

REIMPORTATION OF AMERICAN WAR MATERIALS

HEARING

BEFORE THE

COMMITTEE ON FINANCE UNITED STATES SENATE

SIXTY-SEVENTH CONGRESS

FIRST SESSION

PURSUANT TO

H. J. RES. 183

IMPOSING A DUTY OF 90 PER CENTUM ON ALL GOODS
EXPORTED FROM THE UNITED STATES FOR THE USE
OF THE AMERICAN EXPEDITIONARY FORCES AND ITS
ALLIED FORCES AND WHICH HAVE BEEN SOLD TO
ANY FOREIGN GOVERNMENT OR PERSON, WHEN
REIMPORTED INTO THE UNITED STATES

THURSDAY, AUGUST 18, 1921

Printed for the use of the Committee on Finance



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REIMPORTATION OF AMERICAN WAR MATERIALS.

THURSDAY, AUGUST 18, 1921.

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

The committee met at 4 o'clock p. m. in room 312, Senate Office Building, Senator Porter J. McCumber presiding.

Present: Senators McCumber (chairman), Smoot, J. A. Follette, Dillingham, McLean, Curtis, Watson, Calder, Sutherland, Simmons, and Walsh.

Senator McCUMBER. Four o'clock was the time fixed for hearing testimony on House joint resolution 183, which reads as follows:

[H. J. Res. 183. Sixty-seventh Congress, first session.]

JOINT RESOLUTION Imposing a duty of 90 per centum on all goods exported from the United States for the use of the American Expeditionary Forces and its allied forces and which have been sold to any foreign Government or person, when reimported into the United States.

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That all goods, wares, merchandise, and military and naval supplies, of any kind whatsoever, originally exported from the United States of America for the use of the American Expeditionary Forces or the Governments associated with the Government of the United States of America in the war with Germany and Austria and which shall have been sold or delivered to any foreign Government, individual, partnership, corporation, or association by the United States liquidation commission or by any other agent or official of the United States of America, when reimported into the United States of America, shall pay a duty of 90 per centum ad valorem, the value of such articles to be fixed on a basis equivalent to the original value of such articles in the United States, to be determined under rules and regulations to be prescribed by the Secretary of the Treasury.

Passed the House of Representatives August 11, 1921.

Attest:

WM. TYLER PAGE, *Clerk.*
By JOHN H. HOLLINGSWORTH, *Chief Clerk.*

There are witnesses here whose names have been handed to me. I do not know just how many desire to be heard.

Senator WALSHE. We have copies of the resolution here?

Senator McCUMBER. I have a copy here and others can be secured.

There are to be 10 witnesses. I will first call upon Mr. W. E. Ernst.

Mr. Ernst, I have a number of names here. I presume you will not ask that all of these gentlemen by heard this afternoon?

STATEMENT OF MR. WALTER E. ERNST.

Mr. ERNST. We shall all be very brief. I think that most of the gentlemen have briefs to submit, or they will read very short statements, not over a page in length, and in some instances but half a page. They will give the facts relative to their particular cases.

Senator McCUMBER. It is the desire of the committee to give everyone a hearing, yet at the same time, in order to complete the testimony to-day, it will be necessary that it be boiled down and that there be as little repetition as possible.

Mr. ERNST. If the chairman limits us we will keep within the limit.

Senator McCUMBER. I do not wish to limit you. I wish you to limit yourself.

Mr. ERNST. I was about to say that even if we are not limited we will be as brief as we possibly can.

I might say to you, gentlemen, that I am not a so-called mushroom importer or exporter, but I am a lawyer, a member of the firm of Olcott, Bonyge, McManus & Ernst, of New York City. I appear not only in that capacity but also as vice president of the Tire Export Co., a concern engaged in the business of exporting and importing tires, rubber goods, and general merchandise, which has been for many years representing not only its own interests but also the interests of such financial institutions as the Gotham National Bank of New York, the Irving National Bank of New York, and others.

In approaching this very brief discussion which I have to make on this bill I want to say that we have assumed, we innocent purchasers of these goods, and those of us who have advanced money to the innocent purchasers of these goods, that this bill is intended to be an embargo. We have assumed that 90 per cent of the original value was the sum fixed, which would prevent the incoming of any of these goods. It is for that reason that I shall make the statement that I am going to make.

