Oatmeal in packages.....do..	15,420,081	1,193,369	14
(Glucose (corn syrup).....do..	44,313,276	1,073,680	3
Confectionery.....do..	8,398,501	771,008	11
Fruit juices, syrups, etc.....gallons..	615,507	546,855	54
Berries.....pounds..	7,199,875	411,494	17
Oyster shells.....tons..	87,000	385,324	13
Honey.....pounds..	6,158,427	367,915	30
Fish meal for feed.....tons..	7,018	346,133	234
Cocoa butter.....pounds..	2,119,628	242,700	148
Cooking fats, not lard.....do..	2,601,935	220,071	4
Molasses.....gallons..	3,193,116	172,296	300
Corn breakfast foods.....pounds..	1,266,846	146,615	5
Syrup.....gallons..	675,066	110,507	20
Grape sugar.....pounds..	2,694,324	103,023	63
Jellies, jams, etc.....do..	507,462	89,028	7
Corn oil.....do..	1,020,000	65,908	7
Mixed dairy feeds.....tons..	1,616	51,219	23
VEGETABLE PRODUCTS, INEDIBLE, EXCEPT FIBERS AND WOOD			
Tobacco, unmanufactured.....pounds..	439,936,121	\$2,624,212	7
Rubber:			
Tire casings.....casings..	1,058,378	9,015,543	17
Hose.....pounds..	3,064,208	826,325	14
Belting.....do..	1,792,608	784,482	21
Thread.....do..	1,448,396	761,768	10
Automobile inner tubes.....tubes..	664,040	692,207	16
Packing.....pounds..	1,017,921	396,075	7
Reclaimed rubber.....do..	8,022,004	304,667	1
Automobile cloth, rubberized.....square yards..	730,360	301,691	44
Heels.....dozen pairs..	370,235	184,112	13
Erasers.....pounds..	337,481	131,202	26
Gloves.....dozen pairs..	66,178	115,233	20
Bathing caps.....dozen..	70,662	100,368	58
Electrical hard rubber goods.....pounds..	1,025,400	6,540,282	(1)
Gum rosin.....barrels..	994,063	5,781,392	6
Gum spirits of turpentine.....gallons..	13,387,918	4,894,802	22
Cigarettes.....M..	2,495,376	1,466,394	3
Hops.....pounds..	6,726,748	2,288,073	124
Cornstarch.....do..	58,832,743	1,558,203	13
Tanning extracts.....do..	38,851,452	1,466,394	4
Wood rosin.....barrels..	218,951	1,323,508	39
Drugs, herbs, leaves, roots.....pounds..	4,599,613	1,266,924	19
Coconut oil, inedible.....do..	25,543,118	798,432	18
Vegetable and flower seeds.....do..	1,583,593	565,880	18
Smoking tobacco.....do..	875,110	558,234	2
Vegetable soap stock.....do..	18,608,619	495,973	2

¹ Less than 1 percent.

Exports which increased in 1933—Continued

Commodity	Exports in 1933		Percent increase in quantity from 1932 to 1933
	Quantity	Value	
VEGETABLE PRODUCTS, INEDIBLE, EXCEPT FIBERS AND WOOD—continued			
Pine oil.....gallons..	840, 637	\$471, 484	93
Red clover seeds.....pounds..	3, 025, 439	309, 181	916
Wood turpentine.....gallons..	851, 013	343, 301	61
Broomcorn.....tons..	3, 366	304, 023	1
Blended perfume, flavor oils.....pounds..	68, 933	129, 445	59
Tar and pitch.....barrels..	6, 913	64, 328	1R
Citrus oils.....pounds..	75, 900	64, 303	8
Dye extracts (not logwood).....do..	598, 604	58, 077	2
NONMETALLIC MINERALS			
Petroleum, crude.....barrels..	36, 584, 138	31, 078, 650	34
Bituminous coal.....tons..	8, 068, 703	28, 371, 098	3
Sulphur, crude.....do..	522, 616	6, 677, 879	49
Paraffin wax.....pounds..	248, 339, 257	6, 979, 090	6
Natural gasoline.....barrels..	1, 657, 492	3, 394, 938	438
Lubricating greases.....pounds..	73, 378, 485	2, 954, 157	13
Coke.....tons..	569, 481	2, 797, 121	1
Hydraulic cement.....barrels..	690, 301	1, 487, 980	69
Electrodes for furnaces.....pounds..	14, 740, 024	1, 440, 904	55
Plate glass.....square feet..	3, 830, 708	1, 169, 503	31
Abrasive paper and cloth.....reams..	96, 546	1, 143, 052	13
Artificial abrasives.....pounds..	13, 384, 436	926, 680	97
Salt.....do..	210, 355, 101	626, 694	65
Petroleum coke.....tons..	169, 991	879, 748	113
Asphalt and bitumen, crude.....do..	12, 327	553, 892	10
Fire-clay bricks.....M..	8, 928	590, 745	18
Asbestos textiles.....pounds..	1, 035, 849	510, 196	15
Mineral spirits.....barrels..	57, 102	327, 151	27
Sulphur, crushed, etc.....pounds..	19, 639, 405	310, 890	21
Fire clays.....tons..	28, 957	264, 695	47
Silica brick.....M..	3, 338	239, 168	37
Wheels of emery and corundum.....pounds..	498, 250	213, 087	221
Graphite and manufactures.....do..	1, 825, 428	182, 671	16
High-temperature cements.....do..	3, 200, 389	132, 991	1
Mica and manufactures.....do..	3, 125, 873	117, 863	1
Chemical glassware.....do..	134, 281	115, 640	14
Chalk manufactures.....do..	716, 840	79, 299	8
Asbestos paper board, etc.....do..	878, 843	62, 851	50
Lime.....barrels..	37, 696	55, 095	4
Crude gypsum.....tons..	3, 370	11, 049	5
Magnesia and manufactures.....pounds..	1, 389, 898	9, 836	14
TEXTILES			
Cotton:			
Cotton linters.....do..	111, 833, 000	3, 044, 225	26
Bags.....do..	5, 453, 864	1, 139, 270	23
Osnaburghs, unbleached.....square yards..	14, 976, 474	981, 759	(1)
Sewing threads.....pounds..	856, 978	669, 748	2
Twine and cordage.....do..	2, 473, 654	619, 280	7
Combed yarn.....do..	1, 463, 210	590, 190	131
Sheetings, wide, unbleached.....square yards..	717, 382	38, 089	21
Dresses, skirts, etc.....do..	562, 308	320, 736	34
Drills and twills, bleached.....square yards..	2, 713, 509	312, 936	14
Sheetings, wide, bleached.....do..	3, 103, 379	273, 686	42
Men's underwear.....dozen..	108, 629	247, 203	24
Heavy filter duck.....square yards..	454, 846	149, 987	19
Underwear, not knit.....dozen..	40, 774	111, 117	11
Belting for machinery.....pounds..	145, 882	57, 001	9
Sheets, pillowcases, etc.....dozen..	14, 065	60, 794	3
Laces, embroideries, etc.....yards..	1, 528, 382	61, 207	29
Damasks.....square yards..	369, 278	58, 230	19
Batting.....pounds..	463, 622	56, 730	202
Gloves.....dozen pairs..	40, 897	46, 141	8
Tapestries.....square yards..	41, 351	28, 867	1
Underwear, childrens'.....dozen..	10, 141	16, 658	19
Other vegetable fiber:			
Manila cordage.....pounds..	1, 372, 077	171, 973	19
Oakum.....do..	831, 697	63, 304	47
Wool:			
Women's and childrens' clothing.....	49, 031	212, 941	24
Men's and boys' clothing.....	40, 916	140, 779	132
Carpets and rugs.....square yards..	32, 741	83, 240	82
Wools and waste.....pounds..	453, 155	41, 739	40
Felts.....do..	31, 990	44, 975	5
Mohair cloth.....do..	29, 599	35, 173	76

1 Less than 1 percent.

Exports which increased in 1933—Continued

Commodity	Exports in 1933		Percent increase in quantity from 1932 to 1933
	Quantity	Value	
TEXTILES—continued			
Silk:			
Yarns.....pounds..	326,914	\$678,301	49
Dresses, etc.....	179,133	728,001	59
Men's socks.....dozen pairs..	32,837	71,014	6
Underwear.....	45,913	47,861	47
Rayon:			
Yarns.....pounds..	1,109,588	565,930	70
Knit underwear.....dozen..	44,977	152,958	8
Ribbons, braids, etc.....yards..	2,764,007	66,331	38
Miscellaneous:			
Hair and manufactures.....pounds..	23,840,464	1,475,893	87
Hats and caps.....	1,119,170	628,007	22
Corsets, brassieres, etc.....	558,369	660,228	(1)
Window shade cloth.....square yards..	1,845,032	234,931	21
Felt-base floor covering.....do..	928,721	218,578	14
Linooleum.....do..	78,289	55,172	16
WOOD AND MANUFACTURES			
Sawed timber.....M feet..	319,782	4,979,677	4
Doors.....	3,091,711	2,014,699	206
Softwood logs.....M feet..	180,319	1,749,733	28
Staves.....	31,816,842	1,619,269	6
Plywood.....square feet..	68,114,411	1,589,730	116
Railroad ties.....	2,012,828	832,645	85
Cooperage shooks.....sets	879,127	814,389	43
Pencil slats.....	8,569,789	719,841	37
Hardwood flooring.....M feet..	7,079	418,202	25
Handles for striking tools.....dozen..	321,814	394,774	15
Long handles.....do..	413,201	263,063	14
Tight headings.....sets	799,776	265,629	3
Cork disks, etc.....gross..	9,484,001	248,555	25
Walnut logs.....M feet..	332	87,426	35
Boat oars and paddles.....	21,721	46,773	6
Shingles.....M	12,326	36,922	91
PAPER STOCK AND PAPER			
Sulphite wood pulp.....tons..	68,897	3,048,642	68
Printing paper.....pounds..	44,879,388	1,319,656	29
Wrapping paper.....do..	24,373,668	1,249,810	27
Boxboard.....do..	44,632,705	646,289	19
Fiber insulating board.....square feet..	32,965,983	882,261	33
Greaseproof paper.....pounds..	4,717,517	763,129	12
Vulcanized fiber sheets.....do..	2,801,359	726,727	25
Rags and other paper stock.....do..	74,504,798	676,762	1
Surface-water paper.....do..	6,130,350	617,219	1
Tissue and crepe paper.....do..	3,815,430	544,164	4
Toilet paper.....do..	6,636,325	534,450	10
Paper bags.....do..	10,917,815	529,522	27
Wall board.....square feet..	9,826,006	243,172	46
Sheathing paper.....pounds..	7,215,510	176,642	3
Blotting paper.....do..	1,583,377	148,162	45
Wall paper.....rolls..	781,376	64,141	2
IRON AND STEEL SEMIMANUFACTURES			
Tinplate and terneplate.....pounds..	213,335,371	7,650,419	140
Scrap.....tons..	781,371	6,865,495	243
Steel sheets, galvanized.....pounds..	118,076,586	3,556,242	107
Steel bars.....do..	49,841,752	1,131,296	45
Iron ore.....tons..	155,271	646,633	86
Iron and steel plates.....pounds..	30,812,959	631,815	34
Wire rods.....do..	37,803,454	608,079	14
Alloy steel bars.....do..	4,024,258	267,311	11
Iron sheets, black.....do..	6,162,180	195,940	12
Steel ingots.....tons..	3,159	114,035	94
Pig irons.....do..	2,750	63,985	18
Iron bars.....pounds..	1,508,738	55,254	9
STEEL-MILL PRODUCTS			
Wire and manufactures.....do....	129,191,116	4,187,902	89
Casing and oil-line pipe.....do..	87,820,328	3,430,620	127
Nails and bolts.....do..	40,097,583	1,795,061	31
Welded galvanized pipe.....do....	45,837,752	1,477,491	27
Steel rails.....tons..	41,481	1,226,929	296

(1) Less than 1 percent.

Exports which increased in 1933—Continued

Commodity	Exports in 1933		Percent increase in quantity from 1932 to 1933	
	Quantity	Value		
STEEL-MILL PRODUCTS—continued				
Structural shapes, fabricated.....	tons.....	13, 893	8939, 987	61
Welded black steel pipe.....	pounds.....	32, 312, 491	618, 073	30
Malleable-iron screwed pipe fittings.....	do.....	5, 000, 442	655, 004	49
Rail joints, splice bars, etc.....	do.....	20, 446, 062	478, 010	364
Seamless boiler tubes.....	do.....	8, 098, 324	443, 245	9
Cast-iron pressure pipe and fittings.....	do.....	14, 792, 057	322, 296	40
Storage tanks.....	do.....	6, 898, 373	305, 118	1
Car wheels and axles.....	do.....	11, 065, 294	248, 230	71
Cast-iron screwed pipe fittings.....	do.....	2, 978, 110	246, 154	77
Cast-iron spill pipe and fittings.....	do.....	8, 104, 643	232, 363	24
Seamless black pipe.....	do.....	3, 193, 646	197, 421	145
Railroad spikes.....	do.....	5, 319, 170	192, 112	242
Switches, frogs, crossings.....	do.....	1, 091, 514	94, 167	1
Iron and steel plates, fabricated.....	do.....	3, 136, 822	82, 418	31
Iron castings.....	do.....	9, 418, 177	42, 440	24
Railroad bolts, etc.....	do.....	2, 861, 622	174, 244	230
ADVANCED IRON AND STEEL MANUFACTURES				
Files and rasps.....	dozen.....	1, 265, 267	1, 244, 507	19
Chains.....	pounds.....	4, 030, 570	600, 735	29
Hack-saw blades.....	gross.....	149, 050	693, 223	27
Axes.....	dozen.....	44, 697	378, 767	156
Tin hollow ware.....	pounds.....	2, 996, 837	263, 171	34
Sheet-metal filing cases.....	do.....	12, 056	276, 345	14
Industrial oil burners.....	do.....	1, 701	266, 446	6
Automotive scales.....	do.....	10, 330	244, 689	(1)
Plumbing fixtures.....	do.....	21, 723	155, 929	23
Door locks and sets.....	dozen.....	23, 404	144, 190	22
Bathtubs.....	do.....	4, 981	123, 828	47
Shelf and hardware saws.....	do.....	375, 252	109, 707	106
Shovels and spades.....	dozen.....	12, 516	102, 720	44
Padlocks.....	do.....	38, 184	100, 077	26
Hammers and hatchets.....	do.....	18, 328	80, 277	102
Hand hoes and rakes.....	do.....	102, 322	54, 555	46
Augers and bits.....	dozen.....	15, 830	31, 017	38
Vices.....	do.....	7, 284	22, 354	8
Ferro Alloys.....	pounds.....	19, 089, 995	2, 931, 930	66
NONFERROUS METALS				
Refined copper.....	do.....	249, 612, 034	16, 034, 062	12
Copper ore.....	do.....	45, 427, 926	3, 229, 785	38
Brass and bronze scrap.....	do.....	30, 695, 384	1, 367, 759	2
Platinum ingots, sheets, etc.....	ounces troy.....	23, 686	606, 552	15
Aluminum ingots, etc.....	pounds.....	5, 514, 769	639, 130	3
Brass and bronze pipe fittings.....	do.....	843, 069	478, 914	2
Zinc rolled in sheets, etc.....	do.....	6, 376, 397	467, 772	6
Rubber-covered wire.....	do.....	2, 413, 734	432, 628	3
Nickel chrome wire.....	do.....	262, 743	235, 033	14
Copper wire.....	do.....	2, 571, 540	247, 627	35
Zinc dust.....	do.....	3, 136, 361	234, 128	14
Babbitt metal.....	do.....	824, 257	225, 266	10
Plumbers' brass goods.....	do.....	432, 224	214, 219	23
Nickel silver.....	do.....	330, 176	87, 645	39
Wire of brass or bronze.....	do.....	240, 004	50, 449	3
Zinc ore.....	do.....	1, 617, 366	43, 650	(1)
Lead sheets.....	do.....	347, 950	16, 986	64
Lead pipe.....	do.....	199, 794	10, 647	373
ELECTRICAL MACHINERY AND APPARATUS				
Radio receiving sets.....	sets.....	509, 786	9, 323, 535	75
Refrigerators.....	do.....	72, 097	5, 601, 771	49
Radio receiving tubes.....	tubes.....	5, 399, 145	2, 623, 261	44
Radio B and C batteries.....	cells.....	4, 145, 160	1, 551, 467	3
Sockets, etc.....	articles.....	5, 066, 839	643, 409	29
Incandescent light bulbs.....	bulbs.....	5, 495, 053	626, 360	26
Stationary motors.....	motors.....	3, 933	555, 810	16
Portable tools.....	articles.....	7, 665	399, 744	19
Alternating current generators, heavy.....	do.....	9	325, 958	50
Indicating instruments.....	do.....	71, 639	293, 400	161
Dry-cell batteries, number 6.....	do.....	1, 172, 054	236, 895	47
Distribution transformers.....	do.....	1, 422	211, 368	21
Mining and industrial locomotives.....	do.....	57	194, 527	45
Cooking ranges.....	do.....	2, 102	155, 135	12

¹ Less than 1 percent.

² None in 1932.

Exports which increased in 1933—Continued

Commodity	Exports in 1933		Percent increase in quantity from 1932 to 1933
	Quantity	Value	
ELECTRICAL MACHINERY AND APPARATUS—continued			
Self-contained lighting outfits.....	597	\$137,099	41
Motors (½ to 1 horsepower).....	6,898	136,626	11
Flatirons.....	64,837	91,043	17
Fuses.....	2,148,010	84,003	68
Floodlights.....	3,863	73,228	40
Instrument transformers.....	2,125	50,177	12
Railway motors.....	86	47,037	32
Searchlights and beacons.....	333	44,909	278
Station and warehouse motor trucks.....	21	85,037	17
Complete battery chargers.....	1,474	26,270	4
INDUSTRIAL MACHINERY			
Sewing machines (factory).....	44,427	2,803,732	51
Textile winding machines.....	2,167	674,872	100
Rock drills.....	3,849	633,244	17
Gear-cutting machines.....	253	600,598	70
Centrifugal pumps.....	1,701	439,894	11
Cotton looms.....	1,007	422,065	187
Thread-cutting machines.....	257	366,252	86
Engine lathes.....	330	360,439	23
Tool-grinding machines.....	484	273,435	30
Locomotives.....	20	220,638	189
Mine hoists and derricks.....	337	220,510	37
Grinding and slicing machines.....	2,084	218,415	20
Air compressors, small, stationary.....	2,945	211,118	25
Turret lathes.....	117	208,241	179
Surface grinding machines.....	105	205,793	67
Marine engines.....	127	204,139	14
Elevators.....	125	190,395	15
Reciprocating steam pumps.....	910	183,387	6
Cranes.....	49	170,431	45
Vertical drilling machines.....	285	158,307	310
Hoists.....	702	144,820	24
Steam boilers, water tube.....square feet..	90,765	138,164	90
Pumps, hand and windmill.....	10,440	101,600	32
Rotary pumps.....	3,665	98,010	26
Stationary steam engines.....	38	65,891	46
Gasoline locomotives.....	24	60,897	26
Chucks for machine tools.....	9,927	57,843	71
Road rollers.....	18	56,997	64
Conveyors.....	120	54,756	3
Sugar-mill machinery (cane).....	516	33,589	20
Planers, molders, etc.....	39	30,029	103
Self-contained household water systems.....	424	26,409	6
AGRICULTURAL MACHINERY AND IMPLEMENTS			
Track-laying tractors.....	1,197	2,000,516	35
Wheel tractors.....	2,403	1,815,490	48
Combines.....	405	473,162	6
Horse and power plows.....	30,636	400,145	102
Windmills.....	3,927	178,779	60
Lawn mowers.....	20,014	136,609	33
Threshers.....	134	119,210	9
Cultivators.....	10,762	103,419	60
Harrows.....	1,724	95,794	45
Feed cutters, grinders and crushers.....	2,260	89,787	14
Planters.....	1,731	84,220	178
Drills and seeders.....	987	41,368	78
Engines for tractors.....	101	35,220	573
Hay presses.....	92	30,403	59
Hayrakes and tedders.....	473	19,754	91
Corn shellers.....	1,500	10,645	174
VEHICLES			
Automobiles.....	108,127	52,212,830	63
Aircraft.....	406	5,391,493	45
Engines for aircraft.....	2,903	1,482,341	23
Spark plugs.....	5,677,316	1,300,029	2
Motorcycles.....	2,309	512,594	17
Internal combustion marine engines (except diesel).....	3,952	468,335	41
Freight cars.....	248	330,660	39
Engines for trucks and busses.....	2,180	289,949	31
Automobile horns.....	144,322	202,839	33
Motor boats with engines.....	133	139,150	39

Exports which increased in 1933—Continued

Commodity	Exports in 1933		Percent increase in quantity from 1932 to 1933
	Quantity	Value	
VEHICLES—continued			
Wheelbarrows.....	13,547	\$49,100	30
Wagons and drays.....	472	25,034	123
Bicycles.....	1,033	20,287	30
Mine cars, not over 15 tons capacity.....	115	13,250	31
Automobile bumpers.....	0,197	12,411	478
MISCELLANEOUS MACHINERY			
Accounting and calculating machines.....	20,526	4,772,468	19
Typewriters, standard, new.....	54,478	3,492,197	16
Typesetting machines.....	505	1,680,286	69
Printing presses.....	841	1,553,691	75
Cash registers.....	8,435	1,503,499	2
Typewriters, used and rebuilt.....	55,120	1,220,111	172
COAL-TAR PRODUCTS			
Colors, dyes, stains, and lakes.....pounds..	18,740,356	4,652,726	16
Coal-tar pitch.....tonf..	199,088	2,413,747	6
Benzol.....gallons..	8,439,456	1,594,076	160
Crude coal-tar products.....barrels..	590,912	1,376,362	49
Cresote oil.....gallons..	136,774	26,329	20
MEDICINAL AND PHARMACEUTICAL PREPARATIONS			
White mineral oil.....gallons..	413,636	204,334	29
Castor oil.....do.....	42,755	58,369	2
INDUSTRIAL CHEMICAL SPECIALTIES			
Liquid household insecticides and exterminators.....pounds..	3,169,205	1,096,617	38
Pollishers.....do.....	6,203,141	1,034,180	10
Rubber compounding agents.....do.....	1,796,418	818,633	22
Petroleum jelly.....do.....	11,706,102	609,005	15
Baking powder.....do.....	2,779,024	578,829	8
Dextrine or British gum.....do.....	14,599,699	486,276	50
Cementing preparations for repairing and adhesive use.....pounds..	3,226,089	430,231	40
Water softeners, purifiers, boiler and feed water comp.....pounds..	1,069,490	255,492	22
Textile specialty compounds.....do.....	6,890,449	210,005	5
Household disinfectants, deodorants, etc.....do.....	1,486,391	147,748	3
Calcium arsenate.....do.....	2,635,824	101,074	4
Nicotine sulphate (40 percent basis).....do.....	155,493	99,105	7
INDUSTRIAL CHEMICALS			
Sodium compounds.....do.....	446,240,861	7,739,193	9
Gases, compressed, liquefied and solidified.....do.....	30,990,196	838,871	147
Aluminum sulphate.....do.....	56,539,527	543,945	32
Citrate of lime.....do.....	8,035,957	496,521	29
Methanol.....gallons..	1,118,865	477,608	45
Nitro or aceto cellulose solutions, collodions, etc.....pounds..	2,526,247	477,272	25
Butanol.....do.....	4,890,941	439,676	225
Potassium compounds.....do.....	2,649,905	301,598	44
Boric acid.....do.....	5,409,549	217,666	61
Carbon bisulphide.....do.....	2,694,720	141,181	1
Formaldehyde.....do.....	2,373,178	121,021	13
Calcium carbide.....do.....	2,309,789	84,399	1
Acids and anhydrides, organic.....do.....	446,507	84,079	24
PIGMENTS, PAINTS, AND VARNISHES			
Carbon black or gas black.....do.....	152,286,178	5,552,145	52
Ready mixed paints, stains and enamels.....gallons..	1,201,930	2,147,071	15
Nitrocellulose lacquers: pigmented.....do.....	336,798	813,443	49
Mineral earth pigments.....pounds..	21,607,670	321,976	40
Varnishes.....gallons..	352,663	390,837	20
Thinners for nitrocellulose lacquers.....do.....	318,145	281,145	55
Litharge.....pounds..	3,076,073	142,890	3
Bone black and lamp black.....do.....	1,344,266	90,444	14
Red lead.....do.....	1,139,141	63,638	15

Exports which increased in 1933—Continued

Commodity	Exports in 1933		Percent increase in quantity from 1932 to 1933
	Quantity	Value	
MISCELLANEOUS CHEMICALS			
Fertilizers and fertilizer materials..... tons..	1,027,766	\$6,248,969	22
Dynamite..... pounds..	5,941,030	776,003	29
Toilet or fancy soaps..... do..	5,989,852	718,332	30
Safety fuses..... linear feet..	61,685,214	297,694	21
Medicated soaps..... pounds..	326,075	180,723	6
Blasting caps..... pounds..	10,648,441	166,599	48
Household washing powders..... pounds..	611,802	36,110	9
MISCELLANEOUS			
Motion picture films..... linear feet..	287,836,913	5,969,393	5
Pyroxylin plastic film support..... pounds..	3,331,092	2,486,235	7
Films, not motion picture.....	9,928,968	2,134,051	4
Cameras.....	322,466	930,742	0
Machines and heavy ordnances, guns and carriages.....	929	787,724	123
Metallic cartridges..... thousand..	110,263	789,319	69
Printing and lithographic ink..... pounds..	4,916,457	707,626	2
Bottle and container closures..... gross..	1,866,976	572,233	3
Composition roofing..... squares..	640,514	539,370	66
Dry plates..... dozen..	710,422	320,370	46
Revolvers and pistols.....	14,311	311,340	26
Pyroxylin sheets, rods, or tubes.....	401,492	315,628	29
Motion picture projectors.....	9,277	310,888	80
Typewriter ribbons..... dozen..	161,212	302,631	4
Lanterns, wick.....	582,424	278,491	700
Shot shells..... thousand..	11,067	230,661	40
Coin operated commodity vending machines.....	4,976	216,615	15
Explosive shells and projectiles..... pounds..	248,766	182,665	435
Phonograph records.....	1,733,651	178,642	75
Rides.....	18,147	164,351	78
Band instruments.....	3,873	116,136	21
Refrigerators, not electric.....	2,436	93,080	19
String instruments.....	18,704	86,678	22
Shot guns.....	15,002	77,696	109
Paste and mucilage..... pounds..	607,168	72,408	27
Shoe findings: Heels and counters, including lifts, not rubber..... pounds..	364,009	61,276	36
Paint brushes..... dozen..	21,606	64,901	31
Lenses.....	137,842	33,856	198
Watches without jewels.....	55,791	30,853	33

Mr. PEABODY. The second consideration, in terms of export market, is that there is what seems to me very eloquent testimony that it is almost hopeless to try and find a market for a majority of our surplus agricultural products, and certainly hopeless if we think of it as a policy that is to last. If it is not a policy that is to last, I think one has to interpolate right here that then you seem to be trying to bargain a temporary market for what unquestionably would be permanent loss in this country.

