

REVENUE ACT OF 1932

HEARINGS

BEFORE

THE COMMITTEE ON FINANCE

UNITED STATES SENATE

SEVENTY-SECOND CONGRESS

FIRST SESSION

ON

H. R. 10236

AN ACT TO PROVIDE REVENUE, EQUALIZE TAXATION
AND FOR OTHER PURPOSES

MAY 9, 10, AND 11, 1932

SUPPLEMENT No. 2
RUBBER IMPORT TAX

Printed for the use of the Committee on Finance



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PREFACE TO SUPPLEMENT NO. 2

After the conclusion of the hearings on the revenue act of 1932 (H. R. 10236) on April 21, 1932, the Finance Committee met in executive session from April 25, 1932, until May 9, 1932, for the purpose of revising the bill as passed by the House of Representatives. The bill, as finally adopted and reported to the Senate, contained an import tax of 5 cents per pound on crude rubber. It was contended by members of the committee that it was unfair and unjust to the rubber industry to levy this tax without having given them an opportunity to be heard. It was therefore decided that a hearing should be held and representatives of the industry heard. The hearing was held accordingly on May 9, 10, and 11, 1932, and is here printed in full.

A table of contents has been prepared and is appended hereto.

ISAAC M. STEWART, *Clerk.*



TAX ON RUBBER IMPORTS

STATEMENT OF A. L. VILES, NEW YORK, REPRESENTING THE RUBBER MANUFACTURERS' ASSOCIATION

Senator WATSON. Where do you live?

Mr. VILES. In New York.

The CHAIRMAN. Tell us what the Rubber Manufacturers' Association is.

Mr. VILES. It is a trade association regularly incorporated and representing the rubber manufacturers of the United States, or approximately 95 per cent of them.

The CHAIRMAN. Do you mean rubber manufacturers or importers?

Mr. VILES. The rubber manufacturers.

Senator CONNALLY. And also tire manufacturers?

Mr. VILES. Yes, sir.

Senator WATSON. All kinds of rubber goods?

Mr. VILES. Yes, sir.

Senator WATSON. Including automobile tires?

Mr. VILES. Yes, sir; which represents about 80 per cent of the business.

The CHAIRMAN. You may proceed.

Mr. VILES. Mr. Chairman and gentlemen of the committee, I have a statement which sets forth briefly the views of the majority of the rubber manufacturers. If you would like, copies of that statement may be distributed and then I can read it.

The CHAIRMAN. Very well. Have them distributed to the members of the committee and it will be made a part of the record at this point.

Senator COUZENS. I think it would be better for him to read it so that we may propound questions as he goes along if we see fit.

The CHAIRMAN. All right. Read what you have to present to the committee.

Senator CONNALLY. Are you appearing in favor of or against a tax on rubber?

Mr. VILES. Against a tax on rubber.

Senator COUZENS. Have you a substitute proposal in lieu of the tax that is proposed to be placed on rubber?

Mr. VILES. Only that we are willing to participate in any general tax, particularly a sales tax, which has been talked about heretofore. We have no specific form of tax on our industry that we have developed to suggest to you. We are quite willing to listen to anything the committee may propose in that connection, other than the tax now proposed on crude rubber, and give you our views thereon.

The CHAIRMAN. You may proceed. You may either read your statement or we will have it printed in the record.

Senator LA FOLLETTE. Just let him read it.

Senator SHORTRIDGE. It will not take long. Let the gentleman read his statement.

The CHAIRMAN. You may proceed.

Mr. VILES. The present price of crude rubber delivered in America is approximately 3 cents per pound. The proposal to place a duty of 5 cents per pound on crude rubber would, when fully effective, produce an additional cost for the automobile owners in this country in excess of \$55,000,000 per year. Millions of automobiles are in daily use in this country as articles of necessity. It is a well-known fact that automobile tire manufacturers are operating at a loss and must pass any additional cost on to the consumer. A very large proportion of this tax falls directly on the farmers and laboring people of this country, for statistics show that by far the greater number of cars operating are the cheaper and lighter cars owned by farmers and individuals in moderate circumstances.

The imposition of import duties has in most cases been for the purpose of protecting American labor engaged in industry and agriculture. Rubber is not grown within the United States and the imposition of this duty becomes a tax for revenue purposes only. No such duty or tax should be placed on a raw material without giving the industry affected an opportunity to be heard. The rubber industry has had no opportunity to be heard on this matter.

In this case it is proposed to put a duty of 5 cents per pound on a commodity that is now selling for 3 cents per pound; in other words, to increase by 166 per cent the cost of an important raw material that is used, but not produced in this country.

You are primarily interested in providing revenue to balance the Budget. The need is imperative and immediate. How futile is this proposal in meeting either of these requirements, for figures available from the rubber divisions of the Department of Commerce indicate at the present rate of consumption there is now approximately one year's stock of rubber in the United States. Crude rubber consumption in the United States in 1931 was 346,684 tons. The industry's best estimate of consumption for 1932 is 340,000 tons. The stock of rubber on hand in the United States April 1 was 334,566 tons, and stocks afloat to the United States were an additional 44,190 tons.

I might add, while speaking of tons, that they represent 2,240 pounds, or what is known as the long ton. This conclusively shows that the rubber manufacturing industry of this country has on hand or afloat at this time substantially in excess of one year's supply, and for that period no revenue will be available to the Government from this source.

In addition, there are approximately 180,000 tons on hand in England available for shipment, which can be imported into this country prior to the effective date of this act, bringing total stocks within the country to 500,000 tons, sufficient for the manufacturing needs of this country for a year and a half.

Senator BARKLEY. How much surplus rubber ordinarily is kept on hand in the United States?