If there were a fair tax, a just tax, or a tax according to tariff principles, as we have understood them, my remarks would be quite different.

To begin with, I understand the statement was made in the House—of this, of course, I am not certain—that \$1,700,000,000 worth of goods were sold to France for \$400,000,000 and that there are now in France goods amounting to upward of \$188,000,000.

Gentlemen, we are absolutely and comparatively paupers here because our talk concerns only the mere sum of \$6,000,000. I say that because from the canvass I have made I can not find that more than that sum has been bought or purchased by the gentlemen who are here present and the gentlemen for whom I speak in a general way.

Senator SMOOT. Did I understand you to say that America did not sell to France \$1,700,000,000 worth of goods for \$400,000,000?

Mr. ERNST. No, sir; I did not say that. I know nothing of that. I accept that statement.

Senator SMOOT. I think that the \$1,700,000,000 ought to be increased by about \$200,000,000. Then that statement will be true.

Mr. ERNST. That will be about \$950,000,000.

Senator WATSON. It does not matter, but it is pretty close to \$2,000,000,000.

Senator SMOOT. I understood the witness to say that there was a question as to whether that really had happened.

Mr. ERNST. No, sir; not at all. I want to say that we are here concerned with such a very infinitesimal part of that.

Senator WATSON. How are you interested?

Mr. ERNST. These merchants have purchased from the Government of France, or its governmental departments, merchandise aggregating about \$6,000,000, which is now either upon the high seas, or is ready for shipment, consular invoices, or consular certificates, having been issued.

Senator SMOOT. What class of goods was purchased covering this sum of \$6,000,000 that you speak of?

Mr. ERNST. Shovels.

Senator SMOOT. Do you know how much of each class?

Mr. ERNST. No, sir. The different gentlemen here would give those facts. They are prepared to file statements showing the exact items.

Senator SMOOT. Did you say shovels?

Mr. ERNST. Yes.

Senator SUTHERLAND. Do you know how much was paid for them?

Mr. ERNST. Yes. Then, there were p. rubber boots, and gloves.

Senator SMOOT. What kind?

Mr. ERNST. Army officers' gloves.

Senator SMOOT. Proceed.

Mr. ERNST. Automobile tires, inch sizes.

Senator SMOOT. Inch sizes?

Mr. ERNST. I say that because it is different from the metric sizes. There are many tires of metric sizes that can not be used here. Then, there are motors and bottles.

Senator SMOOT. What kind of bottles?

Senator LA FOLLETTE. Empty bottles? [Laughter.]

Mr. ERNST. Empty bottles; yes, sir. I might add that they are empty medicine bottles.

There are some foodstuffs in small quantities, such as tomatoes and canned corn. I refer especially to canned corn because that is a product which can not be sold abroad. That is a food for cattle. The people will not eat it.

Senator SMOOT. So are the tomatoes.

Mr. ERNST. There is a small quantity of canned beef.

Senator McLEAN. One thousand six hundred and fifty cases of corned beef hash.

Mr. ERNST. I understand and I know from observation on my recent trip—I have come back in the last three weeks—that a good part of that has been sold to France and its allies other than America.

Senator LA FOLLETTE. I suppose France could not eat that corned beef.

Mr. ERNST. They could not eat it, they said, and I do not believe we want it back here; at least not at this late date.

There are khaki breeches, shirts and underwear, hobnail boots, and a variety of that character of merchandise. I might say also that there is a variety of druggists' articles, such as bandages, chemicals, and the like. There is also general hardware.

Senator McLEAN. Sixty-four thousand cases of baking powder.

Mr. ERNST. There is baking powder, but that has come to this country. It is not 64,000 cases. That was brought in some time ago.

Senator WATSON. In other words, after the war this country sold to the Government of France about \$2,000,000,000 worth of goods and now the Government of France has sold to your plant, those whom you represent, about \$6,000,000 worth of goods, or has resold that amount, for which consular invoices have been issued?

Mr. ERNST. Yes.

Senator WATSON. And the goods are already on the way back.

Mr. ERNST. They are either on the high seas or have been purchased and are awaiting shipment.

Senator WATSON. Your interest is in the \$6,000,000 worth of goods only?

Mr. ERNST. Yes, sir.

Senator SMOOT. Those goods will come in free?