We haven't had the facilities to analyze all of the possibilities of export of agricultural surpluses, but here is a picture for one which seems to be further gone than some of the others—wheat.

If I can read the statistical evidences, the trends, correctly, it seems to me that it is impossible that we should ever expect to have an export market for wheat again, barring a failure of a crop in one of the other principal producing countries or our willingness to subsidize that export, and let us take a loss by selling it out at a lower world-market price.

Senator WALCOTT. Do you object to an interruption there for a question?

Mr. PEABODY. Not at all. I would rather get them now than go back, as a matter of fact.

Senator WALCOTT. Some of the other witnesses who were opposed to the bill indicated that it was their opinion that wheat was one of the items to be driven at, that is, the export of wheat was to be encouraged.

It would be a fine thing, of course, if we could accomplish it, but you have just stated that you do not think that that is possible.

Will you amplify that a little bit, because that is evidently one of the things the Government has in mind—to help the wheat-export business.

Mr. PEABODY. Well, perhaps this will build up the amplification: During the period 1927-28, 1931-32, the net exports of wheat and wheat flour from the United States declined by 19,000,000 metric quintals.

These are taken from the League of Nations reports, which reduce the whole thing to a common denominator and ought to make it as reliable as that type of statistical evidence can be.

During that same period Italy became increasingly dependent upon a domestic market. Production in Italy was increased during the period by 13,000,000 metric quintals. That is, the increase in Italy alone was almost sufficient to offset our loss in exports.

In Germany, much the same story: Production increased by 9,500,000 quintals. Those were countries which were importing before.

Imports into Italy during that period were cut by 15,000,000 quintals, which, taken along with their own increase in domestic production—and, as far as I know, you don't get in the habit of growing wheat and then give it up, except under rather vigorous persuasion—would imply that they were going to go ahead and continue to produce their wheat.

Imports into Germany during that period decreased by 18,000,000 quintals.

Canada has suffered losses in her export of wheat—not as great as we, but she has suffered a great deal. During the same period you get this picture, indicating the change in the agricultural situation in the other countries.

Russia, exporting only 200,000 metric quintals in 1927-28, with a net import in 1928-29, by 1931-32 had a net export of over 17,000,000 metric quintals.

During this period production in Australia increased 19,500,000 metric quintals. Net exports increased by 15,500,000.

There are more, but unless you want me to read the rest, it seems to me that is about as conclusive and direct evidence as one could find of the tremendous impetus that has been given, the world over, to increasing that sort of thing, and, coupled with our knowledge of the fact that commodities of that type, in world markets, settled to a world price, I do not see how we can expect ever, except under the circumstances I noted, to export wheat.

The story for some of the other agricultural exports is not seen as depressing as that, at the moment, but there is plenty of evidence.

We heard reference a little while ago, one of the witnesses this afternoon testifying to increased production of agricultural crops.

I do not think it would be possible to long export many meat products. Our cotton, on the other hand, I think I ought to mention, because that is included. We probably will continue to export a considerable amount of cotton for sometime, but in that connection it ought to be noted that our exports of cotton for last year were very much in excess, in quantity terms, of the exports in 1923, 1924, 1925, 1929, 1930, and 1931. In other words, the quantity of cotton exported last year was well above the average of this last period that we are trying to duplicate, or trying to approach.

The value, of course, was down, but in building up an export market, if it could be done under these devices, we cannot go out and demand a price along with the demand for the market. There are other records, bits of evidence.

I am selecting only a few. I sent over them very carefully this noon, to try to check on the amount of time that would be necessary to try and drive this thing home, because it seems to me it has been completely overlooked.

I would like to put in the record a report of the exports of passenger automobiles.

(The report on passenger automobiles is as follows:)

II. Passenger automobiles (except electric) going to 25 selected countries

	1925	1929	1933		1925	1929	1933
Europe:				Asia and Africa—Con,			
Belgium.....	2.1	5.0	14.1	British South Africa.	4.0	0.3	16.0
Denmark.....	3.3	2.3	4.4	Oceania:			
France.....	.4	1.3	.6	Australia.....	19.8	10.0	4.5
Germany.....	1.5	2.4	.6	New Zealand.....	3.2	2.2	.1
Italy.....	3.3	.4	.1	North America:			
Netherlands.....	1.0	1.1	5.3	Canada.....	6.7	12.4	1.5
Spain.....	2.6	2.1	.2	Cuba.....	3.3	1.8	.7
Sweden.....	1.4	3.0	3.4	Mexico.....	5.1	3.7	3.5
Switzerland.....	.5	.7	2.3	South America:			
United Kingdom.....	7.2	2.8	2.0	Argentina.....	12.0	11.5	5.0
Asia and Africa:				Brazil.....	5.7	5.1	3.4
British India.....	1.1	3.2	3.3	Chile.....	.7	1.0	.3
Japan.....	.4	1.0	5.5	Venezuela.....	1.0	1.0	2.5
Java and Madura.....	.6	2.6	0	Uruguay.....	1.9	2.2	.5
Philippine Islands.....	1.3	1.0	3.6				

I. Number of passenger automobiles (except electric) exported to 25 selected countries

EXPORTS TO EUROPE

Year	Belgium	Denmark	France	Germany	Italy	Netherlands	Spain	Sweden	Switzerland	United Kingdom
1923.....	4,031	1,700	312	64	2,027	1,586	6,330	6,744	495	7,582
1924.....	1,670	716	349	2,347	2,600	1,937	4,680	2,759	991	6,118
1925.....	5,193	8,014	1,042	3,823	8,141	2,430	6,384	3,378	1,281	17,369
1926.....	6,542	10,132	799	3,220	4,300	1,666	5,056	3,608	840	5,820
1927.....	13,086	14,841	1,700	8,473	849	2,816	7,515	5,651	1,171	11,185
1928.....	19,521	8,847	2,888	12,607	2,566	4,839	9,609	15,229	2,707	11,196
1929.....	10,913	7,659	4,494	8,093	1,304	3,776	7,264	12,092	2,228	9,422
1930.....	15,384	8,780	1,598	4,095	597	3,711	2,825	7,422	1,733	5,184
1931.....	10,345	6,183	570	1,448	67	2,547	492	6,659	1,511	1,334
1932.....	6,903	1,245	294	260	79	1,754	260	1,437	1,603	1,432
1933.....	9,113	2,858	370	359	85	3,428	159	2,193	1,500	1,651

I. Number of passenger automobiles (except electric) exported to 25 selected countries—Continued

EXPORTS TO SOUTH AMERICA

Year	Argentina	Brazil	Chile	Venezuela	Uruguay
1923	6,045	2,130	795	768	8,128
1924	12,210	5,380	2,095	1,324	4,322
1925	31,480	13,974	1,035	2,340	4,039
1926	25,847	10,793	1,848	3,399	4,970
1927	34,245	14,074	1,786	1,838	3,248
1928	39,734	27,711	3,980	1,836	5,065
1929	39,158	17,260	5,803	3,449	7,480
1930	16,000	949	1,600	2,737	3,355
1931	4,693	948	304	1,012	1,078
1932	2,207	401	2	1,009	45
1933	3,799	2,172	171	1,023	332

Year	Exports to the 25 selected countries	
	Number	Perc. nt of total exports
1923	127,035	113,292 89
1924	181,380	130,264 90
1925	244,369	222,174 91
1926	238,540	216,482 91
1927	278,748	248,354 89
1928	368,320	325,608 88
1929	339,447	297,072 88
1930	182,069	133,559 88
1931	82,467	71,965 87
1932	41,440	34,237 83
1933	64,511	64,450 84

Year	Exports to Asia and Africa					Exports to Oceania		Exports to North America		
	British India	Japan	Java and Madras	Philippine Islands	British South Africa	Australia	New Zealand	Canada	Cuba	Mexico
1923	1,008	3,734	1,245	1,443	4,833	25,817	4,209	11,012	6,003	7,559
1924	2,201	4,147	1,059	2,266	7,022	39,264	4,005	8,900	7,914	8,080
1925	2,669	1,095	1,490	3,173	11,990	48,357	7,700	13,928	8,035	12,660
1926	2,630	1,042	2,027	4,840	14,070	48,034	8,989	26,396	4,754	9,509
1927	3,531	2,085	6,584	3,422	17,880	40,954	6,389	34,300	4,483	9,028
1928	9,959	8,419	7,995	3,074	21,846	38,452	10,261	42,833	6,984	12,841
1929	10,722	5,408	8,787	3,240	21,345	33,802	7,512	42,048	6,013	12,070
1930	4,132	4,000	2,270	2,879	7,584	3,442	2,460	18,357	3,378	8,696
1931	3,058	5,482	1,081	2,182	7,893	1,092	238	0,397	848	2,339
1932	990	2,778	0	2,182	3,704	2,005	110	1,009	588	1,191
1933	2,141	3,517	0	2,311	9,647	2,910	272	959	468	2,423

Mr. PEABODY. Now, I cannot put in the record the report of passenger automobiles without saying that my own feeling is very much—this is a personal feeling; I am not talking for the tariff league, for the moment—that any endeavors under this reciprocity bill are going to be largely in behalf of agriculture, but I have taken passenger automobiles because they are the most conspicuous export.

Speaking frankly, if I wanted to make the most perfect statistical picture for my argument, I would not use this, but this is a fairer thing, by a long shot.

These markets shift. They shift from year to year, from short period to short period, and on top of that there is seldom a year when the export market for automobiles is not so diverse that you would

have to have treaties with almost all the countries in the world, to achieve any marked stimulation.

This record shows the percentage of the total exported automobiles going to 25 selected countries.

In 1925, 1929, 1933, that is. It is supplemented by a record of the actual number of cars for each year from 1923 through last year, so that that thing, that happens so often, a misinterpretation of a percentage figure, can be checked by reference to the other thing.

Illustratively only, not to read the whole picture, in 1925 3.3 percent of our automobiles exported went to Denmark; in 1929 2.3 percent; 1933 4.4 percent.

Italy—I am not sure whether my memory checks on this, but it seems to me somebody has referred to the development of the automobile facilities in Italy, during the course of the hearings—Italy, in 1925, took 3.3 percent; in 1929, 0.4 percent; 1933, one tenth of 1 percent of our exports.

Meanwhile, Netherlands took only 1 percent in 1925, took 1.1 percent in 1929, and 5.3 percent in 1933.

Just one or two others that seemed to indicate—these are selected because they are more drastic, but they do indicate vividly the change in character of export markets:

British South Africa, 4.9 percent of our automobile exports in 1925, 6.3 percent in 1929, and in 1933 they took 15 percent.

Meanwhile, Canada, in 1925, took 5.7 percent, 12.4 percent in 1929, and 1.5 percent in 1933.

The reasons behind those shifting markets are numerous. I do not know, I would not think it was essential to try and develop them, because they are numerous.

The fact remains that almost any industrial product that you take and analyze, over the last decade, shows a constant shift from one country to the other, as the principal market, and shows, to a very appreciable degree the fact that no one country, for an industrial export, takes a large proportion of the commodities.

Senator WALCOTT. Is the variable there the change in output in the foreign countries?

Mr. PEABODY. That is why you would have to identify them individually. In some countries it is entirely the development of domestic plants; in others, it is a result of depression; in others, it is a result of changing styles; and so on and so forth.

If that could go into the record, I would like to dismiss it, so as to get on.

Senator BARKLEY. Yes; file it.

(The statement appears hereinbefore, at length.)

Mr. PEABODY. I would like to put this table in, too.

The percentages are small, but, if they are understood, it indicates another element of this shifting market. This is a table showing the increasing importance of Japan in foreign markets, taken from the League of Nations international trade statistics, and it lumps all exports to a country.

Of course, it includes raw materials as well as manufactures, but the bulk of Japan's raw materials come to the United States.

Japan has been making rapid inroads in the Far East and is beginning to make a distinct impression on the markets in Europe and South America, as well as the United States, on specialty products.

Of course, specialty products do not count up quickly in figures, and yet they have this story:

Six and two thirds percent of India's imports came from Japan in 1928, and 14.4 percent last year.

Australia has less than 3 percent from Japan in 1928 and 5½ percent in 1932.

Argentina, six tenths of 1 percent in 1928 and 1.6 percent in 1932.

If you would calculate the percentage increase, and wanted to talk in terms of acceleration, some of those things would look phenomenal.

This thing can be sadly misinterpreted, but it shows how the thing tends to take markets away and its more or less irresistible movements.

You cannot break that down by getting Argentina or the Union of South Africa to give you a tariff concession, particularly if, as I would like to discuss at the moment--the unconditional aspects of this thing.

There was a question raised yesterday about the amount of our import trade. I would merely like to tell you that we have been for a long time trying to measure imports quantitatively. The average quantitative record of imports for 1933 was 83 percent of the 1923 volume, representing the very small reduction over what we are talking about.

The thing that I have picked, of the remaining elements, that seemed to me of very great importance, is a reference to the effect of the conditional and unconditional clauses with the most-favored-nation treaty.

I have not seen the testimony that Mr. Sayre offered to the Finance Committee last week. I do not know whether he introduced the same story or not, but, in the record of the hearings before the House there is a list of 29 countries listed by number showing dutiable imports into the United States from specified countries, the articles for which each country, respectively, is the chief source of supply.

Now, that table was introduced, as I understand it, in answer to the question, and fear on some people's part, that under our most-favored-nation treaties, with the unconditional clause in particular, it is possible that by negotiating a treaty with one country the benefits that we seek to get will be rather limited and the concessions that we make will be spread not to one country but to many countries.

The story goes, here, that these countries are the principal source of supply so, if you bargain with them on their principal source of supply, the danger of extending those concessions to other countries without adequate reward is limited. The thing that bothered me most in that table was the last column, which is properly captioned, but I am sure it would be misinterpreted.

I tried it out on a group of people the other day, supposedly trained in statistics, letting them read the testimony.

One boy got it right; the rest read it wrong. I can make the statistical thing clearest by taking an illustration which is extreme, but using it because it involves only one commodity. I might say that the check against this was rather a chore, because the countries were not named, and the dutiable list that was included involved our going over the whole thing, trying to pick out the ones that tallied, and I haven't got all 29 countries, for that reason.

Here is a case: One of the countries listed is Salvador. There are some other different types of countries, which I am coming back to, in this list, which shows that the import from the specific country, for articles for which that country is the leading source of supply, amount to \$47,000, total dutiable imports of \$52,000, and then the last column, "Ratio of Imports" for which specified countries are the leading source of supply, the total dutiable imports for Salvador is represented as 90 percent.

Now, that does not mean that if you should make a dicker for Salvador on that commodity, that 90 percent of it comes from Salvador. It means that 90 percent of Salvador's dutiable exports come from Salvador.

Actually that commodity happens to be crude balsam, and in 1931, measured on a value basis, 40 percent came from Salvador, not 90, and if we should make a dicker with Salvador we would automatically extend the privilege to Brazil and Nicaragua, which supplied 42 percent.

Another 13 percent is Canada for unconditional treaties. Of course, I suppose that that illustration may not seem important, but, taking the single commodity, it shows the point.

Now, let me take this important country: We got them more or less at random, because, in some instance, we did not check our selected sample against that one, and we did not want to use it if we could not.

Eighteen items dutiable from Belgium, for which Belgium was the leading source of supply.

The percentage in here is 51 percent. We analyzed those. The first item in 1931, diamonds, we could make a dicker with Belgium for diamonds and not have any trouble.

The second item is structural iron and steel, 54 percent quantitatively, coming from Belgium, 25 percent coming from Germany under an unconditional most-favored-nation treaty, and another 3 percent coming from the United Kingdom under a conditional treaty.

In other words, the second most important item on that list would automatically be involved in a concession, if we should negotiate a treaty with Belgium.

The third item is plate glass, 67 percent coming from Belgium in 1931, 23 percent coming from Germany, which, again, would have the benefit of this automatic reduction in rate. I should have said, coming from Germany and Czechoslovakia.

We have "woven fabrics for padding or interlining" third. There are no countries under the unconditional, supplying very much.

Concrete reinforcement bars, Germany again would be a beneficiary to the extent of 13 percent of our total importations.

This sixth item, steel ingots, Germany would get 9 percent.

Seventh item, hoop, band, or scroll iron and steel, 54 percent by quantity coming from Belgium, Germany sending 28 percent.

In other words, as one reads this, you get the impression that Germany will be very pleased for us to dicker with Belgium.

Some of these are not as large as others. In many instances the percentage that would come in under the "unconditional" treaty is from a third to, in some instances, the equivalent of the amount that came in in 1931 from the country with whom we would presumably be entering into the negotiations.

I am very anxious that this should become a matter of public record. I would like, if I can read it in abbreviated fashion, to refer to one other: France.

That is the only——

Senator BARKLEY. You have 4 minutes of the 30 you asked for.

Mr. PEABODY. Four left?

Senator BARKLEY. If that is too much, you can cut it down.
[Laughter.]

Mr. PEABODY. I really wanted about a day, sir. I began cutting yesterday. I sat up last night to cut, and then I got a little bit discouraged, coming back to Washington by plane this noon, and cut some more.

If that is what you call it——

Senator BARKLEY. You can file anything you want to in the record.

Mr. PEABODY. Well, that is a help. I read the record. I will put this over, in great haste, if I may.

I would like permission, possibly, to make one or two corrections, and I would like to write a caption for that.

The other points that are remaining on my conscience are very, very numerous. I have made a very serious attempt to see how you could have a formula which could be applied satisfactorily under this agreement or any other provision for agreement.

It is quite evident to me that there is a marked difference of opinion among the people who would have a good deal to do with this bill, and it is equally evident that I have got to put this in with a statement, without development, and I wanted to try and develop it in a very careful manner, that none of the tests that have been proposed for picking out an industry, to be used as a basis for barter, is satisfactory, and I am mighty sorry that I have got to leave it like that on the record.

I have been over those things statistically, academically, practically. I would not be willing, myself—and I would feel the way Secretary Hull apparently felt a few years ago—in the remark that has been quoted once or twice.

It I had to pick industries on the basis of an enumeration in the Costigan report, those records just will not stand up under tests. The other point—may I have about 2 minutes of grace?

Senator BARKLEY. Yes.

Mr. PEABODY. Is the fact that I have not seen or heard discussed, that there is a very considerable body of testimony to the effect that of all possible ways of trying to solve one's tariff problems, bargaining is the least satisfactory and the most destructive.

The report of the Tariff Commission does not go that far, but it points in no uncertain terms to the possibility of the uninitiated bargaining away an item that is really protective, for something that in another country was set up as a straw man.

I think it would be worth while to look into the book that Mr. Culbertson wrote on Economic Policies in Wartime and After, and then to Mr. Thomas Walker Page's on The Making of Tariffs in the United States; or, here, one of these completely academic people, Prof. O. Fred Boucke, of Pennsylvania State, making a special study, and perhaps the most significant thing—I can only give you one quotation,

Sir William Beveridge, "Tariffs—The Case Examined", and advocating free trade, makes this observation:

The idea that tariffs can be bargained and be made a way to freer trade is not an economic fallacy, like most of the common arguments for protection. It is just the disastrous misunderstanding of human nature.

I would like to underline that, and, if you were not so indulgent already, I would like to ask for another 15 minutes to try to point out in just how many ways the disastrous misunderstanding of human nature is involved in a transfer of power such as is contemplated here.

I am very much distressed, and I am speaking personally again, at the apparent disposition to take what seems to be an academic idea, academically handled, and foist it on the country in the face of the other domestic recovery program. I cannot imagine any policy that is so inconsistent in its probable results, unless it is a gesture, than this is, when stacked against a lot of the other things, because, bear in mind, if it is serious, in order to find an export market you have got to make many, many concessions and, if it is not, I do not know why we should be asked to spend our time running around having headaches over extra things, when we have so many, trying to adjust ourselves to playing ball with the rest of the programs.

Senator BARKLEY. Thank you very much.

Mr. PEABODY. Thank you, sir.