Mr. ERNST. Our interest is—

Senator WATSON. I am trying to find out what you do want.

Mr. ERNST. Our interest is to get them in free.

Senator McLEAN. They made us pay \$150,000,000 to get them into France.

Mr. ERNST. That is true, but they also canceled, as I understand it, a large debt which they claim we owed them for damage done to their roads.

Senator McLEAN. The report does not show that.

Mr. ERNST. I have so understood it.

Senator SMOOT. That was taken care of in the settlement. They paid that up. That had nothing to do with this.

Senator WATSON. Just now we have nothing to do with these bills aside from this \$6,000,000 worth of goods. Do I understand that those goods on the way back come in free under the Underwood law?

Mr. ERNST. I understand that they do. If joint resolution 183 is passed they will be kept out. We want them to come in. We want them to come in because the men who bought them relied on the condition of the law as it stood.

Senator SMOOT. Would you object to an ad valorem duty of 25 per cent?

Mr. ERNST. We would object if that were placed upon the original value.

Senator McLEAN. What percentage of the original value did they cost you?

Mr. ERNST. That is difficult to estimate. In a general way I will state that all the merchandise was sold to the Government at what may be said to be peak prices. To day that merchandise can be bought in America under its first cost.

Senator LA FOLLETTE. You know about what your clients paid for it?

Mr. ERNST. I can give you the price on each item.

Senator LA FOLLETTE. I am talking about the whole amount.

Mr. ERNST. Yes; I see.

Senator LA FOLLETTE. How much did they invest?

Mr. ERNST. \$6,000,000.

Senator McLEAN. What percentage of the cost price of the goods is that?

Mr. ERNST. Of the original cost?

Senator McLEAN. Yes; in the American market.

Senator WATSON. Let me get your question straight in my mind, Senator. Do you mean by that what the American Government sold to the French Government for?

Senator McLEAN. No. If they bring them in, what will the price that they charge bear to the price of the goods originally?

Mr. ERNST. The prices that we get for the goods now are about 25 per cent cheaper than the current prices now obtaining in New York, but that does not take into consideration the difference in the quality of the merchandise, because that is impossible.

Senator McLEAN. Do you mean to say that you paid 75 per cent of the fair market value?

Mr. ERNST. No, sir; I did not mean to say that.

Senator CALDER. You mean you are selling them for that?

Mr. ERNST. We sell for that.

Senator CALDER. What did you pay for them?

Mr. ERNST. I have a list here enumerating each article. I could state what each article cost as shown by this list. Gloves, 59 cents a pair. They are sold to the retailer in New York at 70 cents. These same gloves are now sold in New York at 80 cents a pair.

Senator McLEAN. What did you pay for them?

Mr. ERNST. Fifty-nine cents c. i. f., New York.

Senator CALDER. You make 11 cents and the retailer expects to make about the same?

Mr. ERNST. Yes.

Senator SMOOT. What did you pay for tomatoes?

Mr. ERNST. The Tire Export Co. did not buy tomatoes and would not buy them. I do not know whether there is anybody in this room who has bought them.

Senator SMOOT. I know that there is a shipment on the way and that some more are coming. I have been so informed.

Senator McLEAN. What assurance have we that they will not start another \$6,000,000 worth in this way?

Mr. ERNST. You may block that in any way you wish.

Senator CALDER. Do you know that it is said that vast quantities of these goods are in the hands of American speculators?

Mr. ERNST. I know that it is not true. I say that from my own observation, having just returned from abroad, as I said before.

Senator CALDER. What did your concern pay for these goods as compared with the price the French Government paid for them?

Mr. ERNST. They paid less because of the lapse of time.

Senator CALDER. In other words, the French Government lost money?

Mr. ERNST. They claim so, yes.

Senator SMOOT. They had sugar, lard, lard substitutes, bacon, and hams on hand in such quantities that they had almost enough to pay the \$400,000,000 that they gave this Government. Whatever they got out of it they made over and above that.

Mr. ERNST. You see, we came in so late that we were not able to profit by this deal France made a big profit.

Senator WATSON. No doubt on the whole they made money out of the purchase. I do not know whether that is so as to the particular \$6,000,000 or not.

Senator SMOOT. All that they get out of it is clean gain for them.

The CHAIRMAN. Yes; I think so.

Senator SUTHERLAND. Did we pay duty on entering France?