(Statement of Dutiable Imports into the United States Selected Countries, 1931, together with a record of the percentage of the commodity coming from that country and from countries with most-favored-nation treaties, offered for the record by Mr. Peabody, is as follows:)

DUTIABLE IMPORTS INTO THE UNITED STATES FROM SELECTED COUNTRIES, 1931, TOGETHER WITH A RECORD OF THE PERCENTAGE OF THE COMMODITY COMING FROM THAT COUNTRY AND FROM COUNTRIES WITH MOST-FAVORED NATIONS. (COMPARE WITH TABULATION ON P. 366 OF HEARINGS OF WAYS AND MEANS COMMITTEE ON SAME BILL)

Dutiable imports into the United States from Belgium, 1931

ARTICLES FOR WHICH BELGIUM WAS THE LEADING SOURCE OF SUPPLY IN 1931

Total imports from Belgium.....	\$34,241,000
1. Diamonds, cut not set, 146,000 carats.....	7,981,000
2. Structural iron and steel, 87,499,000 pounds.....	983,000
3. Plate glass, 3,259,000 pounds.....	784,000
4. Woven fabrics, for padding or interlining, 2,162,000 pounds.....	698,000
5. Concrete reinforcement bars, 59,675,000 pounds.....	540,000
6. Steel ingots, 33,371,000 pounds.....	355,000
7. Hoop, band, or scroll, iron and steel, n.e.s., 23,561,000 pounds.....	233,000
8. Firearms.....	214,000
9. Zinc oxide, 1,507,000 pounds.....	104,000
10. Films and dry plates, n.s.p.f.....	95,000
11. Films, sensitized, not exposed, except motion-picture films.....	71,000
12. Rolled glass, ground, etc.....	36,000
13. Hair manufactures (except of human hair), 96,000 pounds.....	25,000
14. Sodium phosphate, 1,332,000 pounds.....	18,000
15. Canned peas (except blackeyed, cowpeas, and chickpeas), 131,000 pounds.....	16,000
16. Cellulose sheets, more than 1 inch wide, 32,000 pounds.....	15,000
17. Cut fur for hatters' use, 9,000 pounds.....	14,000
18. Artists' canvas, 25,000 pounds.....	12,000
Total of 18 dutiable imports.....	12,074,000
Percent of total imports.....	35

Dutiable imports into the United States from Belgium, 1931—Continued

DUTIABLE IMPORTS FOR WHICH BELGIUM WAS THE LEADING SOURCE OF SUPPLY, 1931

[(U) unconditional; (C) conditional]

Articles	Percent from Belgium	Percent from most-favored nations		
		Unconditional	Conditional	Principal countries
1. Diamonds, cut not set:				
Quantity.....	72	0.10	1.0	United Kingdom (C), Cuba (U).
Value.....	67	1.00	1.0	Do.
2. Structural iron and steel:				
Quantity.....	54	25.00	5.0	Germany (U), United Kingdom (C).
Value.....	43	26.00	19.0	Do.
3. Plate glass:				
Quantity.....	67	23.00	2.0	Germany (U), Czechoslovakia (U).
Value.....	70	21.00	2.0	Do.
4. Woven fabrics, for padding or interlining:				
Quantity.....	85	.20	15.0	United Kingdom (C), Czechoslovakia (U).
Value.....	81	.20	18.0	Do.
5. Concrete reinforcement bars:				
Quantity.....	60	13.00	.2	Germany (U), United Kingdom (C).
Value.....	66	15.00	.2	Do.
6. Steel ingots:				
Quantity.....	74	8.00	2.0	Do.
Value.....	69	9.00	5.0	Do.
7. Hoop, band, or scroll, iron and steel, n.e.s.:				
Quantity.....	54	28.00	2.0	Do.
Value.....	35	24.00	3.0	Do.
8. Firearms: Value.....	70	7.00	22.0	United Kingdom (C), Germany (U)
9. Zinc oxide:				
Quantity.....	52	11.00	19.0	Do.
Value.....	55	9.00	15.0	Do.
10. Films and dry plates, n.s.p.f.: Value.....	45	23.00	27.0	Do.
11. Films, sensitized, not exposed, except motion-picture films: Value.....	49	48.00	2.0	Germany (U), United Kingdom (C).
12. Rolled glass, ground, etc.: Value.....	31	47.00	19.0	Czechoslovakia (U), Germany (U).
13. Hair manufactures (except of human hair):				
Quantity.....	80	16.00	3.0	Do.
Value.....	73	14.00	8.0	United Kingdom (C), Germany (U).
14. Sodium phosphate:				
Quantity.....	91	8.00	0.0	Germany (U).
Value.....	70	24.00	0.0	Do.
15. Canned peas (except blackeyed, cowpeas, and chickpeas):				
Quantity.....	33	.05	21.0	Italy (C), Japan (C).
Value.....	41	.04	18.0	Do.
16. Cellulose sheets, more than 1 inch wide:				
Quantity.....	81	3.00	.1	Germany (U), United Kingdom (C).
Value.....	67	4.00	.2	Do.
17. Cut fur for hatters use:				
Quantity.....	33	8.00	53.0	Italy (C), United Kingdom (C).
Value.....	52	1.00	37.0	Do.
18. Artists' canvas:				
Quantity.....	84	10.00	4.0	Germany (U), United Kingdom (C).
Value.....	77	12.00	9.0	Do.

Dutiable imports into the United States from Brazil, 1931

ARTICLES FOR WHICH BRAZIL WAS THE LEADING SOURCE OF SUPPLY IN 1931

Total imports from Brazil.....	\$110,212,000
1. Brazil or cream nuts, not shelled, 26,935,000 pounds.....	1,124,000
2. Brazil or cream nuts, shelled, 5,620,000 pounds.....	914,000
3. Kip skins, dry or dry salted, 68,000 pounds.....	18,000
Total of 3 dutiable imports.....	\$2,056,000
Percent of total imports.....	2

Dutiable imports into the United States from Brazil, 1931—Continued

DUTIABLE IMPORTS FOR WHICH BRAZIL WAS THE LEADING SOURCE OF SUPPLY,
1931

[(U) unconditional; (C) conditional]

Articles	Percent from Brazil	Percent from most-favored nations		
		Unconditional	Conditional	Principal countries
1. Brazil or cream nuts, not shelled:				
Quantity.....	97	0	3	United Kingdom (C).
Value.....	90	0	4	Do.
2. Brazil or cream nuts, shelled:				
Quantity.....	82	0	18	Do.
Value.....	75	0	25	Do.
3. Kip skins, dry or dry salted:				
Quantity.....	18	2	19	Argentina (C), United Kingdom (C).
Value.....	34	1	22	United Kingdom (C), Argentina (C).

Dutiable imports into the United States from Czechoslovakia, 1931

ARTICLES FOR WHICH CZECHOSLOVAKIA WAS THE LEADING SOURCE OF SUPPLY
IN 1931

Total imports from Czechoslovakia.....	\$23,192,000
1. Women's leather shoes, 2,698,000 pairs.....	4,203,000
2. Beads, except imitation pearl beads.....	2,880,000
3. All other manufactures of flax, hemp, and ramie.....	1,030,000
4. Imitation precious stones, except opalite.....	1,194,000
5. Jewelry (except gold and platinum), 355,500 dozens.....	304,000
6. All other buttons and parts (except: Pearl or shell buttons; and imitation pearl, shell, or agate buttons during Jan. 1-Mar. 8).....	244,000
7. Leather slippers and mocassins, 222,000 pairs.....	230,000
8. Bentwood furniture.....	172,000
9. Woman's fur felt hats, 157,000.....	189,000
10. Beet sugar, 4,800,000 pounds.....	154,000
11. Window glass, plain, 3,000,000 pounds.....	147,000
12. Cotton damask and manufactures.....	126,000
13. Oriental weave rugs (power loom), 304,000 square feet.....	103,000
14. Pressed glass articles.....	80,000
15. Agate buttons (includes imitation pearl, shell, or agate buttons, during Jan. 1-Mar. 8), 21,000 gross.....	14,000
Total of 15 dutiable imports.....	11,744,000
Percent of total imports.....	51

DUTIABLE IMPORTS FOR WHICH CZECHOSLOVAKIA WAS THE LEADING SOURCE
OF SUPPLY, 1931

[(U) unconditional; (C) conditional]

Articles	Percent from Czechoslovakia	Percent from most-favored nations		
		Unconditional	Conditional	Principal countries
1. Women's leather shoes:				
Quantity.....	80	10	1.0	Germany (U), Austria (U).
Value.....	80	10	2.0	Do.
2. Beads, except imitation pearl beads:				
Value.....	79	6	7.0	Japan (C), Germany (U).
3. All other manufactures of flax, hemp and ramie: Value.....	63	10	12.0	United Kingdom (C); Belgium (U).
4. Imitation precious stones: Value.....	77	14	1.0	Austria (U), Germany (U).
5. Jewelry (except gold and platinum):				
Quantity.....	54	24	17.0	Germany (U), Japan (C).
Value.....	35	37	12.0	Do.
6. All other buttons and parts (except pearl or shell and agate buttons during Jan. 1-Mar. 8): Value.....	62	23	0.0	Germany (U), United Kingdom (C).
7. Leather slippers and mocassins:				
Quantity.....	74	11	7.0	Germany (U), Japan (C).
Value.....	80	11	4.0	Germany (U), United Kingdom (C).
8. Bentwood furniture: Value.....	63	36	C. *	Poland (U), Germany (U).

Dutiable imports into the United States from Czechoslovakia, 1931—Continued

DUTIABLE IMPORTS FOR WHICH CZECHOSLOVAKIA WAS THE LEADING SOURCE OF SUPPLY, 1931—Continued

(U) unconditional; (C) conditional

Articles	Percent from Czechoslovakia	Percent from most-favored nations		
		Unconditional	Conditional	Principal countries
9. Women's fur felt hats:				
Quantity.....	45	11	26.0	Italy (C), Austria (U).
Value.....	30	12	23.0	Do.
10. Beet sugar:				
Quantity.....	100	0	0.0	
Value.....	100	0	0.0	
11. Window glass, plain:				
Quantity.....	48	8	43.0	Belgium (C); Germany (U).
Value.....	50	12	36.0	Do.
12. Cotton damask and manufactures:				
Value.....	65	10	23.0	United Kingdom (C), Germany (U).
13. Oriental weave rugs (power loom):				
Quantity.....	67	13	17.0	Do.
Value.....	54	10	28.0	Do.
14. Pressed glass articles: Value.....	58	27	9.0	Germany (U), Belgium (C).
15. Agate buttons (includes imitation pearl, shell or agate buttons, during Jan. 1-Mar. 8):				
Quantity.....	58	23	10.0	Germany (U), Japan (C).
Value.....	54	27	10.0	Do.

Dutiable imports into the United States from Egypt, 1931

ARTICLES FOR WHICH EGYPT WAS THE LEADING SOURCE OF SUPPLY IN 1931

Total imports from Egypt.....	\$4,017,000
1. Cotton, unmanufactured, staple, 1½ to 1¾ inch, 8,050,000 pounds.....	1,206,000
2. Cotton, unmanufactured, staple, 1¾ inch or more, 4,068,000 pounds.....	656,000
3. Gum, arabic or senegal, 6,470,000 pounds.....	471,000
Total of 3 dutiable imports.....	2,333,000
Percent of total imports.....	58

DUTIABLE IMPORTS FOR WHICH EGYPT WAS THE LEADING SOURCE OF SUPPLY, 1931

(U) unconditional; (C) conditional

Articles	Percent from Egypt	Percent from most-favored nations		
		Unconditional	Conditional	Principal countries
1. Cotton, unmanufactured, staple, 1½ to 1¾ inch:				
Quantity.....	77	0.0	9	United Kingdom (C).
Value.....	79	0	9	Do.
2. Cotton, unmanufactured, staple, 1¾ inch or more:				
Quantity.....	91	.1	8	United Kingdom (C); Haiti (U).
Value.....	91	.1	7	Do.
3. Gum, arabic or senegal:				
Quantity.....	80	0	10	United Kingdom (C).
Value.....	88	0	11	Do.

Dutiable Imports into the United States from France, 1931

ARTICLES FOR WHICH FRANCE WAS THE LEADING SOURCE OF SUPPLY IN 1931

Total imports from France.....	\$70,174,000
1. Cigarette paper, books and covers, 20,375,968 pounds.....	5,304,000
2. Machine-cotton laces.....	4,753,000
3. Shelled walnuts, 5,297,539 pounds.....	1,569,000
4. Cotton-floor coverings, 838,815 square yards.....	1,240,000

Dutiable imports into the United States from France, 1931—Continued

5. Other knit goods (wool), 702,058 pounds.....	\$1,188,000
6. Silk laces and lace articles.....	952,000
7. Pearls and parts, not strung or set.....	876,000
8. Silk-wearing apparel, embroidered or of lace.....	842,000
9. Vanilla beans, 1,208,122 pounds.....	719,000
10. Cotton-sewing thread, crochet cotton, etc., 808,100,852 yards.....	704,000
11. Canned mushrooms, 2,674,227 pounds.....	700,000
12. Silk-wearing apparel, other.....	678,000
13. Perfumery, bay rum, toilet water.....	647,000
14. Silk-pile fabrics, 517,679 square yards.....	630,000
15. Silk-pile ribbons and manufactures of silk pile fabric, 125,810 pounds.....	578,000
16. Wood furniture, n.e.s. (except chairs and bentwood furniture).....	522,000
17. Silk-broad fabrics, Jacquard-figured, over 30 inches wide, 300,000 square yards.....	513,000
18. Body supporting garments and elastic fabrics.....	502,000
19. Paper boxes.....	490,000
20. Perfume materials, dutiable.....	408,000
21. Rayon fabrics, 93,669 pounds.....	393,000
22. Cosmetics, powders, creams, etc.....	394,000
23. Bricks, fabrics, laces of metal.....	392,000
24. Cotton velvets and velveteens, 374,143 square yards.....	392,000
25. Glove leather, seal, chamois, and other.....	362,000
26. Beaded bags, fabrics and articles.....	270,000
27. All other art works.....	249,000
28. Mineral water, 560,700 gallons.....	242,000
29. Containers, bottles, vials, jars, etc.....	239,000
30. Red clover seed, 1,940,042 pounds.....	224,000
31. Opera and field glasses, 64,140.....	210,000
32. Brier ivy or laurel root.....	193,000
33. Band and orchestra instruments.....	188,000
34. Edible gelatin, 698,008 pounds.....	178,000
35. Toilet soap, 687,465 pounds.....	160,000
36. All other silk manufactures.....	165,000
37. Coney and rabbit fur, dressed, 492,240.....	162,000
38. Silk embroideries.....	161,000
39. Spun silk, piled, 91,688 pounds.....	158,000
40. Hair of cashmere, goat, alpacu, etc, 25,255 pounds.....	154,000
41. Cast iron pipe and fittings, 12,142,119 pounds.....	150,000
42. Celery seed, 968,833 pounds.....	139,000
43. Lahn, tinsel thread, bullion, etc, 140,005 pounds.....	139,000
44. Sheep and lamb leather, 597,344 square feet.....	138,000
45. Yarns of rabbit hair, 21,390 pounds.....	138,000
46. Feathers, advanced and manufactured.....	134,000
47. Cotton wearing apparel, embroidered or of lace.....	124,000
48. Crude glycerin, 2,580,467 pounds.....	116,000
49. Prepared poultry, 98,683 pounds.....	115,000
50. Wool wastes, 383,883 pounds.....	111,000
51. Combination sheet envelop and paperies.....	109,000
52. Others and sienna, 8,397,565 pounds.....	107,000
53. Manufactures of human hair (except nets and nettings).....	104,000
54. Other jute manufactures.....	97,000
55. Hanging paper, 127,213 pounds.....	93,000
56. Marcellites.....	89,000
57. Silk wearing apparel, knit.....	78,000
58. Worsteds, not over 4 ounces per square yard, 175,213 square yards.....	78,000
59. Wearing apparel, linen.....	75,000
60. Silk drawn work, trimmings, etc.....	65,000
61. Rosaries, chaplets, and similar articles, 144,124 dozens.....	62,000
62. Wool tapestries over 4 ounces per square yard, 9,562 square yards.....	59,000
63. Gold or platinum jewelry.....	55,000
64. Spun silk, singles, 18,560 pounds.....	53,000
65. Yarns of wool and hair, n.e.s., 39,680 pounds.....	45,000
66. Airplanes, hydroplanes, and parts.....	42,000
67. Silk fabrics, fast edges not over 12 inches wide.....	42,000
68. Cement (except hydraulic), 4,034,172 pounds.....	28,000
69. Wool knit fabrics, 12,751 pounds.....	28,000
70. Straw hats, blocked or trimmed, 3,999.....	27,000
71. Cherries, dried, prepared or preserved, 187,577 pounds.....	22,000
72. Fruit stocks, 4,000,057.....	21,000
73. Manufactures of wool pile fabrics, 6,288 pounds.....	17,000
74. Asbestos shingles, 1,099,592 pounds.....	14,000
75. Boiler or other plate iron or steel, 1,200,069 pounds.....	12,000
76. Buckles, not gold or platinum, 3,070 dozens.....	11,000
77. Other gums and resins, dutiable.....	10,000
78. Spectacles, eyeglasses, and parts, 6,419 dozens.....	10,000
79. Rayon handkerchiefs, 8,276.....	4,000
80. Gold or platinum decorative articles.....	4,000
81. Glass mirrors, 631 square feet.....	2,000
82. Mica manufactures, 685 pounds.....	2,000
83. Leather, cut into shoe uppers, vamps, etc., 94 pounds.....	1,000
84. Cotton pile fabrics, except velvets and velveteens and manufactures of pile fabrics.....	484,000

Total of 83 selected imports..... 31,569,000

Percent of total imports..... 40%

Dutiable imports into the United States from France, 1931—Continued
 DUTIABLE IMPORTS FOR WHICH FRANCE WAS THE LEADING SOURCE OF SUPPLY, 1931

((U) Unconditional; (C) Conditional)

Articles	Percent from France	Percent from most-favored nations		
		Unconditional	Conditional	Principal countries
1. Cigarette papers, paper, books and covers:				
Quantity.....	98	1.0	1.00	Italy (C), Spain (U).
Value.....	98	1.0	1.00	Italy (C), Germany (U).
2. Cotton laces, machine made: Value	75	7.0	18.00	United Kingdom (C), Germany (U).
3. Shelled walnuts:				
Quantity.....	31	64.0	2.00	China (U), Turkey (U).
Value.....	43	83.0	3.00	China (U), Rumania (U).
4. Cotton floor covering:				
Quantity.....	12	.3	85.00	Japan (C), Italy (C).
Value.....	43	1.0	49.00	Do.
5. Other wool knit goods:				
Quantity.....	73	14.0	12.00	United Kingdom (C), Czechoslovakia (U).
Value.....	68	16.0	23.00	Germany (U); Austria (U).
6. Silk laces and lace articles: Value...	91	1.0	7.00	United Kingdom (C), Germany (U).
7. Pearls and pearls, not strung or set: Value.	68	6.0	23.00	Do.
8. Silk wearing apparel, embroidered or of lace: Value	75	17.0	8.00	China (U), Japan (C).
9. Vanilla beans:				
Quantity.....	80	0	.30	United Kingdom (C).
Value.....	64	0	.20	Do.
10. Cotton sewing thread, crochet cotton, etc.:				
Quantity.....	64	17.0	19.00	United Kingdom (C), Germany (U).
Value.....	87	7.0	6.00	Germany (U), United Kingdom (C).
11. Canned mushrooms:				
Quantity.....	96	.1	4.00	Japan (C), Italy (C).
Value.....	94	.1	5.00	Do.
12. Other silk wearing apparel: Value...	23	6.0	40.00	Japan (C), United Kingdom (C).
13. Perfumery, bay rum, toilet water: Value.	55	1.0	3.00	United Kingdom (C), Germany (U).
14. Silk pile fabrics:				
Quantity.....	59	38.0	2.00	Germany (U), Italy (C).
Value.....	53	42.0	5.00	Do.
15. Silk pile fabrics manufactures:				
Quantity.....	85	6.0	1.00	Germany (U), United Kingdom (C).
Value.....	84	3.0	1.00	Do.
16. Wood furniture, n.e.s. (except chairs and bentwood furniture): Value.	36	7.0	53.00	United Kingdom (C), Italy (C).
17. Silk broad fabrics, Jacquard figured, over 30 inches wide:				
Quantity.....	39	21.0	37.00	Italy (C), China (U).
Value.....	45	11.0	40.00	Italy (C), Austria (U).
18. Body supporting garments and elastic fabrics: Value.....	89	1.0	10.00	United Kingdom (C), Czechoslovakia (U).
19. Paper boxes: Value.....	51	39.0	8.00	Germany (U), United Kingdom (C).
20. Perfume materials, dutiable: Value.	55	15.0	7.00	Do.
21. Rayon fabrics:				
Quantity.....	36	42.0	13.00	Germany (U), Italy (C).
Value.....	46	35.0	9.00	Germany (U), Austria (U).
22. Cosmetics, powders, creams, etc.: Value.	72	11.0	16.00	Germany (U), Japan (C).
23. Braids, fabrics, laces, metal: Value..	88	9.0	3.00	Germany (U), United Kingdom (C).
24. Cotton velvets and velveteens:				
Quantity.....	53	42.0	4.00	Germany (U), Italy (C).
Value.....	52	43.0	5.00	Do.
25. Glove leather, seal, chamois, and other: Value.	45	32.0	22.00	Germany (U), United Kingdom (U).
26. Beaded bags, fabrics, articles: Value	49	26.0	20.00	Belgium (C), Germany (U).
27. All other art works: Value.....	38	23.0	37.00	Italy (C), Germany (U).
28. Mineral water:				
Quantity.....	55	27.0	13.00	Germany (U), Italy (C).
Value.....	49	38.0	11.00	Do.
29. Containers, bottles, vials, jars, etc.: Value.	45	48.0	6.00	Germany (U), Czechoslovakia (U).
30. Red clover seed:				
Quantity.....	100	.0	.00	
Value.....	100	.0	.00	

Dutiable imports into the United States from France, 1931—Continued

DUTIABLE IMPORTS FOR WHICH FRANCE WAS THE LEADING SOURCE OF SUPPLY, 1931—Continued

(U) Unconditional (C) Conditional

Articles	Percent from France	Percent from most-favored nations		
		Unconditional	Conditional	Principal countries
31. Opera and field glasses:				
Quantity.....	89	10.0	1.00	Germany (U), United Kingdom (C).
Value.....	80	19.0	1.00	Do.
32. Briar, ivy or laurel root: Value.....	41	41.0	.00	Italy (U), Yugoslavia (U).
33. Band and orchestra instruments: Value.....	30	58.0	4.00	Germany (U), Czechoslovakia (U).
34. Edible gelatin:				
Quantity.....	30	15.0	10.00	Germany (U), Belgium (C).
Value.....	38	14.0	15.00	Do.
35. Toilet soap:				
Quantity.....	52	21.0	27.00	United Kingdom (C), Germany (U).
Value.....	44	22.0	33.00	Do.
36. All other silk manufactures: Value.....	43	14.0	30.00	Japan (C), Italy (C).
37. Coney and rabbit furs, dressed:				
Quantity.....	51	45.0	3.00	Germany (U), United Kingdom (C).
Value.....	50	47.0	3.00	Do.
38. Silk embroideries: Value.....	42	43.0	11.00	China (U), Japan (C).
39. Spun silk, plied:				
Quantity.....	63.0	1.0	.20	Germany (U), Italy (C).
Value.....	60.0	2.0	.40	Germany (U), United Kingdom (C).
40. Hair of cashmere, goat, alpaca, etc.:				
Quantity.....	0.0	14.0	38.00	United Kingdom (C), China (U).
Value.....	50.0	8.0	20.00	Do.
41. Cast-iron pipe and fittings:				
Quantity.....	82	.1	18.00	Belgium (C), United Kingdom (C).
Value.....	82	.2	17.00	Do.
42. Celery seed:				
Quantity.....	99.0	.0	.10	Italy (C), Belgium (C).
Value.....	99.0	.0	.50	Denmark (C), Italy (C).
43. Lahn, tinsel thread, bullion, etc.:				
Quantity.....	43	57.0	.01	Germany (U), Czechoslovakia (U).
Value.....	63	37.0	.10	Germany (U), Japan (C).
44. Sheep and lamb leather:				
Quantity.....	54	24.0	22.00	Germany (U), United Kingdom (C).
Value.....	59	21.0	20.00	Do.
45. Yarns of rabbit hair:				
Quantity.....	57	.0	43.00	United Kingdom (C), Italy (C).
Value.....	59	.0	41.00	Do.
46. Feathers, advanced and manufactured: Value.....	62	20.0	8.00	Germany (U); Hungary (U).
47. Cotton wearing apparel, embroidered or of lace: Value.....	37	39.0	10.00	Do.
48. Crude glycerin:				
Quantity.....	20	20.0	30.00	United Kingdom (C); Cuba (U).
Value.....	22	28.0	31.00	Do.
49. Prepared poultry:				
Quantity.....	10	20.0	2.00	China (U); Germany (U).
Value.....	42	10.0	3.00	China (U); United Kingdom (C).
50. Wool wastes:				
Quantity.....	50	11.0	34.00	United Kingdom (C); Germany (U).
Value.....	40	11.0	33.00	United Kingdom (C); Belgium (U).
51. Combinaion sheet envelopes and papetries: Value.....	43	50.0	0.00	Austria (U); Germany (U).
52. Others and stennas:				
Quantity.....	70	7.0	15.00	Italy (C); United Kingdom (C).
Value.....	56	7.0	31.00	Do.
53. Manufactures of human hair (except nets and nettings): Value.....	97	2.0	1.00	Germany (U); China (U).
54. Other jute manufactures: Value.....	33	31.0	33.00	Czechoslovakia (U); Italy (C).
55. Hanging paper:				
Quantity.....	12	38.0	21.00	Germany (U); United Kingdom (C).
Value.....	31	21.0	24.00	Do.
56. Marcasites: Value.....	80	14.0	0.00	Czechoslovakia (U).
57. Silk wearing apparel, knit: Value.....	59	9.0	21.00	Germany (C), United Kingdom (C).
58. Worsteds, not over 4 ounces per square yard:				
Quantity.....	39	8.0	39.00	United Kingdom (C), Germany (U).
Value.....	43	10.0	35.00	Do.
59. Wearing apparel, linen: Value.....	41	7.0	39.00	United Kingdom (C), Belgium (C).
60. Silk drawn work, trimmings, etc.: Value.....	68	5.0	20.00	Japan (C), Italy (C).