Senator SMOOT. Yes; they compelled them to pay.

Senator SUTHERLAND. I understood they threatened to make this Government pay quite a large duty.

Senator SMOOT. They didn't threaten; they just put the duty on.

Mr. ERNST. Our contention is, regardless of the breach of faith as between France and this country, that we did not know of any agreement which would prevent them from selling to us. There was no express agreement that we knew of. We do not know of any implied agreement.

Senator WATSON. Let me ask you this question. Have any other goods besides these in which you are interested been bought in France and sent back here?

Mr. ERNST. Prior to this?

Senator WATSON. Yes.

Mr. ERNST. Yes; but the amount does not exceed another \$5,000,000.

Senator WATSON. Did your client know this resolution was going to be introduced?

Mr. ERNST. No. If they had known that the banks certainly would not have advanced this money.

Senator WALSH. Who is behind this? What organization?

Mr. ERNST. I would like to know that very much.

Senator WATSON. When did you come back?

Mr. ERNST. Two and one half weeks ago.

Senator WATSON. Did you go over there to buy these goods?

Mr. ERNST. I did not. I went over to investigate conditions for the bank. I am not that much of a merchant. I did close some contracts. I mean that I read over the contracts and arranged for the financing of some of them.

Senator WATSON. Some of these contracts?

Mr. ERNST. Yes; some of these very contracts.

Senator CALDER. Some of our New York banks have advanced large sums of money?

Mr. ERNST. Very large sums of money.

Senator CALDER. How large? In the millions?

Mr. ERNST. Yes; deep in the millions.

Senator WATSON. It is not six millions?

Mr. ERNST. It is half of that.

Senator CALDER. Are you able to say which banks have advanced these sums?

Mr. ERNST. I have mentioned some of them, and I can tell you some more. The Gotham National Bank, the Irving National Bank, the Bank of the United States, the City National Bank, the Columbia National Bank, the American Bank of Richmond, the Public Bank of the United States, Graham & Co., H. L. Crawford & Co.

Senator WALSH. What interest are they charging?

Mr. ERNST. The least we can pay. They do not share in the profits, if that is the purport of your question.

Senator WALSH. That is the purport of it.

Mr. ERNST. They do not share in the profits. They opened up letters of credit over there. There is a small charge for the work they did.

Senator WATSON. Have you any way of knowing whether or not these are all the goods that have been purchased and are on the way here now? Do you know whether any other goods were purchased or not?

Mr. ERNST. I know there are other goods, but they have not been purchased, the total purchases aggregate at the most \$6,000,000. I know there is not over there merchandise which is available and suitable to be sent to America amounting to more than \$10,000,000 in excess of that \$6,000,000, if it could be bought and if they would bring it in, and I don't think any one of them would touch any part of it. If this Government does not want them to bring it in they are willing to keep out. If it was a breach of faith on the part of France to sell it, they want to keep away from it. They are 100 per cent American firms, and they are also 100 per cent innocent and acting in good faith.

Senator SMOOT. Have these people who bought these goods received invoices for them?

Mr. ERNST. The custom is that the invoice and consular certificate is issued at the time of the delivery. They have not been received here.

Senator SMOOT. You do not know whether they have received invoices on the goods, not the consular certificates?

Mr. ERNST. No; they have not as yet received invoices on all these goods. They may be upon the water, they may be in the hands of the Paris representatives of the New York banks. In many instances that is the way the transaction is carried on. They may be in the hands of Paris banks, which are acting as agents for the New York banks. For the most part, all of these transactions, and I know of none that is not, were carried on through the banks with foreign representatives.

Senator SUTHERLAND. Do you know whether there was a contract when these American goods were sold to France, that they would not be resold and reshipped to this country?

Mr. ERNST. The merchants who bought those knew of no such agreement.

Senator WALSH. Was there such an agreement?

Mr. ERNST. We deny there was.

Senator WALSH. What does the American Government say?

Mr. ERNST. The American Government says, as I heard in the House discussion there was an implied agreement, an agreement made which is not reduced to writing; but the commissioners over there said there was no such agreement.

Senator SUTHERLAND. The American commissioners?

Mr. ERNST. No, the French Commissioners of Liquidation over there.

Senator SUTHERLAND. You did not come in contact with the American commissioners?