Dutiable imports into the United States from France, 1931—Continued

DUTIABLE IMPORTS FOR WHICH FRANCE WAS THE LEADING SOURCE OF SUPPLY, 1931—Continued

(U) Unconditional; (C) Conditional

Articles	Percent from France	Percent from most-favored nations		
		Unconditional	Conditional	Principal countries
61. Rosaries, chaplets, and similar articles:				
Quantity.....	60	38.0	.80	Czechoslovakia (U), Germany (U).
Value.....	66	37.0	1.00	Do.
62. Wool tapestries over 4 ounces per square yard:				
Quantity.....	49	12.0	80.00	United Kingdom (C), Germany (U).
Value.....	62	12.0	30.00	Do.
63. Gold or platinum jewelry: Value...	68	9.0	16.00	Do.
64. Spun silk, singles:				
Quantity.....	68	.3	.00	Germany (U).
Value.....	69	1.0	.00	Do.
65. Yarns of wool and hair, n.e.s.:				
Quantity.....	33	40.0	20.00	Germany (U), United Kingdom (C).
Value.....	36	37.0	27.00	Do.
66. Airplanes, hydroplanes, and parts: Value.	47	20.0	8.00	Do.
67. Silk fabrics, fast edges not over 12 inches wide: Value.	76	14.0	8.00	Do.
68. Cement (except hydraulic):				
Quantity.....	96	4.0	0.10	Do.
Value.....	76	22.0	2.00	Do.
69. Wool knit fabrics:				
Quantity.....	35	48.0	11.00	Do.
Value.....	46	40.0	10.00	Do.
70. Straw hats, blocked or trimmed:				
Quantity.....	34	.8	08.00	Italy (C), United Kingdom (C).
Value.....	69	1.0	20.00	Do.
71. Cherries, dried, prepared or preserved:				
Quantity.....	32	44.0	24.00	Yugoslavia (U), Italy (C).
Value.....	49	33.0	17.00	Do.
72. Fruit stalks:				
Quantity.....	99.9	.0	.03	United Kingdom (C), Italy (C).
Value.....	99.1	.0	.40	Do.
73. Manufactures of wool pile fabrics:				
Quantity.....	78	17.0	5.00	Germany (U), United Kingdom (C).
Value.....	80	11.0	3.00	Do.
74. Asbestos shingles:				
Quantity.....	60	.0	33.00	Belgium (C), Italy (C).
Value.....	60	.0	38.00	Do.
75. Boiler or other plate iron or steel:				
Quantity.....	71	.2	22.00	Belgium (C), United Kingdom (C),
Value.....	36	2.0	41.00	United Kingdom (C), Belgium (C).
76. Buckles, not gold or platinum:				
Quantity.....	47	40.0	8.00	Germany (U), Austria (U).
Value.....	68	31.0	1.00	Do.
77. Other gums and resins, dutiable: Value.	30	67.0	2.00	Germany (U), Spain (U).
78. Spectacles, eyeglasses, and parts:				
Quantity.....	53	30.0	9.00	Germany (U), Japan (C).
Value.....	48	30.0	12.00	Do.
79. Rayon handkerchiefs:				
Quantity.....	40	41.0	14.00	Japan (C), Austria (U).
Value.....	56	20.0	5.00	Austria (U), Germany (C).
80. Gold or platinum decorative article: Value.	80	0.0	5.00	Czechoslovakia (U), United Kingdom (C).
81. Glass mirrors:				
Quantity.....	33	2.0	28.00	United Kingdom (C), Italy (C).
Value.....	44	1.0	31.00	Do.
82. Mica manufactures:				
Quantity.....	4	7.0	10.00	United Kingdom (C), Germany (C).
Value.....	40	23.0	12.00	Germany (U), United Kingdom (C).
83. Leather, cut into shoe uppers, vamps, etc.:				
Quantity.....	0	3.0	73.00	United Kingdom (C), Germany (U).
Value.....	44	14.0	34.00	Do.
84. Cotton pile fabrics, except velvets and velveteens; and manufactures of pile fabrics.	41	24.0	31.00	Italy (C); Germany (U).

Dutiable imports into the United States from Greece, 1931

ARTICLES FOR WHICH GREECE WAS THE LEADING SOURCE OF SUPPLY IN 1931

Total imports from Greece.....	\$10,082,000
1. Cigarette leaf tobacco, 10,608,000 pounds.....	4,814,000
2. Currants, 6,480,000 pounds.....	303,000
3. Olives, except olives in brine, 174,000 pounds.....	18,000
Total of 3 dutiable imports.....	4,022,000
Percent of total imports.....	81

DUTIABLE IMPORTS FOR WHICH GREECE WAS THE LEADING SOURCE OF SUPPLY,
1931

[(U) unconditional; (C) conditional]

Article	Percent from Greece	Percent from most-favored nations		Principal countries
		Unconditional	Conditional	
1. Cigarette leaf tobacco:				
Quantity.....	48	26	28	Italy (C), Turkey (U).
Value.....	48	23	28	Do.
2. Currants:				
Quantity.....	100	0	0	
Value.....	100	0	0	
3. Olives, except olives in brine:				
Quantity.....	86	0	0	Italy (C), China (U).
Value.....	87	4	18	Do.

Dutiable imports into the United States from Iraq, 1931

ARTICLES FOR WHICH IRAQ WAS THE LEADING SOURCE OF SUPPLY IN 1931

Total imports from Iraq.....	\$3,321,000
1. Dates, 33,135,000 pounds.....	1,307,000
Total of 1 dutiable import.....	1,307,000
Percent of total imports.....	39

DUTIABLE IMPORTS FOR WHICH IRAQ WAS THE LEADING SOURCE OF SUPPLY,
1931

[(U) Unconditional; (C) Conditional]

Article	Percent from Iraq	Percent from most-favored nations		Principal countries
		Unconditional	Conditional	
1. Dates:				
Quantity.....	78	3	21	United Kingdom (C), Germany (U).
Value.....	77	3	19	Do.

*Dutiable imports into the United States from Morocco, 1931*ARTICLES FOR WHICH MOROCCO WAS THE LEADING SOURCE OF SUPPLY
IN 1931

Total imports from Morocco.....	\$702,000
1. Orin vegetable fiber, 9,349 tons.....	207,000
Total of 1 dutiable import.....	207,000
Percent of total import.....	36

Dutiable imports into the United States from Morocco, 1931—Continued

DUTIABLE IMPORTS FOR WHICH MOROCCO WAS THE LEADING SOURCE OF SUPPLY, 1931

(U, unconditional; (C) conditional)

Article	Percent from Morocco	Percent from most-favored nations		
		Unconditional	Conditional	Principal countries
1. Crin vegetable fiber:				
Quantity.....	98	0.1	0.4	Belgium (C), Spain (U).
Value.....	94	.1	1.0	Do.

Dutiable imports into the United States from New Zealand, 1931

ARTICLES FOR WHICH NEW ZEALAND WAS THE LEADING SOURCE OF SUPPLY IN 1931

Total imports from New Zealand.....	\$4,433,000
1. Grass and other forage crop seeds, n.s.p.f. (except alfalfa, clover, and vetch seeds), 1,426,000 pounds.....	201,000
2. Butter, 844,000 pounds.....	217,000
3. Fresh beef, 976,000 pounds.....	76,000
4. Fresh veal, 402,000 pounds.....	26,000
Total of 4 dutiable imports.....	510,000
Percent of total imports.....	14

DUTIABLE IMPORTS FOR WHICH NEW ZEALAND WAS THE LEADING SOURCE OF SUPPLY, 1931

(U) unconditional; (C) conditional)

Article	Percent from New Zealand	Percent from most-favored nations		
		Unconditional	Conditional	Principal countries
1. Grass and other forage crop seeds, n.s.p.f. (except alfalfa, clover, and vetch seeds):				
Quantity.....	24	14	42.70	United Kingdom (C), Germany (U).
Value.....	36	19	21.00	Germany (U), Denmark (C).
2. Butter:				
Quantity.....	46	5	12.00	Denmark (C), Cuba (U).
Value.....	44	4	20.00	Do.
3. Fresh beef:				
Quantity.....	64	8	.63	Cuba (U), Japan (C).
Value.....	69	5	.10	Do.
4. Fresh veal:				
Quantity.....	83	0	6	
Value.....	83	0	0	

Dutiable imports into the United States from Norway, 1931

ARTICLES FOR WHICH NORWAY WAS THE LEADING SOURCE OF SUPPLY IN 1931

Total imports from Norway.....	\$16,820,000
1. Whale oil, 18,184,000 gallons.....	7,530,000
2. Sardines, packed in oil, 19,449,000 pounds.....	2,398,000
3. Aluminum metal, scrap and alloys, n.o.s., 4,860,000 pounds.....	865,000
4. Fish in air-tight containers (not in oil, etc.), 4,163,000 pounds.....	323,000
5. Fish, dried, unsalted, 2,311,000 pounds.....	219,000
Total of 5 dutiable imports.....	11,335,000
Percent of total imports.....	67

Dutiable imports into the United States from Norway, 1931—Continued

DUTIABLE IMPORTS FOR WHICH NORWAY WAS THE LEADING SOURCE OF SUPPLY, 1931

[(U), unconditional; (C), conditional]

Article	Per- cent from Nor- way	Percent from most-favored nations		Principal countries
		Un- condi- tional	Condi- tional	
1. Whale oil:				
Quantity.....	98	0.0	1	United Kingdom (C), Germany (U).
Value.....	98	.0	1	Do.
2. Sardines, packed in oil:				
Quantity.....	60	8.0	20	Portugal (C), Spain (U).
Value.....	63	4.0	28	Portugal (C), Italy (C).
3. Aluminum metal, scrap and alloys, n.e.s.i.				
Quantity.....	35	4.0	8	United Kingdom (C), Spain (U).
Value.....	37	3.0	0	Do.
4. Fish in air-tight containers (not in oils, etc.):				
Quantity.....	38	30.0	23	Spain (U), United Kingdom (U).
Value.....	32	31.0	25	Do.
5. Fish, dried, unsalted:				
Quantity.....	26	.1	31	Japan (C), United Kingdom (C).
Value.....	43	.2	41	Do.

Dutiable imports into the United States from Persia, 1931

ARTICLES FOR WHICH PERSIA WAS THE LEADING SOURCE OF SUPPLY IN 1931

Total imports from Persia.....	\$4,457,000
1. Wool carpets and rugs (Orientals, Axminsters, etc.), not made on power looms, 1,997,000 square feet.....	4,010,000
Total of 1 dutiable import.....	4,010,000
Percent of total import.....	90

DUTIABLE IMPORTS FOR WHICH PERSIA WAS THE LEADING SOURCE OF SUPPLY, 1931

[(U) unconditional; (C) conditional]

Article	Per- cent from Persia	Percent from most-favored nations		Principal countries
		Uncon- ditional	Condi- tional	
1. Wool carpets and rugs (Orientals, Axminsters, etc.), not made on power-driven looms:				
Quantity.....	53	30	3	China (U), Turkey (U).
Value.....	57	27	4	Do.

Dutiable imports into the United States from Uruguay, 1931

ARTICLES FOR WHICH URUGUAY WAS THE LEADING SOURCE OF SUPPLY IN 1931

Total imports from Uruguay.....	\$3,877,000
1. Canned meats, 6,271,000 pounds.....	1,070,000
2. Meat extract, 335,000 pounds.....	228,000
3. Beef and veal, pickled or cured, 1,137,000 pounds.....	101,000
4. Other prepared meats (except birds, poultry, and pork), 410,000 pounds.....	39,000
Total of 4 dutiable imports.....	1,438,000
Percent of total imports.....	37

Dutiable imports into the United States from Uruguay, 1931—Continued

DUTIABLE IMPORTS FOR WHICH URUGUAY WAS THE LEADING SOURCE OF SUPPLY

1931

(U) unconditional; (C) conditional

Article	Percent from Uruguay	Percent from most-favored nations		
		Unconditional	Conditional	Principal countries
1. Canned meats:				
Quantity.....	49	1	50	Argentina (C), Paraguay (C), Do.
Value.....	48	1	50	
2. Meat extract:				
Quantity.....	70	0	21	Argentina (C), United Kingdom (C), Do.
Value.....	62	0	27	
3. Beef and veal, pickled or cured:				
Quantity.....	78	0	15	Argentina (C), Brazil (C), Do.
Value.....	73	0	16	
4. Other prepared meats (except birds, poultry and pork):				
Quantity.....	75	0	3	Germany (C), Italy (C), Do.
Value.....	51	21	8	

Dutiable imports into the United States from Salvador, 1931

ARTICLES FOR WHICH SALVADOR WAS THE LEADING SOURCE OF SUPPLY IN 1931

Total imports from Salvador.....	\$9,241,000
1. Balsams, crude, 40,000 pounds.....	47,000
Total of 1 dutiable import.....	47,000
Percent of total imports.....	2

DUTIABLE IMPORTS FOR WHICH SALVADOR WAS THE LEADING SOURCE OF SUPPLY, 1931

(U) unconditional; (C) conditional

Article	Percent from Salvador	Percent from most-favored nations		
		Unconditional	Conditional	Principal countries
1. Balsams, crude:				
Quantity.....	15	70	12	Brazil (C), Colombia (C), Brazil (C), Nicaragua (C).
Value.....	40	42	13	

Dutiable imports into the United States from Soviet Russia, 1931

ARTICLES FOR WHICH SOVIET RUSSIA WAS THE LEADING SOURCE OF SUPPLY IN 1931

Total imports from Soviet Russia.....	\$12,011,000
1. Manganese ore (manganese content), 222,511,000 pounds.....	1,897,000
2. Swordfish and sturgeon, fresh or frozen, 2,875,000 pounds.....	605,000
3. Caviar and other fish roe, 207,000 pounds.....	327,000
4. Mushrooms, not canned, 640,000 pounds.....	240,000
5. Alkaloids, salts and derivatives, dutiable (does not include quinine and salts or alkaloids from cinchona bark).....	57,000
Total of 5 dutiable imports.....	3,132,000
Percent of total imports.....	25

Dutiable imports into the United States from Soviet Russia—Continued

DUTIABLE IMPORTS FOR WHICH SOVIET RUSSIA WAS THE LEADING SOURCE OF SUPPLY, 1931

(U) unconditional (C) conditional

Article	Percent from Soviet Russia	Percent from most-favored nations		Principal countries
		Unconditional	Conditional	
1. Manganese ore (manganese content):				
Quantity.....	41	25	1	Brazil (U), United Kingdom (C). Do.
Value.....	37	19	2	
2. Swordfish and sturgeon, fresh or frozen:				
Quantity.....	55	3	19	Japan (C), Germany (C). Do.
Value.....	69	4	8	
3. Caviar and other fish roe:				
Quantity.....	93	17	16	Japan (C), Norway (U). Do.
Value.....	91	3	4	
4. Mushrooms, not canned:				
Quantity.....	52	20	19	Japan (C), Poland (U). Do.
Value.....	49	14	31	
5. Alkaloids, salts and derivatives, dutiable (does not include quinine and salts or alkaloids from cinchona bark): Value.	42	40	4	Germany (U), United Kingdom (C).

Mr. LOOMIS. My name is A. M. Loomis. I understand my name was called.

Senator BARKLEY. Yes. I marked you off. You were not here.

Mr. LOOMIS. I am here.

Senator BARKLEY. All right, Mr. Lerch, how much time do you want?

Mr. LERCH. Mr. Chairman, I will take just as little as I possibly can, and that won't be over 20 minutes, at the outside.

Senator BARKLEY. Can you place your statement in the record?

Mr. LERCH. No; I haven't written a thing.

Senator BARKLEY. We have to get this hearing closed, and some of these other witnesses have come to life.

Mr. LERCH. I haven't written a thing, but I will stop just as quickly as I can.

Senator BARKLEY. All right. I will give you 15 minutes. I will compromise on that.

STATEMENT OF JOHN G. LERCH, COUNSEL FOR THE AMERICAN TARIFF LEAGUE

Mr. LERCH. I appear as counsel for the American Tariff League, and I would not dare class myself among those that Senator King suggested as good lawyers for this purpose, but this is one of those that was spoken of by the representative here of the farm interests who had some views that were not in accord with the views of the committee.

We believe that this bill is absolutely unconstitutional. The Hon. James M. Beck, in the House of Representatives a few weeks ago, treated that exhaustively, and, of course, I cannot enlarge on it, on so worthy an authority, but I would just like to call attention to the Hampton case in the Supreme Court, which was the case which sustained the constitutionality of the flexible tariff.

In the course of that decision the Court considered the reciprocity provision of the act of 1800, and it stated in its opinion—after an examination of all the authorities, the Court said:

While Congress could not delegate legislative power to the President, this act did not in any real sense invest the President with the power of legislation, because nothing involving the expediency or just operation of such legislation was left to the determination of the President, that the legislative power was exercised when Congress declared that the suspension should take effect upon the named contingency. What the President was required to do was merely in execution of the act of Congress. It was not the making of a law. He was the mere agent of the law-making department, to ascertain and declare the event upon which its express will was to take effect.

Now, gentlemen, I submit that there is no such contingency named in this bill, upon the being of which the President is to exercise this power, so that this difference exists; this is different to that marked degree, from the flexible tariff, and also from the Reciprocity Act of 1800.

Senator BARKLEY. It is different, though, from other acts, which merely gave the President power to do certain things if he found it in the public interest, without setting any bounds whatever.

Mr. LERCH. But it named a contingency which was to come into existence.

Senator BARKLEY. No.

Mr. LERCH. Before he was to exercise his discretion, I have found none—

Senator BARKLEY. In section 338 of the present law there is no contingency.

Mr. LERCH. Oh, that—yes; it is, Senator, I think. I have read that carefully while sitting in the committee room here.

There has been a lot of talk about section 338. That is the same sort of a thing that you are seeking to give the President here.

He has the right now, under 338, if foreign countries are discriminating or unfair, to put on duties, embargoes, or anything of that sort.

That is what I understand you are trying to give him now. He already has it under 338.

Senator BARKLEY. Well, of course, the trouble about that is that it only flexes one way.

Mr. LERCH. But, as you listened to some of the proponents of this bill, they said it was to flex that way, as well as the other.

Senator BARKLEY. Well, we do not know.

Mr. LERCH. And he already has that now.

Senator BARKLEY. He can raise them but he cannot reduce anything.

Mr. LERCH. Not under this.

Senator BARKLEY. He cannot issue quotas, he cannot put on restrictions.

He can raise the duty 50 percent, but he cannot enter into any agreement with any countries in which there would be any mutual advantage or reciprocal advantage.

Mr. LERCH. No.

Senator BARKLEY. He cannot fix quotas, he cannot put on import restrictions.

Mr. LERCH. No; but he can stop what Secretary Hull said was the main part of this bill—he can stop unfair discriminations, he can retaliate for quotas put on there, and all the rest of it, under 338.

Senator BARKLEY. He could raise our import duties, but he would not be able thereby to get any market for our stuff, I am afraid.

Mr. LERCH. Well, if, as several of the proponents said, the matter of coercion—if that is to be done, he could do it that way as well as by trading.

Mr. Chairman, the Secretary and others also said that this type of legislation was common throughout the world, that all these countries possessed a statute such as this, to give to the executive the power to barter and trade.

While this bill was before the House I believe the United States Tariff Commission compiled a volume known as "Regulation of Tariffs in Foreign Countries by Administrative Action", which has taken country by country and shown what kind of legislation it has along this line.

I have gone through it carefully, and I find no country has a one-man power similar to that in this bill, except Japan, and that bill is proposed and is now in volume, according to this document; that many of the countries have powers such as this, subject to legislative sanction, after the executive acts.

Others give limited power to either a council of ministers or to cabinets, as they may be called; but there, again, if you give power to a minister of that sort, he is subject to removal on a vote of lack of confidence. You can get at him, but you cannot with this bill.

Senator WALCOTT. Reverting to your previous question, the discussion you had with the chairman, do you find in any of the other applications for this authority a request for the complete treaty-making power for reciprocal tariffs or trade agreements, without the consent of the Senate?

For instance, the Dingley bill—does it confer any such power as that, or does the McKinley or the Taft bill?

Mr. LERCH. They had certain provisions where, upon the existence of a certain condition, by proclamation, it could be done.

Senator BARKLEY. Also the McKinley Act contained—so did the Dingley Act—provisions authorizing the President to enter into negotiations, and actually, such reciprocal agreements were entered into.

None of them were ever referred to the Senate, and you can go all of the way back to 1794, when the first act was passed authorizing the President on certain conditions to impose restrictions on commerce, and they were passed largely under the commerce clause of the Constitution, rather than the tariff-making.

None of them were every referred to the Senate. They were all negotiated and carried out by the President under the authority of Congress.

Senator WALCOTT. And were tariffs actually lowered on any commodities as a result of these reciprocal agreements?

Senator BARKLEY. Yes, sir; some of them. They did not all involve tariffs.

Senator WALCOTT. No; I cannot find any that did.

Senator BARKLEY. But there were some tariff arrangements that were entered into.

Mr. LERCH. But all of those things were conspicuous by their disuse of those old provisions, I mean.

Senator WALCOTT. Well, he may not have used them, but did he have authority? That is the question now.

Mr. LERCH. In many of those acts he did. On the arising of a certain contingency, he had the right to find certain facts to exist and to do as instructed in the bill.

Now, we had the chairman of the committee, Senator Harrison, state that this bill contains a lot of safeguards, and he had reference to section 350 (a), namely, that parenthetical clause that begins on line 7.

That says—I am reading only the parentheses—“as a means of assisting in restoring the American standard of living, in overcoming domestic unemployment, and the present economic depression”, et cetera.

You will see from the way this bill is set up that section 350 (a) gives to the President for the purpose of expanding foreign markets for the products of the United States by regulating the admission of foreign goods into the United States, with this thing thrown in in parentheses, and means that that does not relate to the wording it immediately follows. It is purely definitive and does not modify the provision before it, so that the President might well make a proclamation which did not assist in restoring the American standard of living or overcoming domestic unemployment.

That is merely a beautiful phrase thrown in by Congress. If they wanted it to mean that, if you will strike out the parentheses, it says, if he finds it will assist in restoring, et cetera, then you have a real limitation on the powers, but as it is now written there is no limitation.

I have also heard it said that the definition on page 3, beginning at line 17 of this print, subsection (b), to define duties and other import restrictions, includes---

(1) rate and form of import duties and classifications of articles, and (2) limitations, prohibitions, charges, and exactions other than duties imposed on importations or imposed for the regulation of imports.

It is said that that will not cover excise taxes and a lot of other things—hoof-and-mouth disease, and things of that sort.

You will notice we have used “limitations” and “prohibitions”, “charges.” That would cover every conceivable thing, I should say, in connection with imports; but, in order that there may be nothing left out, even excise taxes or process taxes, internal-revenue taxes on cigars, and what have you, you put in there “exactions other than duties.”

If it does not mean that, then I cannot conceive of any meaning to that phrase in that definition, and it is certainly—I think if it were taken out some of the proponents of this bill would not want the bill.

If that no. 2 were taken out—because that certainly is the strongest weapon of bartering—some of these excise taxes, some of the recent acts of Congress, amount to a great deal more than a reduction of 50 percent in the duty; and that, to me, is the thing they are shooting at.

But in considering the wisdom of this bill, we thought only of the wisdom of reduction in duties, but we lose sight of the fact that in practically every country of the world with whom we will barter they

do no assess duties as we do. They give us no right to litigate a question of value, and what difference does it make if the rate is reduced or controlled if you have full control of the value on which it is to be based?

They could very well give us a reduction from 150 percent as a hope to us to trade something away, but when we give that reduction over here the importer can come into our courts and litigate the true value of that merchandise.

Can we over there?

Senator CLARK. Mr. Lerch, isn't that exactly the purpose of the language to which you just objected? Paragraph 2 on page 2---

To proclaim such modifications of existing duties and other import restrictions, or such additional import restrictions, and for such minimum periods of existing customs or excise treatment of any article covered by foreign trade agreements, as are required or appropriate to carry out any foreign trade agreement that the President has entered into heretofore.

As I read that, that is included in the act for the purpose of giving the President power to offset any treatment of any sort to which the United States may be subjected, with any foreign country with which we are dealing.

For instance, it would obviously mean no advantage to the United States to have a customs duty reduced if they immediately imposed an excise tax, taking up the slack that has been taken out by the tariff; and that is, to my mind, obviously included for this purpose, and that has been the testimony of the experts who drew the act.

Mr. LERCH. But you see, Senator, this is not in the form of a tax that I speak. I speak of the regular customs duty going into that country.

If they reduce it 50 percent, we have some rate less that we must pay. That is based upon some value. The value in most foreign countries is the value landed alongside the ship that it would sell for in that foreign country.

If the Commissioner of Customs in France, for instance, were to say that the value of this 50-cent article was \$1, arbitrarily, let us say, what can we say?

We pay on that basis. You have no right to litigate there. You have no recourse whatever.

Senator BARKLEY. Could not that very thing be the subject of reciprocal agreement?

Mr. LERCH. I do not see how it could be.

Senator BARKLEY. Why not?

Mr. LERCH. In other words, we must then set up the basis upon which they are going to assess a duty over there, and the system of the courts.

Senator BARKLEY. That could be the subject of the agreement between the President and the foreign country, as to the rate. He could certainly, in the agreement by which a reduction of 50 or any other percentage was brought about on goods sent over to that country, also include in that agreement that the valuations should be safeguarded so as not to enable them to hoist it merely to get around the reduction in the tariff.

Mr. LERCH. Well, Senator, I was for some 8 years in the Department of Justice in charge of this customs litigation, and I know a great deal about how they jockey these values abroad, and if I have the

slightest assurance that that would be done—that they would even entertain a suggestion of making the real value over there as to which we would have some look-in—it would allay a great many of my fears as to the enactment of this bill.

Senator BARKLEY. You have had your 20 minutes.

Mr. LERCH. May I just make one more suggestion? The Senator had 5 of mine, anyway.

Senator BARKLEY. You have to discount that in advance.

Mr. LERCH. I have just one more suggestion as to the hearing.

The hearing that we read about in the paper today, to my mind, would not be a sufficient hearing, because it did not attempt to outline just how a hearing will be granted or before whom, but unless there was a hearing such as we now have under section 836 and other tariff problems, before the Tariff Commission or a similar body, I do not think that that hearing will amount to anything.

Senator BARKLEY. You do not think that it would be wise in negotiating these reciprocal agreements for us to indulge in an open public hearing on everything affecting our side of it while the other side went up a blind alley and kept us out, do you?

Mr. LERCH. I do not see that there is any particular reason for secrecy.

Senator BARKLEY. Do you think that it would be wise for us to lay our cards on the table in advance of the negotiations that might be entered into?

Mr. LERCH. In a matter of this sort I do not see that there is any reason for secrecy.

I do not know why we cannot have open covenants openly arrived at in tariff.

Senator BARKLEY. We have to deal with the other fellow according to his own fire.

Mr. LERCH. That is my fear, because I say a hearing before Secretary Hull, for instance, in the way that I am familiar with State Department hearings, would not get us very much.

Senator CLARK. If you were out trying to negotiate a contract, we will say, for the sale of goods in the United States, and you had a competitor who was very actively trying to negotiate the same contract or a similar contract from the same customer, and your competitor had authority to close the deal and make the contract and secure the business of this customer, and you had to go back and go to this court or some other court and go through a cumbersome legal proceeding to get authority to close the contract, who do you think would get the contract?

Mr. LERCH. Manifestly, the other fellow, but I do not anticipate going through any court. I do think that this is a matter that is of such importance, and, of course, I say that is another basis of its unconstitutionality, that treaties are supposed to be ratified.

Senator BARKLEY. We are going to have to rush along here. We have two or three more long-winded witnesses. [Laughter.]

Thank you very much.

Mr. Loomis, you are the next man here. I had marked you off but I will revive you.

How much time do you think you can get along with, Mr. Loomis?

Mr. LOOMIS. All I can get.

Senator BARKLEY. Ten minutes.

Mr. LOOMIS. I cannot possibly finish in 10 minutes.

Senator BARKLEY. I will give you 15. I had an hour set apart for you, and you missed that by not being here. [Laughter.]

TESTIMONY OF A. M. LOOMIS, REPRESENTING NATIONAL DAIRY UNION

Mr. LOOMIS. I want to present my apologies to the chairman and the committee, and I want to say that some other things have been happening in Congress today which took me over to the other side. I have to be over there. If, after I make the opening part of this statement, I cannot have more than 15 minutes, I just want that to appear in the record.

Senator BARKLEY. You can file anything you wish.

Mr. LOOMIS. I will be glad to present a brief later on, if I may have that opportunity.

This statement is made on behalf of that part of the dairy industry represented by the National Dairy Union, of which I have been secretary for the past 12 years. I might say that that represents the manufacturers of butter, large and small, covering some 2,500 plants in practically every State in the United States.

Also on behalf of the group with which I have been associated in the recent past in our effort, now nearing success, to place a proper excise tax on certain imported fats and oils. That group represents the producers of cottonseed oil and the producers of cotton, the producers of beef cattle, the producers of hogs and corn, the producers of peanuts and peanut oil, the American fishing industry, and the dairy industry, which represents a pretty fairly good-sized cross section of a very good part of the American production.

I am here somewhat on the defensive, in a defensive position, because we are greatly alarmed at the proposal here which would permit the wiping out of those very excise taxes in which we are engaged in getting action on in Congress.

Senator BARKLEY. I am not authorized to speak for the committee on that subject, but I think it is only fair to say that there is a general understanding that this bill does not include any authority to change these excise duties that have just been put in this tax bill that is now under consideration.

Mr. LOOMIS. That is very reassuring.

Senator BARKLEY. If that is not clear, I think we will make it so.

Mr. LOOMIS. That is very reassuring, and I am asking for a specific amendment to be written into the act to make that sure.

Senator CLARK. Supplementing what the acting chairman says, I am quite certain that there is no disposition in the act, for the proponents of the act, to have excise taxes. As far as I am concerned, I would like to have them apply to excise taxes, but there is a general agreement by the experts who have drawn up the act, and the proponents of it, that it shall not apply to excises, and if it is not clear I am certain we will clarify that language.

Mr. LOOMIS. The members of the committee and the members of the Senate are well aware of the situation which has developed with reference to those excise taxes. We would be very happy to have about 6 or 8 words added to this definition, which would make that clear.

Senator CLARK. I think myself that the system of putting excise taxes in a so-called "revenue bill", where the bill is not designed to raise revenue, is a very vicious piece of legislation, but apparently the majority of the Senators do not share that viewpoint.

Senator WALCOTT. What words would you put in to be considered with your remarks? You say to add 6 or 8 words. What words would you add?

Mr. LOOMIS. I wonder if I cannot come to that in order? I will be very glad to.

Senator WALCOTT. I would like to keep applying it as you read, and as you are reading, it would assist me in making up my mind.

Senator BARKLEY. There is no use in spending time arguing that proposition.

Mr. LOOMIS. That is the third section of my presentation, and when I come to it I will cut it very short.

This is a most important proposal in its relationship and possible future effect on all of American agriculture. We in the dairy industry do not wish to appear to speak for all of agriculture, but we cannot refrain from speaking of our part in American agriculture, as familiar, probably, to the members of this thoroughly informed committee as it is to us in the industry.

The dairy industry produces in dairy products only something like one quarter of the income of all American farmers. In addition this industry furnishes a vast amount of meat, both veal and beef of high quality, and produces a large part of the hides for the production of the domestic leather supply. The relationship of this to the hide and leather industry has already been presented to your committee, and I will pass over that.

It furnishes the market for a very large part of all coarse grain produced in the United States, practically all the wheat feeds, considerably more than one half of all hay and forage, and much over one half the use of all pasture, in the United States, and the pay for all of that must come out of the milk and butter and dairy manufactured products which we sell in this industry in the markets of the United States. Therefore, our interest is much wider than our interest in dairy products.

I am saying this somewhat in explanation of the time I may take in this presentation. I have been asked to be very brief, and I will try to be as brief as possible. But when I take note of the time given here to industries of much importance in and to themselves, but employing tens where this industry employs thousands, and producing products in dollars where we produce products in thousands of dollars, I believe I can reasonably ask enough time to fairly present the interests we have in this subject.

But, of more importance, I am calling attention to the volume, value of products, and numbers of persons engaged in this dairy industry and its position as market for and paymaster to so large a part of others engaged in farming because I wish the members of this committee to have, as they go into their own deliberations as to this proposed legislation, a true picture of its possible effect upon this industry.

Questions by your chairman yesterday relative to the checks and balances written into this bill challenged my attention and overnight I have been giving it study along the line he suggested.

This has led me to a curious conclusion. This conclusion is that should the exact checks written into its statement of purpose in the first part of this bill be fully carried out this proposal would be a dead letter from the time it was enacted.

Of course, that is not the purpose of the proposal, as was just pointed out by Mr. Lerch. Let me explain. This bill is for the purpose of—

Restoring the American standard of living, overcoming domestic unemployment, and the present economic depression, increasing home purchasing power.

It proposes to do these very laudable things by expanding foreign markets for the products of the United States. The way of "expanding foreign markets", the only way proposed by this legislation, is regulating the admission of foreign goods into the United States, by reducing tariff rates, modifying import restrictions, et cetera.

The statement of these purposes is certainly a complicated and involved one, but it resolves itself to this:

Improving domestic employment and wages by permitting more imports.

I can well understand how permitting larger imports of foreign goods into the United States might easily make it more possible to expand our foreign sales.

I can understand how lowering tariffs will lead to payments on foreign debts to the United States in goods. I can understand how trading wheat, cotton, or pork for laces, wines, butter, cheese, meats, hides, wool, sugar, et cetera, will make more foreign business, more banking exchange, and more shipping business, but when I try to figure out how many of these projects will—

improve domestic unemployment, improve home purchasing power, or restore the American standard of living,

I am not able to figure it out in any single instance I can work out.

For every workman given work or wages one or more now employed will lose out.

If there were on the tariff list of the United States any number of important commodities which we do not produce at home, and as to which we could increase our purchases without stopping domestic production and sales of domestic products, then I could see how some workable trade agreements fulfilling the checks and balances enumerated herein might eventuate. All of the products, so far as I have studied our tariff bills for the last 15 years, as to which we can increase our domestic consumption and purchase without affecting American employment and wages, are on the free list, and are specifically exempted from any possible action under this act.

A more efficient domestic production—and I have here an extract of what some people have been saying to this committee about efficiency in production—the more workers and wages will be lost if foreign products are brought in. That is, the more inefficient our American operation the more people are employed and the more wages are paid, and if those are the industries to be put out of business by this proposition, then the larger, it seems to me, the unemployment will be, and the greater the loss we will have by the operations of this bill.

This, however, is aside from the special matter which I wish to present here and for which I asked for this hearing. It is brought about only because of the questions asked by the chairman yesterday.

I feel very sure that the situation I have presented will not prevent the Executive from acting under this law once it is passed.

I feel very sure that the sponsors for this proposal who have been heard already have their plans well worked out and that trade agreements will follow very soon after this bill becomes law, and we will all have the opportunity to learn experimentally whether or not it increases or decreases employment and wages and restores purchasing power, and that is exactly what we are afraid of in the dairy industry. We need increased purchasing power and that is all we do need in the dairy industry in the United States today.

It is when we confront the actual problem of working under trade agreements that the dairy industry begins to shiver with apprehension.

It is currently reported that the Secretary of State has explained to this committee his information that the tariff on butter is far higher than has ever been needed, and a 5-cent-per-pound rate would meet all requirements.

Of course, what was said was in executive session, but even this rumor has caused a serious question as to just what kind of a trade agreement might be in someone's mind, for the export, for example, of automobiles to Holland, perhaps, where the Studebaker is a very popular car, and where, as all know, there is a real surplus of butter, which might easily reach our markets at a 7-cent rate.

Would an export business of automobiles to Holland and payment in butter at a 7-cent rate improve or harm domestic employment and wages? And that is the issue in this bill. Or is the price paid for butterfat not considered as a wage, but just an incident in the daily life of the farmer, who works all the time, anyway?

The dairy industry does not produce any export surplus. This industry has been able to maintain itself and in some inscrutable way keep going ahead, without exceeding domestic consumption, over a considerable period.

Therefore, as a matter of practical detail, this industry is not asking for expanded foreign markets. Every detail of tariff is a practical detail.

However, the margin between production and consumption has been a very narrow one. It was wiped out for a period the past year, as to butter and cheese, due to the very bad slump in buying power, the undernourishment of a vast army of destitute, which was remedied by the just and well-administered relief-buying program, by the way the Government took hold of the buying program the last fall and winter. Still the margin which we have of consumption over production is so small that it is a convincing reason why any trade agreement involving imports of butter or meddling with the rate on butter would be destructive of every safeguard sought to be set up in the opening sections of this bill. The dairy industry does not want any misunderstanding about this margin upon which we operate. We readily recall when one cargo of butter, reaching New York Harbor, less than one half of one day's supply, caused a slump in the market of 3 cents per pound, which took more than 10 days to recover and cost the butter industry at least \$10,000,000.

With greater or lesser reason, every branch and part of agriculture will take exactly the same position as to any increased imports of any agricultural product which is produced and used in the United States. I know of one case, now actually presented for possible action, where the producers in one of the States are asking for a trade agreement

to be negotiated for the exports of barley, to be compensated for by the imports of wines.

Needless to say, the wine growers in the same State are up in arms over this, just as every grain grower is now up in arms over the induced import of distilled liquors.

Every farmer understands the need for aiding in the export of the three major export surplus crops—perhaps I should say four, for of wheat, tobacco, and lard we surely have more than we need, and the apple growers believe they are in the same class. But just what will the trade be? And where?

So every farmer, except those engaged in these four crop-production enterprises, has a mental vision of matching his wits and trading opportunities in a double trading bee, on the one side to secure his just protection when trade agreements are being negotiated for the disposal of wheat, tobacco, cotton, and apples, and at the same time in a never-ending contest to look after himself as every industrial producer tries to secure an export market by trading his products for agricultural products.

It is this last item which causes agriculture, yes, even the dairy industry, the most concern, for we have had ample reason to know, many, many times, of the power of the well-organized group of comparatively small numbers of industrialists, compared with the big, slow, cumbersome, often divided groups of agricultural people. And the industrialists have most powerful support here in the center of the Government, where these trades will be hatched and carried out.

It is no wonder, therefore, that there are movements of unrest and fear in agricultural circles over the matter now before this committee.

If this bill is to become law at all, it will add very greatly to the allaying of this fear if certain amendments are added to it here in the Senate Finance Committee. Two, which I am going to suggest, have to do with allaying the fear of star-chamber proceedings.

This is not a reflection in any way on the Chief Executive. It is well known that if progress is made in this work the duties must be delegated to some new authority. Senators trying to keep up with their own mail well understand the human impossibility of the public official keeping fully informed.

Now there is a third amendment, covering three items of production to agricultural interests which I wish to suggest in detail, and which I wish to urge you to see to it that it is included in words or at least in substance in this bill before it leaves your committee.

I am going to try to cut the rest of this short. The two amendments which I want to suggest as to allaying fears of star-chamber proceedings is the amendment which has already been suggested here as having been discussed at the meeting last night, that is, public hearings before any trade agreements are entered into.

Senator BARKLEY. Not public hearings.

Mr. LOOMIS. We are asking for public hearings.

Senator BARKLEY. You are asking for public hearings, but the suggestion to which you refer did not go that far.

Mr. LOOMIS. We are having lots of experiences with meetings and hearings since the "new deal" went into effect. And we are getting along pretty fairly well when we can get the public fully concerned in the hearings. We come out pretty well, but we do not where we do not get the public fully concerned. I can cite instance after in-

stance of the yet unsettled theories of cases with which we are confronted, and I think I could make a complete argument for public hearings.

Then I want to add to that what seems to me absolutely inherent in this bill if you want to maintain the most important constitutional provision which it seems to me is written into the Constitution, and that is that treaties must be subject to senatorial approval of ratification. It seems to me that this bill, in order to be either constitutional or safe, must provide exactly the same procedure as in the Executive appointment, and that is that no trade agreement entered into under this provision if you see fit to enact the bill at all, shall continue beyond the beginning of the next session of Congress, or a reasonable time thereafter, unless it is submitted to and ratified by the Senate.

Senator BARKLEY. You are familiar with the long line of enactments of Congress beginning in 1794 and coming on down to the present, which authorize trade agreements, many of which were made, and none of them ever submitted to the Senate for ratification, and wherever the Supreme Court has passed upon that, they have uniformly upheld it. Some of those acts never reached the court, but wherever they did, they were upheld.

Mr. LOOMIS. I have heard the legal arguments here today on that matter. I am not a lawyer, and I cannot get into that detail, but that is the question, whether there is a delegated authority strictly retained and limited by Congress.

Senator BARKLEY. There is no straight line between the delegation of administrative authority and legislative.

Mr. LOOMIS. There is a hazy field between the two. That is true. But on the question of international relationships and treaties, and I cannot see anything in this but the negotiation of a treaty, it must be entered into by the Government of the United States with the government of a foreign country in order to have any force and effect, and if that is not a treaty within the definition of the Constitution, I do not read the English language correctly.

Having passed those two, I should say here for the record and for the committee that in asking for these two amendments, I am not speaking for the whole of my group, but I am only speaking for the dairy union.

As to this other matter which we have discussed here before, I am asking this amendment on behalf of the entire representation, that on page 3 at the end of the definition, which is after the word "imports" on line 21, I suggest the addition as follows:

Change the period to a comma, and omit the quotation mark, and insert "3" in parentheses—"but shall not include excise taxes imposed by law on domestic manufacturers."

Senator BARKLEY. You put that in your testimony?

Mr. LOOMIS. Yes, sir. Again speaking for the dairy group, and not for the rest of the representation that I am speaking for here, I want to add two other things.

There should also follow another comma, and the following language: "Nor requirements for certificates of sanitary quality nor quarantine regulations now provided by law."

The questions of the certificates of sanitary quality are matters which you can get full information on from the Food and Drug Admin-

istration. It covers a variety of commodities which has been found a protection of the health of the American people of certain sanitary requirements which are necessary.

The Smyrna Fig case is the most important one. That, and the act of Congress on the Canadian milk and cream import act.

On the question of quarantine regulations, we become most seriously concerned with the foot-and-mouth disease, or the hoof-and-mouth disease. I have been familiar with that particular matter for a period of 25 years. We have occasionally had outbreaks in the United States, and every outbreak has been traced to foreign contagion. I cannot conceive that it is possible that anything of this sort will ever happen, but I do know that there are foreign countries that have repeatedly demanded that those quarantine regulations be rescinded, because the foot-and-mouth disease can be transmitted by the shipment of frozen meat into the United States from countries where that disease now exists, and we must be protected against them.

Then there is the anthrax quarantine, which is in the same field, and several others with which I shall not take any time.

Senator BARKLEY. Thank you very much.

Mr. LOOMIS. Thank you very much.

Senator BARKLEY. Mr. Fred Brenckman, representing the National Grange.

STATEMENT OF FRED BRECKMAN, REPRESENTING THE NATIONAL GRANGE

Mr. BRECKMAN. Mr. Chairman, my name is Fred Brenckman, and I am the Washington representative of the National Grange.

Everybody recognizes the good intentions of the administration in asking for the enactment of H.R. 8687, the bill which is before you. The declared purpose of this bill is to expand foreign markets for the products of the United States. Under present circumstances this purpose cannot be accomplished without admitting to the United States imports in exchange for our exports in connection with any reciprocal trade agreement which may be negotiated with any country under the terms outlined in the bill.

It is only too true that the figures representing our foreign trade have shrunk to pitiable proportions during recent years as compared with the impressive totals which prevailed up to 1929. According to the Statistical Abstract of the United States, during the year 1929 our total exports, excluding those to territories and possessions of the United States, amounted to \$5,147,000,000, while our imports, with those from our territories and possessions excluded, amounted to \$4,251,000,000. By 1932 our exports had dropped to \$1,562,000,000 and our imports were \$1,229,000,000.

In considering the reduced volume of our foreign trade, it is, of course, necessary to take into consideration the fact that the whole world is now on a lower price level than it was in 1929. The decrease in actual tonnage, therefore, is not as great as the figures I have cited might indicate. It is likewise interesting to observe that the falling off of our imports has been in about the same proportion as between the free list and the dutiable list.

If it be contended that excessive rates in the present tariff act are responsible for the falling off in the volume of our exports, why has the

present administration not done anything to lower such rates under the flexible proviso? Only four changes in tariff rates have been made during the past year. Two of these changes were downward revisions and two were upward. The tariff on hay and manure forks was reduced from 8 cents each and 45 percent ad valorem to 4 cents each and 22½ percent ad valorem. Other agricultural forks, hoes, and rakes, and parts thereof were reduced from 30 percent to 15 percent ad valorem. The tariff on tuna fish packed in oil was increased from 30 percent to 45 percent, while the rate on certain other fish was increased from 30 percent to 44 percent ad valorem.

Since the surplus problem has been one of the most difficult with which agriculture has had to deal in recent years, it naturally follows that the farmers of the United States are eager to find an export market for their products, provided the home market is not sacrificed in bringing this about. However, we cannot overlook the fact that the home market is all important in American agriculture. The best market for American farm products and in the case of many crops the only market, is to be found in the United States.

One of the cardinal principles in the tariff policy of the National Grange reads as follows:

So long as the American protective policy is maintained, we favor such rates of import duty as will insure the American market to the American farmer upon farm commodities which can be produced advantageously in any part of our country.

Among the objections to the pending bill are the following:

1. As it is now written, that feature of the measure which authorizes the President to proclaim modifications of existing duties and "other import restrictions" is so sweeping that it would be possible to bring cattle into this country having the foot-and-mouth disease. It would also make it possible to set aside the Lenroot-Taber Milk Act, providing that imported milk must conform to the same sanitary requirements as are in force domestically. That provision of the present revenue bill which imposes an excise tax upon certain imported oils could be voided; the antidumping laws could be suspended and convict-made goods could be imported into the country under the present wording of the bill. "Import restrictions" enter into all these matters.

2. Our whole recovery program aims to raise the American price level above the world level. For the time being at least everybody seems to approve of that. Under the N.R.A. we have adopted the 40-hour week in industry; there is a possibility that before Congress adjourns legislation may be enacted making the 30-hour week mandatory in industry, and we have abolished child labor. Naturally, all this increases our cost of production. It follows, therefore, that we must have proper protection or American producers would speedily be deprived of their own market by a flood of imports from abroad. When I say "proper protection," I do not mean the kind of protection that breeds monopoly, enriching the few at the expense of the many.

3. Everybody agrees that tariff tinkering unsettles business and creates uncertainties. That is true even when the tinkering is done in the open and everybody knows what is going on. The more secrecy there would be in negotiating reciprocal trade arrangements, the greater would be the uncertainty. It would seem that the bill should make provision for public hearings before agreements are consummated.

4. The bill provides that after a trade agreement has been negotiated, section 336 of the Tariff Act shall become inoperative so far as the commodity covered by any particular agreement is concerned. This means that regardless of how conditions might change, necessitating lowering or raising of tariff rates, it would be impossible to make any changes.

5. While the bill is to be in force for only 3 years, the prospects are if it is passed, the people will never regain the power they now have to frame their own tariff laws.

6. Since the Presidency is a man-killing job, and the President cannot possibly give his personal attention to more than a small fraction of the matters already devolving upon him, he would necessarily have to delegate to others the functions of negotiating tariff treaties. This means that the power to make reciprocal trade agreements would largely be delegated to the Department of State or some other agency of the Government. The danger is that under these circumstances the needs and wants of our farmers might be subordinated to questions involving international relationships.

I have a telegram, Mr. Chairman, from the Idaho State Grange, which reads as follows [reading]:

Idaho Grange protests the passage of the tariff bill without the right of public hearings. Star-chamber proceedings do not please us. We demand the right of protest. Please take this up with our Senators and register our grange against such a bill.

The telegram was signed by Ray McKaig, chairman of the legislative committee, and W. W. Deal, State master.

I would likewise like to say that Mr. George Schlmeyer, master of the California State Grange, personally told me that he was opposed to the bill.

Today I received a telegram from Ray W. Gill, master of the Oregon State Grange. It reads as follows:

I vote to oppose tariff bill; we must protect agriculture.

To overcome the objections which I have stated, I should like to propose the following amendments to the bill.

On page 2, line 21, add the following sentence:

Nothing in this section shall be construed to authorize removal of limitations and prohibitions for the protection of public health and maintenance of sanitary standards.

On page 2, line 25, after the words "free lists", strike out the period and insert a semicolon and the following:

and no proclamation shall be made reducing any import duty on any commodity designated as basic in the Agricultural Adjustment Act or on any farm-produced commodity of which in either one of the two calendar years last completed there was produced in the continental United States sufficient quantity to supply 70 percent or more of the quantity thereof consumed in the continental United States in such year.

It has likewise been suggested that the bill should be amended in such manner as to give the President authority to fix quotas for imports on the free list.

I thank you.

Senator BARKLEY. All right, Mr. Brenckman.

Well, that concludes the hearing, and the committee will stand recessed until 10 o'clock tomorrow, at which time we will go into executive session on this bill.

(Briefs submitted to the committee are as follows:)

BRIEF OF WOOL-BLANKET DIVISION OF NATIONAL ASSOCIATION OF WOOL MANUFACTURERS REGARDING THE RECIPROCAL TARIFF BILL BY H. W. ASHBY

The wool-blanket industry is an essential industry, both in peace and in war. It is of vital concern to the entire population of the country in peace, and in time of war the absence of proper facilities and well-organized manufacturing becomes of prime importance.