Mr. ERNST. No. That was what I learned over there, and it was only a few days after I came back that this matter was brought to my attention.

Senator CALDER. Have you prepared an amendment to this resolution?

Mr. ERNST. Yes. At the end of the resolution I asked the following amendment be authorized: "Provided, That the provisions of this resolution shall not affect any merchandise purchased by American persons, firms, or corporations prior to the date of the enactment of this resolution," or prior to any date which this committee may fix.

Senator WATSON. What is the objection to saying "prior to August 15"?

Mr. ERNST. None.

Senator SMOOT. Strike out "purchased" and insert "shipped."

Mr. ERNST. That raises a question as to the construction and meaning of the word "shipped."

Senator SMOOT. We will put in one there will not be any question about.

Mr. ERNST. That would give to those whose goods are upon the water an undue advantage over those who in good faith have advanced their money and whose goods are not yet upon the water.

Senator WATSON. I thought these goods had all been shipped.

Mr. ERNST. They are all at the camps, either on cars or set aside and delivery made to the purchaser.

Senator SMOOT. So there will be no misunderstanding, why not say, "which have been exported to the United States prior to the approval of this resolution?"

Senator WALSH. Is it a fact that some of these shipments have been held up on request of the Shipping Board?

Mr. ERNST. That is a fact. They have been held up. These goods have been held up on the request of the Shipping Board so they could be shipped on American steamers, and some of them held up in the last week at the request of the banks because of the pendency of this bill.

Senator WATSON. When was this bill introduced in the House?

Mr. ERNST. I think one week ago.

Senator WATSON. One week ago to-day?

Mr. ERNST. One week ago yesterday, to be exact.

Senator CALDER. I think it was July 15, or some time late in July.

Mr. ERNST. I don't know about the date, Senator Calder, because I was away. The first which any of the gentlemen now interested heard of it was last Wednesday, and it was in committee and out of committee the next day, and passed the following day.

Senator WATSON. I have no doubt, as far as I am concerned, if this whole transaction is a bona fide transaction and these people, without having any knowledge of this, purchased these goods in good faith, and the banks have advanced money and checks have been made against that money deposited in France, but what an amendment such as he proposes ought to be adopted.

Senator SMOOT. We have got to know where we are and how far it is going. This is not going to be left open.

Senator LA FOLLETTE. There must be a record with the French Government, of whom these goods were purchased.

Mr. ERNST. There is an absolute record.

Senator LA FOLLETTE. That record can not be altered, and if we provide here that goods purchased prior to the passage of this bill shall be admitted, it seems to me that would cover it.

Senator McCUMBER. You might say a certain date.

Senator WATSON. I fixed it the 15th of August.

Mr. ERNST. That surely prevents us from rushing any cable orders over there.

Senator WATSON. Yes; that is three or four days past.

Senator McCUMBER. It seems to me that would be so fair a proposition that there would not be any necessity to bring here 20 witnesses to establish the fact that it ought to be done. It seems to me the committee ought to dispose of that now.

Senator CALDER. There are some witnesses who desire to be heard on the other side.

Senator McCUMBER. If it is a question of not importing goods that have already been purchased under existing law, if that fact is admitted, it would not seem to me there could be any question.

Senator SMOOT. I should want some language stated that would be perfectly clear and about which there could be no doubt.

Mr. ERNST. Could we not have that certified by the French Government?

Senator SMOOT. You must have it in some way before I will vote for it.

Senator CALDER. Mr. Chairman, if we let this go over without doing something it might create a rather serious condition.

Senator SUTHERLAND. Have the banks a correct list of all this merchandise that has been purchased?

Mr. ERNST. They have a correct list so far as they have financed the orders. Inasmuch as they have financed all the large orders, they certainly can give you a list of that. There are, however, banks outside of New York interested in this, and I think it would be a more arduous task and less safe to do it that way than to get it from the French Government, although we will agree to any method the committee suggests.

Senator SUTHERLAND. These were purchased from the French Government, and not from speculators who bought from the Government?

Mr. ERNST. No; these were bought from the French Government.

Senator LA FOLLETTE. The French Government would not falsify their record, and if you provide to take the record of the French Government you have something reliable.

Senator SMOOT. Let us hear from the other side.

Senator McCUMBER. I have a list of witnesses here. I do not know which side they speak for. There are some 10 witnesses.