The wool-blanket industry is, and has been for the last 15 years, a very unprofitable business. The tariff adjustment has only recently been such that adequate protection from foreign dumping has been granted. In the past, small loopholes in the tariff have permitted interpretations that have allowed importation of blankets as embroidery, unfinished cuts, etc., to nullify the protection intended to be granted by Congress. This indicates the need for careful consideration and ample hearings before any change is made in the tariff.

The nature of the blanket business is such that provision for the raw wool must be made months in advance. Purchases must be made at the time of the clip, whether of domestic or foreign wools, and such commitments for 6 to 12 months in advance can only be made on a reasonable assurance of stability, both of the raw material value and of the market for the finished goods. The blanket manufacturer cannot, in many cases, buy wool currently month by month but, because of his necessity for selecting wools at the time the clip is made, must contract for about a year in advance. Such commitments cannot conceivably be made if, to the ordinary uncertainty of value, there is added the uncertainty of the effect of the tariff. This applies, whether foreign or domestic wool is used.

It is also one of the great difficulties of the blanket business that most blanket mills have to operate for at least 6 months on manufacturing without any selling results, as the major consumption of blankets is in the last half of the year, and the manufacturing has to proceed throughout the year. The uncertainty that might be produced in the market by doubt, or lack of knowledge as to the tariff to be in effect during that 12 months, would make the operation exceedingly hazardous.

The average blanket mill in this country, in addition to the above difficulty, operates on a very narrow capital margin, and the possibility of a sudden change in the tariff value would put many of them out of business, because of their inventory fluctuations. The history of the woolen industry as a whole in the last few years, including the wool-blanket industry, has reflected this inventory situation to a very marked degree in their published statements. In other words, the fluctuations in inventory value have many times outweighed the fluctuations in earnings on their operations, and lack of knowledge as to the future cost of the tariff situation would intensify this already bad situation.

We respectfully submit that it would be exceedingly dangerous to place the tariff matters on any basis where it could be changed, as applied to our industry, without ample consideration and every safeguard.

BRIEF OF HON. RALPH F. LOZIER, MEMBER OF CONGRESS, MISSOURI, IN SUPPORT OF THE PENDING BILL

On March 27, 1934, I addressed House of Representatives in support of the pending bill. On that occasion, I reviewed at some length and with considerable detail, the legislative, political, and judicial history of reciprocity, including the pending bill, its constitutionality, the necessity for its enactment and its general nature, intended operation, and possible effect.

The importance of the subject has moved me to submit these additional observations.

President Roosevelt has requested the enactment of legislation to authorize him to negotiate commercial treaties with foreign nations with a view of extending our foreign trade and find markets abroad for the surplus products of our farms, factories, mills, and mines. To this end, he requests authority to negotiate reciprocal tariff treaties and to reduce tariff rates in exchange for similar concessions from other nations.

The President recognizes that a great agricultural, industrial, and commercial Nation we can no longer live to ourselves, but if we hope to restore real prosperity we must find a market abroad for our surplus commodities.

Until recent years, while we were completing the development of our natural and national resources, we were able to consume the major portion of our agricul-

tural and industrial products but in the last generation we have enormously multiplied our productive capacity until we have reached the saturation point and are now producing a much larger supply of agriculture and industrial commodities than we can consume in our domestic market or for which we have a market abroad. In other words, we have artificially stimulated production beyond the consuming capacity of the American people and the accumulation of our so-called "surplus stocks" has driven the price of agriculture and industrial commodities to an exceedingly low level, and this condition is aggravated by an unprecedented reduction of the consuming capacity of our people because their purchasing power has been largely reduced and in many instances practically destroyed.

So it follows, as night follows day, that unless we can open up foreign markets for our surplus products, we will be compelled to close at least one third of our factories and further reduce production of our agricultural commodities. It is fundamental that a so-called "surplus" of other agricultural or industrial products clogs the channels of trade and forces prices to lower and lower levels.

No farm, factory, or mine can continue to produce more commodities than they can sell without driving prices to unprofitable levels.

Our far-seeing President, is not blind to these conditions, and he suggests a policy that is fundamentally sound and workable. No nation has ever become rich and powerful that did not have a large foreign trade. Much of the wealth of European nations come from their foreign trade which was acquired by sending their ships and traders into foreign lands.

The pending bill proposes to give the President broad power to negotiate tariff agreements with foreign nations under which foreign markets will be opened to our agricultural and industrial products in exchange for certain tariff concessions to be granted by the United States. In recent years we have practically lost our foreign markets for wheat, beef, pork, lard, poultry, produce, fruits, and other farm commodities. As we produce a surplus of food products the farmers are tremendously interested in finding a foreign market for their farm commodities. Our high-tariff laws prevent other nations from trading with us, and it is fundamental that a people will not trade with us unless we trade with them. Commerce is largely an exchange of products of one nation for the products of another nation. It is now generally conceded that there can be no substantial or permanent increase in the prices of farm commodities unless we find foreign markets for our surplus products. The pending bill will give the President the power to barter and trade with foreign nations on tariff schedules, hereby furnishing a foreign market for our surplus products. Reduced to its simplest form the bill, if enacted, authorizes the President in the circumstances outlined in section 350-A of the bill to enter into reciprocal foreign-trade agreements whereby America may lower its tariffs and abolish trade restrictions on goods shipped into America from our sister nations if these sister nations will lower their tariffs and abolish trade restrictions on American goods shipped into such countries.

The purpose of the law is set forth in detail in its opening sentences. Then, whenever the President finds that any existing duties or other import restrictions are unduly burdening and restricting the foreign trade of the United States, or that the purpose above declared (that is, in the act) will be promoted by the use of the powers herein conferred, is authorized from time to time, "to proceed in the manner set forth in the act."

The purpose of the act is to restore our foreign trade by lowering a stone at a time the tariff walls erected by the Republican Party against imports from foreign countries, in consideration of other countries importing goods from America, thus affording a market abroad for American surplus agricultural and manufactured products.

THE TARIFF COMMISSION

The principal objection made by the opponents of the proposed bill is that under its provisions the President may, in the circumstances therein prescribed, raise or lower tariff rates without any action by the Tariff Commission or any hearings being given to the parties in interest.

As hearing upon this contention, the following is submitted:

It must be remembered at the outset no one has a constitutional right to engage in foreign commerce free from congressional regulation and that the right of Congress to regulate foreign commerce is plenary in its nature. *Board of Trustees v. United States* (289 U.S. 38).

The proposed bill is not drawn from the standpoint of perpetuating the unjust features of the protective tariff. The master of a vessel, in time of storm, is often in the necessity of throwing a part of the cargo overboard in order to save the rest.

As Grover Cleveland once said, a condition confronts us, and not a theory. The condition is:

(a) A world-wide economic distress resulting from an extreme and selfish spirit of nationalism evidenced by trade barriers of divers sorts whereby the free and normal flow of foreign commerce has been reduced to such an extent as to seriously affect the peace and prosperity of the world.

(b) In the prevailing state of the practices and opinions of the world such distress can only be relieved a step at a time, by making haste slowly, "here a little, there a little, line upon line, precept upon precept", by a series of trade and barter agreements and give-and-take concessions. These agreements and concessions must be made on the spot by America in order to successfully compete with foreign nations who now have the power under their form of government to make such agreements instanter and without delay.

(c) To provide by law that such agreements may only be made as the result of a protracted hearing before a Tariff Commission is not practical, because while such hearings were taking place, our foreign competitors, having power to act immediately, would close the trace and emit America to the arena of discussion in place of that action which is the eloquence of the occasion.

As a practical proposition upon a hearing, the beneficiaries of the protective tariff would naturally protest against a proposed reduction on general principles. But it must be remembered we are dealing with a state of hunger and distress, despair and desolation which unchecked may lead to riot and destruction—to give up some of the benefits they enjoy as a result of the protective tariff, make some contribution to promoting the general good, by increasing the purchasing power of the farmer, remembering that he gives twice who gives quickly.

The wages of industry depend upon customers for the finished product. These customers are largely farmers. To increase the income of such customers insures employment and certainty of the payment of wages to labor. Suppose we have a high-wage scale. Suppose for lack of customers, unemployment results. Of what use is the wage scale?

But the President is not required by the proposed bill to act without the advice or consent of the Tariff Commission in the action that he is authorized to take. He is free to require such advice if he deems necessary so to do and, the President is not an individual, he is an institution. He acts officially and, of necessity, through his subordinate agencies. The members of the Commission are appointed by the President (46 U.S. Stat. L., pp. 696, 697).

Under the doctrine of *Myers v. United States* (272 U.S. 52) the power vested in the President to appoint members of the Tariff Commission carries with it the power of removal. So if it be true, as contended by the minority, that the President, in the action proposed to be taken under the pending bill, might be actuated by improper motives and desire to accomplish an object not conducive to the welfare of all concerned, he has the power under the present law to remove a Tariff Commission not in harmony with him and appoint a new Commission in its stead which shares his views.

Robert L. O'Brien, Chairman of the Tariff Commission, appeared before the House Committee on Ways and Means with respect to the powers vested in the President under section 336 of the existing tariff law and the powers proposed to be vested in the President in the pending bill and made it clear (hearing, House committee, p. 73), "that tariff making of the Tariff Commission is Presidential tariff making—the President makes the tariff."

It was contended in the House of Representatives, and the contention may be renewed in the Senate that the Tariff Commission should give 60 days' notice of any proposed change in rates. But such a delay would be absolutely fatal to the purpose of the bill. Suppose three people are sitting around a table; one is a purchaser and two are sellers. One of the sellers, is a "premium usually empowered to change rates overnight." The other seller is the United States of America who it was proposed in the House, could only change rates on 60 days' notice and then only after a protracted hearing. With whom would the purchaser deal?

Calvin Coolidge said (New York, Apr. 11, 1932):

"Because of constantly changing conditions, if for no other reason, no one was ever able to devise a perfectly adjusted tariff bill. No one can devise it now and no Congress, constituted as ours is, ever will."

In his speech of acceptance (Aug. 11, 1932), President Hoover, referring to the Tariff Commission said: "That instrumentality enables us to correct any injustice and to readjust the rates of duty to shifting economic change, without constant tinkering and orgies of logrolling in Congress."

In his Des Moines speech, Mr. Hoover referred to the Tariff Commission and said: "By maintaining that reform the country need no longer be faced with heart-breaking log-rolling selfishness and greed which came to the surface on every occasion when Congress revises the tariff."

But here again we are dealing with a condition and not a theory. We are trying, by the enactment of the proposed bill, and the steps to be taken under it, to restore our export markets. In doing so, circumstances require us to act promptly. As stated in the House of Representatives by the gentleman from Wisconsin (Mr. Frear):

"Every Member of Congress realizes the weakness of our cumbersome tariff-making machinery compared with that of other countries where a commission or premium usually is empowered to change rates overnight. For that reason the proposal to extend to the President wider powers in which to negotiate tariff agreements has been heralded by the country as a step forward in removing the depression."

As to the objection to the bill made by some on the alleged ground that it "places in the hands of the President, the power to destroy us not figuratively, but actually."

The alleged power to destroy is one of those bug-a-boos which is always brought forward on occasions of this kind. Every time something is done to which we are opposed, we bring forth as our star witness the phrase used by Chief Justice Marshall, "the power to destroy", everything constructive that has ever been done in America has been opposed on that ground.

Under the Hawley-Smoot tariff bill, the so-called "powers to destroy" may now be exercised by Congress, by the Tariff Commission with the approval of the President, or by the President alone.

Under Republican auspices, the President has been authorized by Congress to increase or decrease a rate of duty, at least, 50 percent upon the advice of the Tariff Commission. Under the pending bill, the President may decrease or increase a rate by not more than 50 percent and it is not conceivable that the President would act except in case of necessity without the advice of the Tariff Commission.

But how does Congress act in fixing a tariff? The Hawley-Smoot tariff bill covers 173 pages and the schedule of duties imposed includes 1,814 paragraphs. Is there a Member of Congress who is sufficiently bold to intimate that he understands all of those paragraphs? In the very nature of things, a Member of Congress must to a great extent rely upon the advice and information that comes to him from other sources.

But no one who is familiar with congressional procedure in the matter of tariff fixing can successfully deny the statements of Mr. Hoover and Mr. Coolidge as to the manner in which tariff duties are prescribed in Congress. The whole question is resolved into one of trade and barter. Every one interested in a high tariff gets what he can for his own particular industry.

On the contrary, under the pending bill, the President, acting for the welfare of the whole country as distinguished from the selfish localism of any particular community, and having regard to the entire country, can act upon a broad scale unhampered by considerations which control a Member of Congress.

As to the great World War and its consequent debts nothing in the pending bill authorizes the President to settle the war debts. He must come to Congress for any authority in that particular, and when he does, it will be time enough to discuss that question.

Referring to the flexible tariff law, which provides that the President on the advice of the Tariff Commission may reduce tariff rates that have been fixed by Congress: In this flexible tariff law, there is no power vested in Congress to act on the subject.

The true opposition to the pending bill has been thus voiced by the gentleman from Wisconsin (Mr. Frear):

"This country does not rely on its customs for its revenue. Our tariff is used to protect domestic industries, including agriculturalists and manufacturers from the ruinous, cheap, and foreign labor and poor living conditions generally found abroad."

This is an attempted resurrection of the whole doctrine of the protective tariff, on which the people of the United States of America registered their verdict of disapproval in November 1932.

Protest is made by the minority because the President is not required to give any hearing to domestic industries before making a change in the tariff.

Again this is entirely a misconception of the true nature and purpose of the law. The object of the pending bill is to stimulate foreign commerce. We are dealing with a situation where in order to preserve the whole, everybody is expected to work together, and to give up some of the advantages and privileges that they have been enjoying in return for others of greater moment.

As to the hearing before the Tariff Commission: Many subjects of vital importance are disposed of in the law without a hearing. On March 6, 1934, President Roosevelt was compelled by the force of circumstances to close every bank in the country. On March 9, 1934, by a bill which passed both houses the same day, his action was approved. The House passed the bill without a record vote, and the vote in the Senate was 73 to 7. Seventeen members of the Senate Committee on Finance voted for the bill.

The Comptroller of the Currency may appoint a receiver of a national bank and levy an assessment on its stockholders all without a hearing of any kind.

Federal Reserve Board has very extensive powers, all without a hearing (U.S.C., title 12, sec. 248). In fact the entire United States Code is filled with instances of summary executive action.

It was admitted in the House, that under the existing law, if the President desired a finding by the Tariff Commission as to proposed changes, such finding frequently requires several months of investigation by experts. The Tariff Commission has sometimes taken years to investigate a particular product.

The pending bill is not written from the standpoint of a protective tariff, designed to make American self-contained and build a wall around it with the sign "keep out." The pending bill is designed to promote international trade and is actuated by the same purpose manifested by the legislature of Wisconsin when it asked that the Great Lakes-St. Lawrence Seaway be built and which prompted the people of Wisconsin to protest against a campaign of self-containment in other States, which if successful, would have decreased the market for Wisconsin dairy products.

As to a provision requiring the President to report back to Congress for final approval, his action with respect to the tariff, no such provision requiring the consent of Congress to a change in the tariff is found in the Hawley-Smoot Tariff Bill.

As indicating the inability or at least the difficulty of Congress to deal with the tariff efficiently:

The 1912 platform of the Republican party made this statement:

"The pronounced feature of modern industrial life is its enormous diversification. To apply tariff rates to these changing conditions, requires closer study and more scientific methods than ever before."

The theory of the Tariff Commission and the theory of the pending bill do not coincide. The two laws are not the product of the same state of thought. The Tariff Commission is a legislative expedient designed to adjust the tariff to changing economic conditions, having at all times in view the purpose of Congress to keep in force a tariff based on "the differences in the cost of production of any domestic article and of any like or similar foreign article" (Tariff Act 1930, section 336).

But the pending bill is not designed to protect a beneficiary of the protective tariff from a change in the tariff rate by giving him an opportunity to delay executive action by a protracted hearing. The design of the pending bill is to increase our foreign markets, by granting concessions where the local market is concerned. These concessions for the time being may operate to the apparent disadvantage of the persons now reaping the abnormal and excessive benefits of the high tariff. But it is necessary that such concessions may be endured in order that the general welfare of the country and the world be thereby promoted. We may assume that, if a hearing were granted, the opponents of the tariff charge would object to the disadvantage they claimed they were caused to suffer, and that any reduction in the tariff would call for a protest at the hands of those who thought their profits were being affected. But we are dealing with an emergency as serious as a state of war. Individual convenience and personal benefits must yield sometimes to considerations of a higher degree, the preservation of the whole rather than the advantage of a part.

True, by paragraph (a), of section 336, Tariff Act 1930, a hearing is provided for before the Tariff Commission in the case of a proposed change in a tariff rate. But in paragraph (c) of the same section, the President acts in his own discretion and without a hearing. The paragraph cited provides that upon the commission making a report as to a change in tariff rates (Tariff Act 1930, sec. 336):

"The President shall by proclamation approve the rates of duty and changes in classification and in basis of value specified in any report of the Commission under this section, if in his judgment such rates of duty and changes are shown by such investigation of the Commission to be necessary to equalize such differences in costs of production."

If a President were determined to destroy an existing industry, he could, under section 336, paragraph (a), Tariff Act 1930, request the Tariff Commission to "investigate the differences in the cost of production of any domestic article and of any like or similar foreign article." The Commission would then investigate, holding hearings, and give reasonable public notice thereof, and afford reasonable opportunity for parties interested to be present, to produce evidence, and to be heard at such hearings.

But when the report of the Tariff Commission is made to the President, then under paragraph (c) of section 336, the letter issues a proclamation approving the action of the Commission "if in his judgment," (as to which action of the President no hearing is provided and none in practice given), such action is necessary so the President under the present law is not bound by the action of the Commission and is not required to change a tariff rate, unless his judgment approves of such change, no matter what the showing may be before the Commission, and no matter what the Commission may report.

Under the paragraph of sections 337 and 338, Tariff Act 1930, hereinafter quoted, no notice or hearing of any kind is required as a basis on which the action of the President is to be predicated.

Tariff Act 1930, section 337:

"(a) Additional duties: The President when he finds that the public interest will be served thereby shall by proclamation specify and declare new or additional duties as hereinafter provided upon articles wholly or in part the growth or product of, or imported in a vessel of, any foreign country whenever he shall find as a fact that such country—

"(1) Imposes, directly or indirectly, upon the disposition in or transportation in transit through or reexportation from such country of any article wholly or in part the growth or product of the United States any unreasonable charge, exaction, regulation, or limitation which is not equally enforced upon the like articles of every foreign country; or

"(2) Discriminates in fact against the commerce of the United States, directly or indirectly, by law or administrative regulation or practice, by or in respect to any customs, tonnage, or port duty, fee, charge, exaction, classification, regulation, condition, restriction, or prohibition, in such manner as to place the commerce of the United States at a disadvantage compared with the commerce of any foreign country.

"(b) Exclusion from importation: If at any time the President shall find it to be a fact that any foreign country has not only discriminated against the commerce of the United States, as aforesaid, but has, after the issuance of a proclamation as authorized in subdivision (a) of this section, maintained or increased its said discriminations against the commerce of the United States, the President is hereby authorized, if he deems it consistent with the interests of the United States, to issue a further proclamation directing that said products of said country or such articles imported in its vessels as he shall deem consistent with the public interests shall be excluded from importation into the United States."

Tariff Act 1930, section 338:

"(a) Unfair methods of competition declared unlawful: Unfair methods of competition and unfair acts in the importation of articles into the United States, or in their sale by the owner, importer, consignee, or agent of either, the effect or tendency of which is to destroy or substantially injure an industry, efficiently and economically operated in the United States, or to prevent the establishment of such an industry, or to restrain or monopolize trade and commerce in the United States, are hereby declared unlawful, and when found by the President to exist shall be dealt with, in addition to any other provisions of law, as hereinafter provided.

"(b) Investigations of violations by Commission: To assist the President in making any decisions under this section the commission is hereby authorized to investigate any alleged violation hereof on complaint under oath or upon its initiative.

"(d) Duties of offset commercial disadvantages: Whenever the President shall find as a fact that any foreign country places any burden or disadvantage upon the commerce of the United States by any of the unequal impositions or discriminations aforesaid, he shall, when he finds that the public interest will be served

thereby, by proclamation specify and declare such new or additional rate or rates of duty as he shall determine will offset such burden or disadvantage, not to exceed 50 per centum ad valorem or its equivalent, on any products of, or on articles imported in a vessel of, such foreign country; and thirty days after the date of such proclamation there shall be levied, collected, and paid upon the articles enumerated in such proclamation when imported into the United States from such foreign country such new or additional rate or rates of duty; or in case of articles declared subject to exclusion from importation into the United States under the provisions of subdivision (b) of this section, such articles shall be excluded from importation.

"(c) Duties to offset benefits to third country: Whenever the President shall find as a fact that any foreign country imposes any unequal imposition or discrimination as aforesaid upon the commerce of the United States, or that any benefits accrue or are likely to accrue to any industry in any foreign country by reason of any such imposition or discrimination imposed by any foreign country other than the foreign country in which such industry is located, and whenever the President shall determine that any new or additional rate or rates of duty or any prohibition heretofore provided for do not effectively remove such imposition or discrimination and that any benefits from any such imposition or discrimination accrue or are likely to accrue to any industry in any foreign country, he shall, when he finds that the public interest will be served thereby, by proclamation specify and declare such new or additional rate or rates of duty upon the articles wholly or in part the growth or product of any such industry as he shall determine will offset such benefits, not to exceed 50 per centum ad valorem or its equivalent, upon importation from any foreign country into the United States of such articles; and on and after thirty days after date of any such proclamation such new or additional rate or rates of duty so specified and declared in such proclamation shall be levied, collected, and paid upon such articles."

As to the articles of import which may be the subject of foreign trade agreements, obviously it would not be possible to specify these in advance, because until a sister nation indicates the article it desires to import into the United States, any attempted designation by the United States of America in that direction would be purely speculative.

In connection with the constitutionality of the proposed bill, I am privileged to quote from a letter written by that outstanding authority on jurisprudence, Dr. Roscoe Pound, dean of Law School, Harvard University:

"As to so-called 'delegation of legislative powers,' I have made a pretty full study of that matter, and can say with a good deal of assurance that most of what has been stigmatized by that name is not delegation of legislative power at all. In many of the cases a statute is made to take effect upon condition, and the determination of an executive official is just as proper a condition as any other event. In another type of case, there is a power of doubtful classification, and it has been settled for over 100 years that in case of such powers the legislature may properly assign them to some appropriate department. In a third type of case, legislation having fixed a standard, the application of that standard is turned over to an administrative tribunal or official. In none of these cases is there any delegation of legislative power, and they will take care of almost everything which has been questioned in recent legislation.

"As to 'executive despotism,' Lord Hewart, who is chiefly responsible for the currency of such talk, seems to me quite unduly excited. Legislative administration and judicial administration are quite impossible in the economically unified country of today. It is like the difference between the old-time country law office where the country lawyer carried the files around in his coat pocket and took his time answering letters, and the highly organized big city office of today. In the latter it is necessary to get things done, and done promptly. So it is in the urban, industrial society of the twentieth century. If things are to be done they are more likely to be done administratively than by the more deliberate processes of legislation and adjudication."

In carrying out the program contemplated by the pending bill, President Roosevelt and the Congress are working to a common end.

This end contemplates not a mere temporary recovery, like scattering poison through the system in an effort to minimize its effect, not a mere restoration of a patient to be returned to work to live in the same old way, to do the identical things over again, and thus have a recurrence of the disease, perhaps in an aggravated form, whereby the second state of man should become worse than the first, but a cutting-out, a radical exorcism of the ills affecting the body politic, a recon-

struction, as well as a recovery, of our social, political, and industrial life. This recovery and reconstruction does not mean a discarding of our Constitution, a throwing of it aside as obsolete, does not mean a revolution, but an evolution, does not mean a turning around and going back, but a going forward. Thomas Jefferson, wrote the statute of religious freedom in Virginia, the statute abolishing the law of primogeniture in that State, the Declaration of Independence and the first ten amendments to the Constitution of the United States.

In the same spirit, the Nation is pressing forward in that high calling which has for its visible manifestation, elevating the man above the dollar, ministering to human needs in the form in which they arise, and being a good neighbor, both at home and abroad.

BRIEF OF THE AMERICAN PAPER INDUSTRY ON H.R. 8687 BY S. L. WILLSON, PRESIDENT AMERICAN PAPER AND PULP ASSOCIATION, CHAIRMAN OF THE PAPER INDUSTRY AUTHORITY (THE CODE AUTHORITY FOR THE PAPER INDUSTRY)

As president of the American Paper & Pulp Association I am appearing for the paper industry of the United States in opposition to the bill under consideration, H.R. 8687.