Senator LA FOLLETTE. Let some one step up who represents the other side.

STATEMENT OF A. J. BROSSÉAU.

Mr. BROSSÉAU. I am president of the International Motor Co. and a director of the National Automobile Chamber of Commerce.

We think we are perhaps the most unfortunate victims of this reimportation.

Senator McCUMBER. I think the committee will agree with you that we ought never to have allowed those to be imported under the contract, but if there is no contract to prevent their reimportation and American citizens in good faith and with no knowledge of the situation have purchased these goods, then the committee wants some good reason why they should not be allowed to complete their contract before we put a prohibition against it.

Mr. BROSSÉAU. Senator, you state the case very clearly. As much as we have suffered from the reimportation and as much as we fear further grief, I would be the last man to disagree with you, that if a man went over there in good faith and honestly bought merchandise he should be given some opportunity to get it in here on a fair basis. I am not prepared, however, to say that it would be an easy matter to determine just what you mean when you say "as already bought," because there are some very peculiar circumstances about the purchase of this reimported material.

Senator McCUMBER. If they can establish what has been purchased up to August 15, and what has not been purchased up to that time, I should think that would be sufficient.

Senator SUTHERLAND. Will the witness state the circumstances which he says are peculiar?

Mr. BROSSÉAU. It is impossible for me to give any definite information, except to say it is very difficult for some people to buy this material, because they don't know how. I am making no charge against anybody except to say it is very difficult to get into the business.

Senator SMOOT. These people got into the business.

Mr. BROSSÉAU. Yes; and if they have bought goods over there in good faith I would be the last man to say they should not be brought in here.

Senator DILLINGHAM. What is your attitude on this bill?

Mr. BROSSÉAU. I am here to favor the resolution.

Senator DILLINGHAM. What are your reasons for favoring it?

Mr. BROSSÉAU. I will give you a few of the reasons.

Senator WATSON. Are they sending back any automobiles or any parts of automobiles as a part of this \$6,000,000?

Mr. BROSSÉAU. Many of them. I don't know what these gentlemen speak for. I say a good many trucks have been returned, and automobiles, many of them.

Senator WATSON. We are talking now about this particular \$6,000,000.

Mr. BROSSÉAU. I don't know anything about that.

Senator WATSON. Do you know whether there are any automobiles in that?

Mr. BROSSÉAU. You will have to ask them, Senator. I don't know.

Senator LA FOLLETTE. He stated there were motors.

Mr. ERNST. There are no automobiles in the \$6,000,000 lot.

Mr. BROSSÉAU. There are other lots.

Mr. ERNST. There are no automobiles coming back. It is a very unprofitable enterprise.

Senator DILLINGHAM. I understood the first witness to say that automobile tires were coming back.

Mr. ERNST. Yes; automobile tires.

Senator SMOOT. What motors are you sending back here?

Mr. ERNST. I returned within the last three weeks, after three months in every camp in France and England. There were only 30 motors coming back, and there will be no more trucks coming back, because it is very unprofitable to bring them back.

Senator WATSON. Are those 30 a part of the \$6,000,000 lot?

Mr. ERNST. Yes; the only items connected with automobiles outside of the tires.

Senator WATSON. Are they trucks or automobiles?

Mr. ERNST. They are motors only; motors for trucks.

Senator SUTHERLAND. Are they truck motors or motors for passenger cars?

Mr. ERNST. Truck motors, 30 motors for 5-ton trucks. At one of the camps there were 180 G. M. C. 1-ton chassis, which have been rebuilt. It has taken anywhere from 5 to 10 trucks to make one of those. There are perhaps 700 other trucks near there at another camp, and these were rebuilt from an enormous number of parts taken from wrecked cars, supplemented with a few parts that were sent over. Every one of these rebuilt trucks is dutiable under the Underwood tariff at the rate of 30 per cent for the improvement in value that has been made on them. It brings the

price of these trucks up. The original cost of a 5-ton truck over there was 17,500 francs, and it cost about \$250 to bring it out, and the market price of that truck to-day from the Pierce Arrow Co., quoted to me on Tuesday of this week, is \$2,000, and the man that brings it over has got to get \$3,000, because one of the dealers in that truck quoted me that price.

Senator WATSON. I do not think this has anything to do with the resolution.