The paper industry is opposed to this bill because it does not believe any such arbitrary power as is contemplated should be intrusted to any individual or group, without provisions for an affected industry to be heard on its own behalf.

Further, the paper industry is opposed to the repeal of the countervailing provisions of the existing tariff act. On the contrary, it believes these provisions should be extended to all commodities instead of being limited to the few products specifically mentioned in the Tariff Act of 1930.

The American paper industry ranks among the 10 largest industries in the United States. It is as widely distributed as any major industry, for paper is made in significant quantities in 37 States. It represents a billion and a half dollars of investment, and its normal product is valued at approximately 1 billion dollars per year. It now employs directly about 150,000 persons, and an additional 125,000 are employed in the industries converting paper into the numerous products for which it is used. Its employees represent a significant factor in the national economic field, inasmuch as paper mills are chiefly located in small communities, whose principal, if not sole, reliance is in the continued operation of the paper mills in those communities.

The paper industry has given its loyal support to the recovery act, in letter and spirit. As a result employment has increased, wages have been materially raised, and the workers are enjoying a happier condition than has been prevalent for years. Nevertheless, the paper mills are still reporting deficits and this applies to the major portion of the entire industry. They are not yet out of the woods financially. They are therefore loath to see legislation enacted that might, and probably would, immediately handicap their efforts to put American industry, including capital as well as labor, back on a secure and remunerative basis.

By reason of a long and honorable industrial history the paper industry feels it is particularly fitted to discuss such legislation as is now pending. The paper industry is one of the oldest in the United States. Its importance has been recognized from the very inception of our present Government, for the second statute passed by Congress, after the Republic was established, involved the protection of this industry by the imposition of a tariff on "all writing, printing or wrapping paper, paper hangings and pasteboard."

Succeeding tariff acts have always included provisions as to paper. Legislation within the present generation placed newsprint and wood pulp on the free list. The terms of the bill under consideration eliminate these free list items from this discussion, so anything now being said is to be understood as referring to dutiable items, irrespective of what we may think of the wisdom of a free list status for some branches of the industry.

While the paper industry was always conservative in its attitude toward tariff legislation, it took a new advanced position when the act of 1930 was being drawn. At that time, the American Paper and Pulp Association came out openly in favor of scientific tariff making. It advocated the imposition of duties sufficient and no more than sufficient to equalize the production costs here and abroad. There are nearly 170 grades of paper affected by the existing tariff act, and when the revision of the act of 1922 was in progress 4 years ago, this industry, following its belief in a scientific tariff, asked for changes in only 27 items, none of those being large increases, and each being based solely on facts.

Coupled with its wish for so much and no greater protection than is needed to equalize production costs here and abroad, the paper industry has been a steadfast believer in the principle of a flexible tariff, through which changes can be made in rates as economic conditions require. That the operation of the flexible tariff provision as it now exists is effective is shown by the fact that, excluding those items in the pulp and paper industry which are on the free list, our exports almost exactly balance the imports in both dollar value and tonnage.

As part of its tariff program, the paper industry has for the past 10 years maintained a specialist organization, the import committee of the American paper industry, a fact finding organization whose duty has been systematically to study all questions of foreign competition. The paper industry, therefore, is in an unusual position in American industry, in that it has taken the leadership in its advocacy of scientific tariff making, and in that it has a most complete knowledge of foreign competition and trade conditions.

The paper industry, by reason of the existing conditions as to international trade, and its unequalled knowledge of the details of such trade, is in a position where it can speak authoritatively on the pending tariff bill. It has placed itself on the border line at which a slight change in foreign or economic conditions is reflected instantly in increasing imports. This statement applies to nearly every grade of paper. Import records of paper of all kinds, show that foreign producers are quick to take advantage of the slightest change in domestic conditions. Inasmuch as the paper schedule in the Tariff Act is based on a bare equalization of production costs here and abroad, removal of any existing import restrictions would sway the delicate balance in favor of the foreign producer.

Imports of paper, pulp, pulp wood, and other paper-making raw materials combined, amount to a total gross value higher than that of any other imported commodity. The great bulk of these imports are duty free and too much of the industry is already suffering from foreign competition of free goods, particularly newsprint, to be able to survive any step to extend the opportunities of foreign competition.

Existing duty rates on paper are not excessive. In the case of book paper, for instance, the rate is one fourth cent per pound and 10 percent, a rate of about 20 percent on the cheaper grades of book paper, and even less on the higher grades. America's requirements for cigarette paper are almost completely filled by France, even though the rate of duty on this paper is 60 percent. Imports of cigarette paper last year were valued at \$3,400,000, and in 1931 at over \$5,000,000.

We have in our industry an outstanding example of the results of reciprocity negotiations. In 1911 a reciprocity treaty was drawn with Canada, by which Canadian newsprint would have been given special consideration. Canada did not accept the treaty, but newsprint was placed on the free list in 1913 as a result of the reciprocity discussions. The outcome was that our newsprint market was presented to Canada, and the United States was given nothing in return.

With this example of so-called "reciprocity" before us, we naturally look with apprehension on reciprocity agreements, and particularly the giving to any person or department the power to make such agreements without domestic producers having any knowledge of what is contemplated, or a full factual hearing before an agreement is concluded.

The paralysis of the domestic newsprint industry by these events in past history point to the danger hidden in the proposed tariff bill. The report by the United States Tariff Commission during the pendency of the Tariff Act of 1922 showed that in 1914 domestic production of newsprint was 1,313,284 short tons. In 1914, imports amounted to only 11 percent of the domestic consumption, and by 1920 the Tariff Commission report shows that imports had risen to 48 percent of the United States consumption. Today those imports constitute two thirds of the domestic requirements.

That the paper industry regards this situation as important to the entire industry is better shown by the resolution adopted by the paper industry authority at its meeting February 7, 1934. The paper industry authority does not include the domestic newsprint industry, so the resolution which follows shows the importance with which the industry as a whole regards the newsprint situation.

"Voted: That the following resolution be presented to the newsprint code authority, setting forth the attitude of the paper industry authority:

"Whereas the paper industry authority is charged with a great responsibility in representing the paper industry (other than newsprint paper)—the tenth largest industry in the United States and with an investment of over \$1,500,000,000 in plants, exclusive of water powers and timberlands; and

"Whereas the newspaper industry in the United States is efficiently and economically operated and producing a product of prime national importance and yet by reason of destructive price cutting and sales far below cost, is on the verge of a collapse which would destroy it; and

"Whereas the price of newspaper is the foundation on which rests a large part of the price structure of the entire paper industry, and its collapse would necessarily involve great demoralization of the whole paper industry and would imperil the ability of the industry as a whole to continue to pay the increased wage scale and maintain the shorter working hours adopted by the industry under its code; and

"Whereas this would affect not merely the workers directly or indirectly supported by the newspaper industry but also 125,000 wage earners directly employed in the United States pulp and paper mills and a number probably exceeding 300,000 indirectly employed in that industry;

"Resolved, That the paper industry authority regards the condition of the newspaper industry with the gravest apprehension, and recommends to the National Recovery Administration that every effort be made to work out a plan which will accomplish the stabilization of the newspaper industry."

Newspaper is already on the free list, the developments in 1911-13 having permitted not only Canadian, but European and Japanese newspaper to come into this country duty free to such an extent that the United States mills, instead of having 89 percent, as in 1914, now have less than one third of the American market.

Our fear of the pending legislation is that the same course which has proved so disastrous in the newspaper field may be taken with regard to other papers. Not only was the newspaper market given to Canada but the United States newspaper machine capacity has been thrown in part into other fields, tending to disrupt the entire structure of the domestic industry.

The import records for wood pulp are another example of what has happened to the American paper industry through a change of tariffs. Up to 1913, wood pulp was on the dutiable list, and the average value of imports for the 4 years from 1910-14 was \$14,000,000. The average for the period from 1922-26 was over \$77,000,000, and even in 1933, when prices had dropped sharply due to the depression, and when paper production was far below normal, the imports were valued at over \$57,000,000. Today, some mills with pulp equipment find that they can import pulp cheaper than they can produce it in their own plants.

Not only does the pending bill affect the paper industry directly, but it contains possibilities of even more serious effects indirectly. A concrete example, of a type which permeates the entire industry, is the case of paper book matches, with which everyone is familiar. This may seem like a small item, yet the paper board for these books is made in this country to an average of about 800 tons per month, and is an item of importance to at least 8 American mills. It is said that a proposed agreement with Sweden will facilitate the importation of these matches, already an important item of foreign trade. The same rate of duty must apply to Japan, which is entering the field in no small way. This means a loss of market for the American manufacturers of match board. Similar examples could be mentioned almost without number.

The grant of authority to the Executive to modify rates is one which we feel to be too dangerous to be permitted. With the present provision, the Executive can reduce duties without a hearing. We as an industry are strong believers in a flexible tariff. We are not believers in a tariff modified by "logrolling" in Congress or by arbitrary action of any administrative person or bureau. It is conceivable that such power would not be used improperly—but no such power should be given to any one person. Human frailty is still with us.

We do not object to tariff changes when justified by facts, and with an opportunity for American industry to be heard on its own behalf.

It has been said that the plan of some of the administration leaders is to determine what industries are not necessary in the American economic scheme, and to arbitrarily sacrifice those industries to the advantage of export trade for other American-made commodities. This report may not be true. However, it is true that the pending bill does not provide for hearings for American industries which may be sacrificed by reciprocal trade agreements, if the reported program is correct.

As to the repeal of the countervailing provisions of the present Tariff Act. We are concerned with the clause in paragraph 1402, which is as follows:

"If any country, dependency, province, or other subdivision of government imposes a duty on any article specified in this paragraph, when imported from the United States, in excess of the duty herein provided, there shall be imposed upon such article, when imported either directly or indirectly from such country, dependency, province, or other subdivision of government, a duty equal to that imposed by such country, dependency, province, or other subdivision of government on such article imported from the United States."

The purpose of this provision is to make available a procedure by which any adverse tariff action by foreign countries can be met by the imposition of a duty on goods from any such country equal to that imposed on our goods going to such a country. To be specific: The duty on paper board coming into this country is 10 percent, limited by the clause in paragraph 1402. The duty on paper board going from the United States to Canada is 35 percent, plus the other taxes collected by Canada which come within the countervailing duty provision. In the face of this rate of duty, imports from Canada are rapidly increasing, as to certain types of paper board.

This provision, applying chiefly to the paper-board industry, not included in the American Paper and Pulp Association, affects certain types of board, such as shoe-counter board coming from Europe for the New England shoe industry. Many paper mills in that region, which are members of this association, are dependent solely on this outlet for their product. The countervailing duty provision has not been sufficient to prevent sales from abroad at less than the cost of the American product.

The pending bill proposes to wipe out this provision and throw the gates open to wider competition than now exists, and to price quotations under which the American industry cannot compete if it is to continue operating under the wage and labor provisions of the Recovery Act.

Instead of wiping out the existing countervailing provision, the paper industry believes that the countervailing clauses now present in the tariff act as to specific commodities should not only remain in the act but should be taken out of the specific paragraphs where they now appear and made to apply to all schedules and to all paragraphs in such schedules.

The present administration has shown great interest in the forestry problem. It is worthy of note that the American Paper and Pulp Association was foremost in American industry in its efforts during the past 15 years to secure legislation which would preserve the forests and make them not only self-sustaining, but utilize the Nation's forest resources for industrial purposes under conditions which would result in reforestation of land best fitted for forest growth, and a proper conservation of the present forests. Individual paper companies have from their own resources led all American industry in the practice of private forestry.

The great lumber industry has now in its operations under the Recovery Act provided for taking the steps which we have advocated in broad terms for the paper industry. With the tariff situation as it now exists, the paper industry cannot carry out an adequate forestry program to the extent the industry desires. With adequate protection against foreign competition the paper industry can progress along these most desirable lines.

A specific example is seen in the recent developments in the South, where newsprint has been made from southern pine. It has been asserted that the domestic newsprint industry can be reestablished by the use of this raw material, given the proper incentive. With Canadian and domestic newsprint mills today selling paper at far less than the cost of production; with European newsprint paper being sold in our markets at \$7 per ton less than the North American product, no one with financial foresight can invest his funds in experimentation or development of an industry even with a potential market of far over 100 millions of dollars a year, when he knows that existing mills are operating at a loss.

The paper industry believes that the provisions for the changes of duty under the so-called "flexible tariff provisions" of the existing act give the needed assurance to domestic industry that it will be given its opportunity to prove that reductions are not justified, and there is no reason we can see why these provisions should be nullified. It would seem that a due process of investigation as provided by the existing act should be available to domestic industry before any reciprocal trade agreement with a foreign nation is concluded, and that such opportunity for hearing should not so delay action on any proposed agreement as to unduly delay the entering into an agreement which may be for the benefit of our international trade.

BRIEF OF NATIONAL PAPERBOARD ASSOCIATION IN RELATION TO H.R. 8087 BY GEO. W. GAIR, ROBERT GAIR CO., NEW YORK, CHAIRMAN OF THE BOARD

The American paperboard industry is deeply concerned at both the general and special provisions of the proposed bill to give the Executive power to negotiate reciprocal tariff treaties.

In general terms, it is opposed to any proposal to grant any person or group the power to determine the future of any American industry without such industry being given opportunity to be heard in its own defense.

In special terms it is opposed to the proposed repeal of the countervailing provision in paragraph 1402 of the Tariff Act of 1930, for this provision applies to imports from various countries, of various types of board, and even this provision has not been sufficient to prevent an increase in imports from countries which are more rigid in their treatment of paperboard than we are of such products from those countries.

The paperboard industry as represented in the National Paperboard Association, includes 200 mills, with a capital investment of \$200,000,000, and an average normal output of 4,000,000 tons, valued at \$180,000,000. It has wide distribution. Its employees number 25,000 and in addition there are other workers employed in converting industries to a total of 200,000 employees. The association's members are operating mills in the New England, Atlantic, Southern, Middle-Western, Rocky Mountain, and Pacific Coast States.

This indicates the importance of the industry which is making this presentation on the pending measure.

The paperboard industry will not discuss in detail its opposition to the proposal to give the Executive such sweeping power over industry as would be granted if the pending measure becomes law. The industry is strongly opposed to any such grant of authority, because it feels that any branch of industry which is threatened with increased competition has a right to present facts and be heard before any decision is made which may reduce its industrial opportunities. We insist that the right to be heard be included in any measure which may be enacted.

The special situation of the paperboard industry is that on which we have asked to be heard.

Paragraph 1402 of the Tariff Act of 1930 includes these words, known as a countervailing clause: "If any country, dependency, province, or other subdivision of government imposes a duty on any article specified in this paragraph, when imported from the United States, in excess of the duty herein provided, there shall be imposed upon such article, when imported either directly or indirectly from such country, dependency, province, or other subdivision of government, a duty equal to that imposed by such country, dependency, province, or other subdivision of government on such article imported from the United States." Similar provisions appear in paragraphs relating to other specific commodities. The pending bill would repeal all these provisions, which are intended to serve for defense against tariff action by other countries which would impose higher duties on our commodities than we levy on those commodities imported from such countries.

Paperboard from Canada is a specific instance. Paragraph 1402 of the act of 1930 provides a duty of 10 percent on unprocessed paperboards, but includes this countervailing clause. American paperboard going into Canada is subject to a duty of 35 percent, plus an excise tax of 3 percent on the duty-paid value. Under the countervailing clause, Canadian paperboard coming to the United States is subject to 39 percent duty instead of 10 percent. Even with this rate of duty, Canadian exports to this country have been growing rapidly in the last few months. To repeal the countervailing clause will instantly open our markets more widely to competing paperboard from Canada, for even with the existing duty we cannot meet the Canadian prices.

► This is an outstanding example of a condition which exists in other branches of the paperboard industry, and as to other types of boards from other countries. Our mills at present have difficulty in adhering to the schedule of wages and hours, of labor accepted under the industrial recovery act, and at the same time meet the competition from other countries not paying the wages earned in this country. With the present rates lowered there is grave danger that we cannot continue to operate under the conditions of the recovery act which our entire industry is now accepting.

In a study of the operation of the countervailing clause of paragraph 1402 which it is proposed to repeal, we find a large number of types of boards which will be subject to a lower duty than is now levied the moment this bill is effective. Some of these boards are under the code of the paper industry authority and some under the code of the paperboard authority, but all are dutiable under paragraph 1402. There is material foreign competition on all the following boards even now, when the countervailing rate is higher than 10 percent:

- Canada, pulpboard and screening board; mill wrappers.
- Germany, trunk board; counterboard and leatherboard.
- Sweden, insulation board; trunk and fiber counterboard.
- Norway, fiber board.

While there is competition in various boards other than the above these are the grades in which the repeal of the countervailing clause in paragraph 1402 would increase the opportunities of foreign countries to sell in our market where even the present rate is to their advantage.

Countries not now shipping to the United States which might do so were the countervailing duty eliminated are: Belgium, sulphite board, wood-pulp board, strawboard; Italy, miscellaneous special boards; Japan, wallboard, cardboard, and leather board; Spain, cardboard.

The situation as to Canada is graphically shown by statistics of imports of boards subject to the countervailing duty, as follows:

	Pounds	Value
1931.....	3,644,693	\$67,960
1932.....	1,893,175	24,498
1933.....	1,768,079	28,201
1934 (3 months).....	1,646,007	25,644
January.....	741,653	11,981
February.....	658,956	8,771
March.....	339,459	5,492

In other words, the imports from Canada for the first quarter of this year were nearly equal to the total imports from that country in 1933, in excess of those for 1932, and about half those for the high year of 1931. The countervailing rate of 35 percent went into effect in 1931.

While we have presented our position on the specific danger of the repeal of the countervailing provision of the paperboard paragraph, there is a situation involving strawboard which merits a few moments of discussion.

The American straw paper and strawboard industry has had a long and interesting history. Most of us will recall the use of a coarse brown paper by butcher shops. With the development of other grades of paper, chiefly because of their grease resistance, the use of straw paper diminished as a wrapping paper, and the product was diverted to the manufacture of corrugated containers, and strawboards went into other uses.

This administration is known as a friend of the farmer. The farmers of the Middle West have had a market of some 600,000 tons of straw annually. Today Dutch strawboard is coming into this country at prices which the American mills cannot meet, and historic old mills have discontinued operation. Not only is the strawboard from the Netherlands displacing our domestic strawboard because of its low prices, but it is even taking the place of the lower-priced container boards made by American mills. The Dutch duty on strawboard is only 5 percent, so these shipments are not affected by the countervailing provision of the existing law. However, should this provision be removed Belgium, which can make board as cheaply as Holland, if not at a lower price, will be able to enter this market, thus further disrupting the present condition. Incidentally, let me say that the board which Dutch strawboard is replacing is not only made from straw from middle western farms, but also from waste paper, of which American mills purchase approximately 2,000,000 tons annually.

The paperboard industry believes that the countervailing provision of the tariff act should not only be continued in effect, but in principle we agree with the thought that such a provision should be extended to the entire tariff schedule instead of being limited to specified commodities. We believe that the present flexible-tariff provisions are sufficient to protect the American consumer against unduly high prices, while at the same time they give domestic industry protection against arbitrary sacrifice in the interest of export trade.

BRIEF OF T. E. RICHMOND, REPRESENTING THE CORDUROY INDUSTRY

We have noticed in the publicity accompanying the introduction of the reciprocal tariff bill and the lists of articles that have appeared from time to time in the newspapers that cotton corduroys have been included "as a product more or less noncompetitive and with respect to which foreign countries possess advantages."

In this connection we do not know just what is meant by "noncompetitive", as foreign corduroys are substantially the same in methods of manufacture, quality, and use as the American corduroy.

With respect to advantages that the foreign manufacturer is said to possess, we know of none, except cheaper labor and materials, and doubt if any other advantage exists.

Furthermore, it has been called to our attention that the Tariff Commission reports that American-made corduroys are exported in substantial volume. This is an error and not in accordance with facts. The total corduroy exports for the year 1933 were less than one half of 1 percent of domestic production, and these were due to temporary advantages in styling.

We call to your attention:

(a) That a careful analysis of the 10-year period 1925-34 indicates that the activity of machinery for the manufacture of corduroys has averaged less than 60 percent of capacity.

(b) That this machinery represents an investment of several millions of dollars.

(c) That the corduroy industry is a large employer of labor located in Tennessee, Georgia, North Carolina, Virginia, New York, Massachusetts, Rhode Island, and Maine.

(d) That the provision of the N.R.A. and the processing taxes as applied to cotton under the A.A.A. have increased actual costs of production by an average of 42.4 percent.

In consideration of the above, we urgently request that the present tariff rates of duty be maintained and that corduroys be removed from the bargaining list of the proposed reciprocal tariff bill.

Representing the corduroy industry: Brookside Mills, Knoxville, Tenn.; Brookside Finishing Co., Lanett, Ala.; Wellington Sears Co., New York, N. Y.; Cone Export & Commission Co., Greensboro, N. C.; Granite Finishing Works, Haw River, N. C.; Tabardroy Manufacturing Co., Haw River, N. C.; Crompton Company, West Warwick, R. I.; Crompton-Richmond Co., Inc., New York, N. Y.; Crompton, Shenandoah Co., Waynesboro, Va.; Highland Mills, Griffin, Ga.; Hoskmeier Bros., Inc., New York, N. Y.; Woodward Baldwin & Co., New York, N. Y.; Howlett & Hoskmeier, Inc., New York, N. Y.; Waterhead Mills, Inc., Lowell, Mass.; Boott Mills, Lowell, Mass.; Parker Wilder & Co., New York, N. Y.; A. D. Juillard & Co., Inc., New York, N. Y.; New York Mills Corp. (Onelda Co.), New York Mills, N. Y.; Aragan Mills, Aragan, Ga.; Brookford Mills, Brookford, N. C.; Merrimack Mfg. Co., Lowell, Mass.; Minot Hooper & Co., New York, N. Y.; Georgia Kincaid Mills, Griffin, Ga.

BRIEF OF JUDGE MARION DE VRIES, REPRESENTING THE GOAT, KID, AND CABRETTE DIVISION OF THE TANNERS' COUNCIL OF AMERICA

I am instructed by the Goat, Kid, and Cabretta Division of the Tanners' Council of America, Mr. C. F. C. Stout, chairman, to state to the committee and to the Congress, as follows:

"We understand that certain interests advocate changes or additions granting the President power to transfer articles now on the free list to the dutiable list and vice versa. Our branch of the tanning industry manufacturing kid leather * * * wishes to advise the Committee that such action if made use of might well be the ruin of our business. We therefore wish to register with the committee our opposition to any such change in, or addition to, the bill."

The said organization includes within its membership the vast majority of the manufacturers of goat, kid, and cabretta leathers in the United States, an industry of great financial investment, employing thousands of laborers.

In addition to the foregoing, as their representative, it would seem desirable to register the view that in any proceedings under the bill now before the committee, H. R. 8687, there should be some substantial hearing by some duly

authorized person or tribunal, in aid and assistance of the President, in the execution of any powers that may be granted him under and by virtue of said bill as and when it may become a law.

The undersigned has for many years presented to this honorable committee and other committees of the Congress this view. While ascertainment of costs of production if proceeded with in minute details embracing the most elementary original items of cost may involve much complexity and difficulty so as to render the same almost impracticable, long experience in the customs administration has taught that such is not necessary to satisfactory ascertainment. All appraising officers of the United States, including on appeal members of the United States Board of General Appraisers (now United States Customs Court) at New York, have for many years been entrusted with the duty of finding foreign market values and costs of production of goods foreign and domestic. The hearings of this honorable committee and of the Ways and Means Committee of the House of Representatives disclose that in hearings on a general tariff bill it has been the effort of members of committees to ascertain costs of production abroad and in this country as the basis of tariff duties, not by sending investigators into the field but by due proceedings before such officers, tribunals, or committees. It has been the view of the writer of this presentation that a satisfactory ascertainment could be made without a detailed examination of the books of manufacturers abroad and in this country. The procedure would be to put the burden upon those asserting or seeking the benefit of certain costs as the basis of their tariff protection or requested duties.

The following has been repeatedly submitted by the undersigned to the committees of Congress as applied to the Tariff Commission in its proceedings could be adjusted to any presidential investment of power, and is respectfully submitted for the consideration of this honorable committee:

"It shall be lawful for the United States Tariff Commission, proceeding under this section (336), or in any of its authorized ascertainment, to ascertain and proclaim tentative findings of value, wholesale selling prices, costs of production or items thereof, or other factors entering the differences in conditions of competition between foreign and domestic goods in the principal markets of the United States, and, upon notice to and hearing of interested parties to be prescribed by the rules of the Commission, afford such parties ample opportunity to prove or disprove said tentative findings in whole or in part; whereupon, the Commission may adopt, modify, or reject, in whole or in part, said tentative findings in any of its said proceedings or determinations under this section."