Senator SMOOT. Has anyone here a copy of the contract?

Mr. ERNST. What contract?

Senator SMOOT. The contract with the Government in regard to sending these goods here.

Mr. ERNST. No; I have not.

Senator WALSH. Some of them have copies in their offices.

Senator SMOOT. Perhaps their attorney will know what the contract contained. Does the contract contain a cancellation clause conditioned on their ability to export the merchandise to the United States?

Mr. ERNST. It does not. It is an absolute contract.

Senator SMOOT. You generally put that in those contracts?

Mr. ERNST. But the French Government would not stand for that.

Senator SMOOT. When do you pay for these goods?

Mr. ERNST. Before delivery.

Senator WATSON. We have gotten clear off the track. This gentleman here started to give the reasons why it should not be done. I would like to hear from him.

Mr. BROUSSEAU. I am interested in the good news that there will be no more coming back.

I think Senator McCumber asked me a question, and I do not know whether I answered it to your satisfaction or not.

Senator McCUMBER. I think you started to answer it when you were interfered with.

Mr. BROUSSEAU. Thank you.

Senator McCUMBER. My question was a simple one.

Mr. BROUSSEAU. Will you ask it again, if you please, for the sake of the record?

Senator McCUMBER. If these people have purchased in good faith these goods in France, and under the law which did not prohibit them from being reimported to the United States, do you know of any reason why we should compel those people to cancel their contracts?

Mr. BROUSSEAU. I do not; and I believe that after such goods as have been purchased are assessed with reasonable duty, as I think somebody suggested 25 per cent—

Senator McCUMBER (interposing). Why should they be assessed any duty if they were purchased at a time when they were free, and the very duty itself might materially affect the profit and turn them into a loss?

Mr. BROUSSEAU. I am simply repeating what somebody mentioned. That will be entirely satisfactory to me. If you think otherwise, that will be all right. I don't believe that any further purchases should be permitted.

Senator McCUMBER. We all agree with that view of it.

Mr. BROUSSEAU. And that the resolution should apply to further purchases.

Senator McCUMBER. I think we all agree to that.

The CHAIRMAN. What was the total value of these goods in transit?

Mr. BROUSSEAU. The Government of the United States sold about \$2,000,000,000—

The CHAIRMAN. We know that; but I did not know but that you could tell us the total value of these goods now in transit.

Mr. BROUSSEAU. I do not know the first thing about it. I am only interested in trying to prevent any more coming over. There have been too many of them.

The CHAIRMAN. Have you no information as to whether it is a million or half a million dollars or ten million dollars, or what it amounts to?

Mr. BROUSSEAU. No, sir.

Senator McCUMBER. The other gentleman testified there were \$6,000,000 worth purchased by these gentlemen.

Senator WATSON. I think I can clear up the little mystery in your mind.

The CHAIRMAN. I do not care to press the question. It has been answered.

Senator WATSON. This gentleman is opposed to any coming in at all.

The CHAIRMAN. I understood, but I thought he might know about it.

Senator WATSON. The other gentleman made a statement in reference to the amount, saying there were some \$6,000,000 worth of goods purchased.

Mr. BROUSSEAU. I have not been able to find in any department of the Government, the Department of Commerce, the Customs Department, or anybody, any information about it. Some Senators present at the table know they have made

efforts to get that information, as to how much is coming in, because it has not been assessed at all.

The CHAIRMAN. I did not know but that you might have general information in regard to the purchases that have been made and the amount in transit.

Mr. BROUSSEAU. I can only say that there have enough come in to make us a great of trouble.

Senator DILLINGHAM. Whom do you represent?

Mr. BROUSSEAU. The International Motor Co., and I am also director of the National Automobile Chamber of Commerce, which has been very much affected by these reimportations.

Senator SMOOT. I want to be assured by language that is unmistakable that if we allow goods to come in here under these contracts that have been entered into, goods actually purchased, that there will be no loophole left open to evade the law. I do not want a cablegram to go to-night to Europe and have this bunch of men ordering more goods over there.

Mr. BROUSSEAU. You are giving expression to what I tried to say to Senator McCumber a moment ago. It would be very difficult to handle that situation.

Senator McCUMBER. It has been suggested that we go back as far as August 15.

Senator SMOOT. Even with that, they might be making purchases for the next month or so, or two or three months.