BRIEF STATEMENT OF STEVENSON MASSON, BALTIMORE, MD.

The bill to provide power to execute trade agreements is commendable in its expressed purposes and the legislation is necessary in the present emergency to permit an extension of the commercial relations between the United States and other countries.

Practically every country of any importance has provided very elastic means of changing tariffs and vested power in its executive branch of government to effect immediate changes.

The United States has no such flexibility. Treaties must receive the approval of the Senate and tariff legislation must originate in the House of Representatives and receive the approval of both houses of Congress. In the past a limited grant was given to the executive to negotiate trade agreements but due to the provisions of the legislation that the agreements must receive the approval of the Senate practically every agreement was defeated either directly by a political vote or by failure to receive Senate attention. Under the existing laws an agreement negotiated by the President would be doomed to defeat or delayed in debate so long as to be ultimately of no use.

If the United States is to receive any substantially greater part of the benefits of world trade it must have the power to arrange agreements without delay and with full assurance that the agreements will go into effect immediately upon completion of the negotiations. The other countries are arranging such agreements to our loss.

The bill is good in that it is general and comprehensive but there is considerable doubt whether it will enable the President to abrogate or affect some of the present laws which in a great part exert a depressant influence on importations into this country.

To enable the President to fully effect the intentions expressed, some of the present tariff provisions should be repealed and if legislation on the lines expressed

In those statutes in deemed necessary new acts should be prepared which would not contain the evils found in the present statutes and furthermore the President should be empowered to provide in the trade agreements the abrogation or relaxation of such statutes as they would affect the particular Trade agreement.

I refer to the Tariff Act of 1930 sections 303, 304, 307, 313(h), 330, 331, 332,, 333, 334, 335, 336, 337, 339, 340, 341, 516, and the antidumping Act of 1921.

Section 303 relates to countervailing duties or the assessment by this country of a duty to include the amounts of any bounties, etc., granted by the exporting country. This bill is to expand trade and it is conceivable that the commodity on which a bounty is paid will be the subject of the agreement. The section would be directly contrary to the intent of the bill. It has been invoked in most cases on commodities which we export vastly in excess of our imports. Automobile and electrical equipment and coal from Canada, etc.

Section 304 is the marking provision which provides that an article, its container (or wrapper) and the package in which imported must be marked with the name of the country of origin and provides a penalty of 10 percent ad valorem even though the material, container or package is subsequently marked before delivery, and a fine of \$5,000 for removing such marking. This fact is impressive if the article is marked and the container or package is unmarked the penalty on the value of the article including the container and package is assessed. There is no doubt that merchandise which is sold to the consumer (who would be without knowledge of the origin of the material) in its imported condition should be marked with the country of origin but a penalty of 10 percent on a shipment of fish meal which is imported by a manufacturing consumer who is of knowledge of the origin is manifestly ridiculous. The section as now worded would prejudice the trade agreements negotiated under this bill and the section 304 should be redrafted to require marking but to authorize some administrative office (the Secretary of the Treasury preferably) to promulgate regulations thereunder. This would render a flexible protection and would not effect unnecessary and ridiculous penalties.

Section 307 relates to convict-made goods. This section was enacted as a sop to the maudlin sentiments of some uninformed people. Some persons with a sense of the realities however placed therein the relaxation which relieves the prohibition on such goods which "are not produced in the United States in sufficient quantities to meet our consumptive demands" in other words it is immoral to permit convict-made goods to be imported unless we have need for such goods. This section was used as the scourge with which we harassed the importers of goods from Soviet Russia. An attempt is now being made to use this section against shipments from Germany. It serves no useful purpose and should be repealed.

Section 313 (h) provides that no drawback (of duty) shall be paid unless the exported merchandise is exported within 3 years after the importation of the imported merchandise on which the duty was paid. In these years of difficult business this restriction is onerous and could be dispensed with. The provision is only a means of simplifying the proof and computation of drawback to be paid and as the customs keep their files indefinitely this restriction has no point.

The sections 330 to 341 refer to the Tariff Commission. This Commission is an excellent fact-finding commission and its staff does a meritorious work. In its chief, Hon. Robert L. O'Brien, it has given us a fearless and honest outspoken worker, his commendation and criticism are alike frank and free. On several occasions and again in the past few weeks in testifying on this bill he stated that the Commission is strictly political and is not impartial due to the fact that the President can direct its activities through his appointments. One of the Presidents appears to have even gone so far as to take undated resignations from the Commissioners at the time of appointment. The Commission bound by the ridiculous "cost of production" rule requires indefinite and protracted periods to make a finding and in its most important case, that of sugar, several administrations refused to approve its findings after long and painstaking investigations. Its time is taken up with a number of petty investigations instituted by some small and local industry or by a Representative in Congress who files it as a matter of course. Due to the delays, which appear to be unavoidable, the domestic manufacturer seeking higher duties and the importer seeking lower duties are alike dissatisfied. In view of this bill the Commission should be revamped under another act and permitted to devote its time fully to investigations to further the ends sought in this bill. The theory of flexible tariff making has failed.

Section 337. This section is practically the same as section 316 of the Tariff Act of 1922. Regardless of the intended benefits to be derived, this section has been used as a means of harassing importers of certain merchandise, the litigation under this section is long and the forfeiture exclusion bonds taken thereunder to cover importations create expense and look to large assessments in the indefinite future, payments under which do not accrue to the domestic manufacturer who instituted the action but to the United States. This is not duty. In reality it effects a definite prohibition of merchandise upon a mere ex parte statement of suspicion. It is conceivable that this section alone could be used by domestic interests to prejudice, suspend, or defeat a trade agreement negotiated under this bill.

Section 316 is now in our tariff and provides that a domestic producer or manufacturer may attack an importer or a group of importers by an appeal to reappraisal (which is questioning the value on which the duty is computed) or by a protest against the classification of duty (that is contending that the rate of duty should be higher) both of these actions are litigated in the United States Customs Court and are subject to protracted delays extending into years. Bad faith is suspected in the filing of some of these actions and the record shows that a relatively small number of such actions have been upheld by the court. Under this section domestic interests could materially prejudice the outcome of any or all of the trade agreements.

The Antidumping Act of 1921. This act was a part of the Emergency Tariff Act of 1921 which was rushed through Congress in late April and early May 1921, in the first Republican administration after the war when the threat of German business with the depreciated German currency was being exploited. This act provides for actions on mere suspicion and the machinery set up thereunder enables a matter to be protracted over a period of years and practically makes impossible an early determination of the question of dumping. During the pendency of the investigation the importer is under the threat of greatly increased dumping duties and the expense of additional bonds, litigation costs, etc. It serves as a prohibition on mere suspicion. Relatively few of these dumping cases have been sustained by the Secretary of the Treasury. During the last few weeks of the 1932 campaign for the Presidency the Republican National Committee provided a veritable Roman holiday in the Bureau of Customs where a number of industries were urged to air their grievances for the edification of the press, the confounding of the electorate, and the return of the party of protection to power. Only a very few of the dumping investigations instituted in this crusade resulted in a finding of dumping, and a great many investigations were so confused in their inception that they have not yet reached a completion, being bogged down in various investigative offices. It must be recalled that this dumping is not a vicious practice confined solely to foreign countries or even conceived in foreign countries but it is an old American custom and in recent years while domestic interests were urging a finding of dumping on a certain commodity the same interests were exporting vastly greater amounts than were being imported and it was being exported at prices in some cases of from \$5 to \$8 per ton less than the price for domestic consumption. The situation on that commodity became so confused that the quotation of the export price was suppressed in the trade papers for fear of prejudicing the complaint.

The antidumping act is so drawn as to be unwieldy and administratively impossible. If some such act is conceived to be necessary a new act should be drawn to provide means of more simple ascertainment of the question of dumping so that the question of dumping could be determined in a relatively short time after the threat is imposed on the importer. Some of these cases were instituted most evidently solely to stop importations.

The writer sat through the hearings on the bill before the House committee and listened with interest to Messrs. Hull, Wallace, Roper, Dickinson, Sayre, and O'Brien.

It would be better to provide an act which would give the President sufficient power to make a success of the plan. It is believed that the bill should also contain a provision permitting a transfer of a commodity or an article from the free list to the dutiable list or from the dutiable list to the free list. This would give the President greater latitude and provide a greater and more powerful weapon to use in the negotiations.

**BRIEF OF HENRY I. HARRIMAN, PRESIDENT CHAMBER OF COMMERCE OF
THE UNITED STATES**

Mr. CHAIRMAN AND GENTLEMEN OF THE COMMITTEE: On behalf of our organization, there are certain recommendations with reference to the reciprocal tariff bill, H.R. 8687, which I should like to have before the Finance Committee in its consideration of that bill.

Mr. James A. Farrell made before the Ways and Means Committee of the House of Representatives on March 9 a detailed statement embodying the tariff policies of the chamber as they bear on the proposed legislation. The testimony of Mr. Farrell appears on pages 505-509 of the printed hearings of the House committee. I do not want to go over the ground that Mr. Farrell has so well covered or to enter upon a full statement of our views on tariff legislation.

The points to which I would particularly invite the attention of the committee are these:

(1) It seems desirable to write into the bill a brief declaration of principle to the effect that in authorizing limited reduction of customs tariff rates on imports covered by reciprocity agreements it is the intention of Congress that reasonable protection of American industries and agriculture of benefit to any considerable section of the country should be maintained.

(2) We also recommend that there be in the bill definite provision for notice and hearing for representatives of the lines of business affected by any contemplated reductions in our tariff, giving them the opportunity to present facts and opinions as to the effects of any such proposed reductions.

In the public interest and in fairness to business, some measure of certainty in reliance on governmental policy affecting business as the tariff does is highly important. And business should not be exposed to tariff reductions without a full opportunity for a hearing.

**BRIEF OF DRIVER-HARRIS CO., HARRISON, N. J. BY FRANK L. DRIVER,
PRESIDENT**

The Driver-Harris Co., organized in New Jersey in 1899, is the oldest and largest manufacturer of nickel chromium alloy wire and castings, and one of the leading manufacturers of other special metal alloys and pure metals for electrical, mechanical, and chemical uses. We are members and operate under the following codes for fair competition under the National Industrial Recovery Act: Code for Fair Competition in the Electrical Industry; Alloy Casting Code; Code for the Wire Rod and Tube Die Industry; Code for Nickel Alloys.

The number of our employees has increased from a depression low of 332 to 590 at the present time.

The possible serious effect on business of the broad powers sought to be conferred by the pending legislation warrant us in taking up the time of this valuable committee to present this protest.

It is natural for everybody to try all reasonable means to overcome the havoc wrought by the present depression, but these efforts should show some elements of consistency, and it is felt that it would impose an unfair burden on industry to meet more severe foreign competition than it is now meeting in the face of the increased costs of production that industry has voluntarily imposed upon itself by entering into the codes of fair competition under the National Industrial Recovery Act. This bill also seems to be wholly inconsistent with the philosophy underlying the N.R.A.

There is no warrant in our present form of Government, nor has the present party in power received a mandate from the electorate which would empower them to take away the source of livelihood from one section of its population as represented by the workers in a so-called "inefficient industry." It is also grossly unfair to industry to put it in a position where the executive department of the Government may wipe it out by a stroke of the pen without allowing the people affected any hearing or any advance information.

While it is claimed by the proponents of the bill that it would materially increase our foreign trade, an examination of the facts will show that with the world-wide rise in nationalism and the tremendous effort made by every country to provide the greatest possible portion of its needs domestically, we are in a state of affairs where it will be impossible to restore foreign trade to the proportions which it formerly reached. Our foreign trade ranges from 7 to 10 percent of our total trade, and it would seem to be "cutting off our nose to spite our face" to increase this 7 percent at the expense of the 93 percent.

**BRIEF OF PAPER MAKERS FELT INDUSTRY BY F. J. HARWOOD, PRESIDENT,
ASSOCIATION OF PAPER MAKERS FELT INDUSTRY**

This is a wool textile industry, manufacturing woven woolen felts used on paper-making machines. It is an essential industry.

The paper makers felt industry is peculiar, in that its selection of wool for raw material has to be very carefully made. In any given class of wool a certain portion only of the clip is available for its purpose, the results on the paper machine depending very largely on the careful selection of this raw material. It has been found necessary by the woven felt makers to purchase their wools largely in original sources in order to get this selection that is suitable for their purpose. This demands that such selection be made at the time of the clip. Suitable felt wools can very seldom be bought on the open market after the clip has been made and passed into second hands.

In consequence, commitments have to be made for practically 1 year on every type of wool that is used, and the woven felt makers are obliged to make this selection from many sources of wool supply.

Under these circumstances, it is self-evident that long-time commitments for raw material are an essential of this industry, and any interference of short notice with the tariff on wools would make such a procedure very hazardous, whether the source is foreign or domestic. We therefore earnestly petition that no procedure be adopted which would allow a change in the tariff without ample notice and careful consideration.

In the past, the tariff protection accorded the woven felt makers has been inadequate, and only recently adjusted because of loopholes that have been left in tariff wording. For many years we suffered because of the importation of woven felts as machine parts, at a duty which was one third of the regular duty—an interpretation never intended by the framers of the tariff and contrary to the intentions of Congress. Therefore, any hasty or ill-considered action in regard to our protective tariff could easily work great hardship to our industry, and should be fully safeguarded against.

In addition to this, the working capital of the woven felt manufacturers is not sufficient to stand the sudden decrease in inventory valuations that might be possible under an immediate change of the tariff without suitable notice.

**BRIEF OF ARNOLD J. WILSON, REPRESENTING THE ILLINOIS
MANUFACTURERS' ASSOCIATION**

On behalf of the Illinois Manufacturers' Association, representing some 2,500 industries of Illinois, manufacturing a variety of products for domestic and foreign consumption, I submit the following:

No one will argue against the desirability of increasing our foreign trade, providing, the cost is not greater than the gain, and providing, the method used does not involve even graver dangers than the loss of foreign trade, namely, the destruction of portions of our own industry.

I am not arguing against the theory or ideal of reciprocal agreements, or even whether or not Congress should delegate certain very important powers. That is for Congress to decide. But I will confine our argument chiefly to one point, and one point only—that neither the President nor the Tariff Commission, or even Congress itself, should arbitrarily raise or lower tariff schedules, or have the right to do so, without giving the industries affected an opportunity to be heard. Even a criminal before the court, if he has no counsel, is provided with one by the judge, so that fair, impartial hearing and determination of the facts may be had. Our own tariff law now permits even the foreign producer to have his day in court on changes which may affect his exports to this country.

Certainly American industry itself is entitled to the same consideration.

One way of illustrating the possible dangers in "decisions without a hearing" is by presenting the following facts, without proper consideration of which grave injustice could and would be done by any commission or tariff authority:

1. JEWELRY INDUSTRY IN ITALY

Hourly rates in the jewelry industry in Italy, quoted from the United States Monthly Labor Review of June 1933:

	Italian currency	United States currency (par value)
Jewelers:	<i>Lira</i>	
First class.....	4.80	\$0.24
Second class.....	3.98	.21
Third class.....	2.80	.13
Goldsmiths and silversmiths:		
First class.....	3.95	.21
Second class.....	3.00	.15
Third class.....	2.00	.11

2. JAPANESE WAGE RATES

Daily wages in Tokyo, June 1933, based on a tabulation of report issued by the Tokyo Chamber of Commerce and Industry and reprinted in the United States Monthly Labor Review, December 1933. Conversions of yen at February exchange rates.

Daily wage

	Japanese currency	United States currency	
		Par value	February 1934 exchange
Textile industry:	<i>Yen</i>		
Silk reeler, female.....	0.00	\$0.35	\$0.21
Cotton spinners, female.....	.94	.42	.25
Hosiery knitters, male.....	2.00	1.00	.60
Hosiery knitters, female.....	1.00	.50	.30

So that you may not draw erroneous conclusions, please remember that these rates are daily rates—not hourly as you might imagine, and they have long days in Japan.

Daily wage—Continued

	Japanese currency	United States currency	
		Par value	February 1934 exchange
Metal industry:	<i>Yen</i>		
Lathers.....	5.23	\$2.62	\$1.57
Founders.....	3.07	1.54	.92
Blacksmiths.....	4.19	2.10	1.26
Stone, clay, and glass products:			
Cement makers.....	2.40	1.20	.64
Glassmakers.....	2.72	1.36	.82
Potters.....	1.87	.94	.56
Tile makers.....	1.40	.70	.42
Chemical industry:			
Makers of chemicals.....	2.14	1.07	.64
Matchmakers, female.....	.65	.33	.20
Leather industry: Leather makers.....	3.23	1.62	.97
Food industry:			
Flour millers.....	1.95	.98	.59
Brewery workers.....	1.30	.65	.38
Sugar-refinery workers.....	2.10	1.05	.65
Canners.....	1.65	.83	.50
Wearing apparel industry:			
Tailors.....	2.00	1.00	.60
Shoemakers.....	2.56	1.28	.77
Stevedores.....	2.55	1.28	.77
Day laborers, male.....	1.51	.76	.45
Day laborers, female.....	.86	.43	.26

Remember the above are daily rates—not hourly.

3. CLOCK AND WATCH INDUSTRY IN GERMANY

Again quoting United States Monthly Labor Review, June 1932: "This industry claims to be suffering from the loss of the United States markets. Wages have been reduced continuously. Watchmakers receive 21.4 cents to 28.6 cents per hour, if over 20 years of age, and 14.3 cents to 21.4 cents per hour if under 20 years of age.

In spite of these low wages, the maximum of which is greatly below even the minimum of the code submitted for the clock industry, I may report that within the last few weeks word has come from a gentleman connected with one of the largest German clock manufacturers, that they are greatly disturbed about the appearance of Japanese-made clocks on the foreign markets at one third to one fourth the prices of German-made clocks, and German-made alarm clocks are on the foreign market at 31 cents in American money, while tiny clocks are put out at 16 cents. Yet they are afraid of Japanese competition. I might further report that there are now four Chinese factories in Shanghai making desk and wall clocks at even lower prices than German or Japanese clocks. Clocks and watches have one of the highest labor contents of any manufactured article.

These facts are mentioned simply to show that there is no bottom to the foreign labor market and no bottom to foreign price competition in some cases.

One obscure, little known, but important point illustrates the danger of decisions without a hearing. It is in connection with the clock industry. We had a war about 16 years ago. I venture to say that scarcely a gentleman of the committee, unless connected with the industry, or at least on the War Industries Board, knows that alarm clocks and the clock and watch industry in the United States were given priority rating during the World War, because protection of the clock and watch industry was and is essential to national safety and national defense. Clocks and watches, which mean time and time-keeping mechanisms, are even more essential in time of war than in time of peace. An army could not operate without a watch. A time fuse would never go off without a timing mechanism. Industry itself could not function without time. I will submit that at least in time of war it would be unwise to be dependent for our time fuses and for the captain's wrist watch in the front-line trenches upon importations from a foreign country, perhaps an enemy. I know of one factory which at the time of the armistice had already tooled up and equipped its factory to the extent of one third of its capacity for the manufacture of time fuses alone.

4. THREE-YEAR AGREEMENTS

The proposed bill will give authority to make trade agreements which will be cancelable on notice in 3 years. With the multitude of uncertain unforeseeable domestic and foreign complications within the next 3 years, an absolutely fair and just tariff today could completely destroy an industry before the expiration of the agreement. In fact, in some industries a single shipload of the product landed here in a few weeks time could demoralize or destroy the industry.

5. EXCHANGE RATES

It may be argued that we must make some sacrifices in some quarters to build up our exports and help the sale of other of our products, but is there any material gain if we succeed in furnishing employment for 25,000 workers in some industry located in Germany, Italy, or Japan, so that we can sell them shoes or automobiles or wheat and at the same time destroy the employment of 25,000 American workers in a similar industry who will then no longer be in the market for shoes or automobiles or wheat?

6. FOREIGN EXCHANGE

It may be argued that depreciation of exchange has benefited, that is, raised our tariffs. That is undoubtedly true in some countries at the present time, but tariffs and exchange rates are two entirely different subjects, and our tariff protection should not rest upon the vagaries, mysteries, and fluctuations of foreign exchange. It can go down as rapidly as it goes up. Right now there is a chaotic storm in foreign exchanges, but we should not depend upon the depreciated dollar for our tariff protection any more than we should depend on a continued high wind to help hold up a leaning barn. The wind might die down.

If necessary or advisable, there might be written in a clause under which tariffs would automatically change with the variation in exchange rates, but let us keep tariffs, tariffs and exchange rates, an entirely separate and different thing.

8. INVESTMENTS

Entirely apart from the possible danger and effect to American employment in ill-considered tariff changes is the danger of enormous injury or destruction to millions of dollars invested in certain of our industries which might easily be destroyed over night by an arbitrary tariff ruling. These investments were made in good faith under the righteous assumption that American industry and American standards would be adequately protected, at least to the extent of equalizing foreign and domestic production costs, plus transportation. To endanger such investments even without a hearing is manifestly unfair.

9. UNCERTAINTY AND FEAR

At this very moment the greatest obstacle to recovery is uncertainty as to the future. No American industry can invest or plan or expand its operations with confidence until the factors with which it must deal become better stabilized and assured. Tariff uncertainty is one of the greatest, and this uncertainty and fear of arbitrary and possibly destructive action can at least be to a great degree removed by adequate assurance of a fair and impartial hearing before changes are effected.

10. THE N.R.A.

The administration is vigorously furthering a program of increasing wages, shortening hours, and improving working conditions in American factories by N.R.A. codes. American factories are cooperating by accepting and complying with codes. Now to hold over them an arbitrary power to lower tariffs without warning or notice, would make impossible compliance with labor conditions in codes, and is inconsistent and plainly unjust. It would, without doubt, work against the success of the N.R.A.

Under prior legislation where Congress delegated to the President under certain conditions power to modify existing tariff duties, mandatory provisions for investigation and hearings were included in the statute, and the Supreme Court in passing upon the validity of this legislation, emphasized before a change could be made that "the Tariff Commission does not itself fix duties, but before the President reaches a conclusion on the subject of investigation, the Tariff Commission must make an investigation and in doing so must give notice to all parties interested and an opportunity to adduce evidence and to be heard." (*Hampton & Co. v. United States*, 276 U.S. p. 405.)

As manufacturers, we appeal to Congress to include in the present legislation this right to be heard. We ask for this right not only as a matter of elementary justice, a right in harmony with all the traditions and principles of constitutional procedure, but we also contend that notice and hearing are matters of sound policy. In what other way can the President be assured that he is advised of all the conditions which should govern his action, and be fully advised, as he should be, of the consequences of his action?

Under the proposed legislation, by executive proclamation, without any warning or notice, an American manufacturing industry can be practically put out of business. Millions of dollars may have been invested in this industry upon the faith of the tariff policy of the Federal Government. Manifestly, to place such a power in any official, to be exercised by him according to his discretion, without investigation or notice or any warning to the industry involved, is a new departure in American legislation and, it seems to us, a matter of the gravest concern for the consideration of Congress. It creates a dictatorial power over the life and death of manufacturing industry and is, we earnestly submit, utterly un-American.

The sole and declared purpose of the proposed law is to promote business. We firmly believe it will destroy in this country more business than it promotes.

Under his manifold grave responsibilities it is not physically possible for the President to study the conditions and problems of the industry vitally affected by his proclamation in carrying out this law. He must in turn delegate this task to others, and probably to diplomatic agencies. These men, however able and skillful they may be, are usually without experience in manufacturing industries

and lack actual contact with and knowledge of the problems of such industries. They require and should have detailed and complete information before they act. The only way to assure this is to provide, by the statute itself, for investigation and notice and hearing before final action is taken cutting in half the tariff duties with respect to any industry.

The administration is now pursuing a vigorous policy of increasing wages and improving working conditions under N.R.A. codes. Manufacturers throughout the country are cooperating by accepting and complying with codes. Now to pass a law which holds over manufacturing industry the threat of taking from the industry by Executive order all tariff protection (and that is practically what a 50 percent reduction would mean), will create grave uncertainty and apprehension, will unsettle the N.R.A. program, because such changes in tariff duties, which at any time might be put in effect, would make it impossible for manufacturers to comply with the labor provisions of codes.

We earnestly advocate one of two courses:

1. The dropping of the legislation because it is an actual threat and hindrance to recovery; or
2. A modification of the legislation by provisions requiring notice and an opportunity to be heard and to adduce evidence by any manufacturing industry to be affected by the proposed treaty and proclamation of the President.