The CHAIRMAN. Does this close the hearing?

Mr. ERNST. May I suggest that it be amended to read "which purchases shall be certified by the French Government and the American consul at France."

Senator SMOOT. As having been made before August 15?

Mr. ERNST. Yes. It would then read:

"This resolution shall not affect any merchandise purchased by American persons, firms, or corporations prior to August 15, 1921, which purchases shall have been certified by the French Government and the American consul at France."

Senator SMOOT. An American citizen may have some representative over there to purchase for him. That does not do any good.

Mr. ERNST. All right. Strike that out.

The CHAIRMAN. The committee will prepare an amendment, if they deem it wise.

Mr. ERNST. May I add one word. The Senator asked me whether these contracts can be canceled. Here is a telegram to the American Bank at Richmond, Va., which is financing one of these contracts, received from Paris; stating in positive terms that it can not be done, because it is too late. That is an answer to the question about the banks over there.

Senator SMOOT. I know, as a rule, you gentlemen are very careful in the purchase of goods to have such a clause inserted in the contract.

Mr. ERNST. Yes; but we were dealing with the Government and they would not stand for it, and we expected the law to continue.

Senator SMOOT. I know how you generally do.

Senator WALSH. I ask to have this letter inserted in the record, from the Union Furnace Manufacturing Co.

(The letter referred to is here printed in full as follows:)

WASHINGTON, D. C., August 18, 1921.

HON. BOIES PENROSE,

Chairman Finance Committee, United States Senate.

DEAR SIR: I respectfully request to present you herewith a statement in support of the contention that the bill to impose a tariff of 90 per cent on all goods shipped to France by the American Government be amended to provide for goods already purchased and in France.

I must ask you just for the minute to bear with me, so that I may more thoroughly explain the organization and make-up of our company.

I was discharged from the Army in February, 1919, as a first lieutenant of Infantry, after having been wounded in service in France. Some months later my partner was discharged from the service as a major of Engineers, after acting as chief of staff of the light railways advance depot for nearly two years. We were casting about for something to do and finally decided that we would purchase the Union Furnace Manufacturing Co.'s plant at Union Furnace, Pa., and engage in the manufacture of shovels.

After struggling through the railroad and steel strikes of 1920, the present business slump hit us and we were faced with the proposition of going out of business or finding something else to do. We discovered that there was a large quantity of shovels of American manufacture still in France, and we decided that if it were possible to buy these shovels at a price which would permit us to recondition them and enable us to compete with similar shovels on the American market we would do so, and thus provide employment for our men and our works.

During the time which has expired since then we have purchased through a New York bank, on irrevocable letters of credit established by us, 75,000 dozen shovels in France. (I will note in passing that according to the most accurate figures available there are manufactured in this country each year nearly 500,000 dozen shovels.) These shovels are to be paid for, as shown above, by letters of credit, and we must meet these obligations, which are already established.

Approximately 30,000 dozen of these shovels have been imported to this country and are stored in our warehouse at Tipton, Pa., and at Union Furnace, Pa. We have reconditioned and sold a large quantity of these shovels at a price that has not been detrimental to the American market, although it has given the American buyer, and particularly the farmer who is in such dire need at present, the advantage of a lower price.

When we went into this business of reimporting this material into this country, we believed that the precedent which had been established by the Government itself—of disposing of surplus war material—was sufficient ground for us to risk our future upon, and it is obvious that we would never have entered upon it had we had any inkling of this contemplated legislation. We do not consider ourselves in any sense of the word speculators. We have been legitimately engaged in a business which has up to date had the approval of our Government.

It now develops that a bill has been introduced into the House of Representatives and passed providing for the imposition of a 90 per cent duty on the prewar value of all this material. This would make the price of these shovels to us \$16.60 per dozen. The present market price of the same shovels in this country to-day is \$7.50.

The passage of this bill by the Senate and its ratification by the President means ruin to us and in so much as we have gone into this business in good faith, have provided employment for a large number of men, brought considerable revenue to the railroads, and given the American buyer the advantage of a lower price, we can not see any justice in any legislation which amounts to the confiscation of our property by our Government.

Respectfully,

UNION FURNACE MANUFACTURING CO.,
By HAYWARD H. WEBB,
Secretary and Treasurer.

The CHAIRMAN. The committee will now go into executive session.