Mr. VILES. About a six months' supply as between dealer and manufacturer.

Senator BARKLEY. Is this 346,000 tons you have referred to an unusually large supply?

Mr. VILES. I said 884,566 tons. Do you mean that amount?

Senator BARKLEY. Yes.

Mr. VILES. I will answer yes.

Senator BARKLEY. Is that larger than usual?

Mr. VILES. At least twice the average.

Senator BARKLEY. How did it come about that you have twice as much rubber on hand now as is usual?

Senator CONNALLY. You simply bought the rubber while it is cheap, I take it.

Mr. VILES. Yes. And the price has been steadily going down.

Senator BARKLEY. Over a period of five years what has been the average per pound price of rubber delivered in the United States?

Mr. VILES. Let me find that among my papers if I can.

Senator BARKLEY. I find that I have an answer here in the report of the Department of Commerce. I see that in 1931 the per pound value of crude rubber in the United States was 6.6 cents, and for 1930 it was 12.9, and in 1929 it was 19.1 cents, and going back of that it was as high as 54 cents a pound in 1926. Of course, if rubber is only 3 cents a pound now, that is less than half what it was in 1931, is it not?

Mr. VILES. That is right.

Senator BARKLEY. But of course it is rather difficult to assume that over a period of three or four years, or as long as this tax may be levied—

Senator REED (interposing). Two years, Senator.

Senator BARKLEY. Yes. That the price of rubber would remain as low as 3 cents a pound even if there is no turn in business at all or no increase in the consumption of rubber. My question was based upon your statement that a tax of 5 cents is 166 per cent of the present value of rubber. That seems not to be accurate as a basis upon which to make your statement, is it?

Mr. VILES. It would seem so from listening to these figures. But it is very difficult to answer your question, and for this reason: It seems almost fantastical, or at least did a year ago, that rubber would ever go to a price of 3 cents a pound. We certainly had the view for a long time that both the European-managed plantation and the natives would quit the plantations in such an event—the owner from the standpoint of the loss he would be suffering and the native because of the small return, it being easy for him to get rice and to catch a few fish. But the plantation owners have taken their losses, and they have operated at a loss and gone ahead and produced the rubber, and the native has taken a lesson out of the book of the American manufacturer and increased his volume on the lower price basis, and consequently their production has still been high, and they have continued to ship it in here.

Senator BARKLEY. If your figure is correct, that the price of rubber is now 3 cents a pound and adding the tax would make it 8 cents a pound, it would still be only 66 $\frac{2}{3}$ per cent of what the imported price was in 1930, which was 12 cents.

Mr. VILES. Yes, sir.

Senator BARKLEY. So that that would not operate as a great burden upon the public, would it?

Mr. VILES. We estimate approximately a 10 per cent increase in financial goods prices.

Senator BARKLEY. Ten per cent increase in the aggregate price of the finished product?

Mr. VILES. Yes.

Senator BARKLEY. All right. I do not want to interrupt your statement any longer. Go ahead.

Senator WATSON. I should like to ask you a question right there: Who are now holding the rubber that is in storage we will say in the United States?

Mr. VILES. Do you mean individuals?

Senator WATSON. Yes; or corporations or companies, whatever they may be.

Senator WALSH of Massachusetts. Or importer.

Senator WATSON. Do the importers of rubber now have these stocks on hand?

Senator WALSH of Massachusetts. I do not know.

Mr. VILES. I can give it to you as between the manufacturers and the dealers.

Senator WALSH of Massachusetts. In other words, do American dealers buy directly abroad or through importers?

Senator WATSON. Yes; I wanted to find out the method by which it is done.

The CHAIRMAN. Is it the stock afloat that you are talking about?

Senator WATSON. Yes; part of it.

Mr. VILES. As of April 1, 267,000 tons were in the hands of manufacturers, and 67,000 tons in the hands of dealers.

Senator COUZENS. When you say "dealers," do you mean importers?

Mr. VILES. Yes, sir. We usually refer to them as dealers.

Senator GEORGE. Is rubber reclaimed to any appreciable extent?

Mr. VILES. We used in 1931 approximately 125,000 tons of reclaimed rubber.

Senator GEORGE. So you can reclaim it?

Mr. VILES. Oh, yes.

Senator GEORGE. And it can be used when reclaimed for a great many purposes?

Mr. VILES. Yes. The reclaiming comes from worn-out rubber articles.

Senator GEORGE. And can you use it commercially?

Mr. VILES. Yes, sir.

Senator WATSON. How much of this 346,000 tons owned by American establishments are represented by tire makers, practically all of it?

Mr. VILES. I should say 80 per cent of it.

Senator WATSON. You say 80 per cent of that amount?

Mr. VILES. Yes, sir. But of course that is a pure estimate.

Senator WATSON. I understand.

The CHAIRMAN. You may proceed with your statement.

Senator BARKLEY. Let me ask right there this question: I see the imports of crude rubber in long tons in the last 10 years increased from 301,000 tons in 1922 to 501,000 tons in 1931, and so there has been no decrease to speak of in importations of rubber even on account of the depression. Does that indicate that these 334,000 tons now on hand represent a figure out of proportion to the importations?

Mr. VILES. Yes.

Senator BARKLEY. In view of the fact that you have probably increased your importations during the last year, that was because of cheapness of price, would you say?

Mr. VILES. Yes, sir.

Senator BARKLEY. Laying it by against the day when there will be an increase and therefore you will be able to increase your profits?

Mr. VILES. Well, you see, rubber when, we will say, it was at 12 cents a pound was considered low. Then at 10 cents it was considered the bottom and they began to load up at that period. Then when it reached 7 or 8 cents a pound it was considered the absolute bottom, and they were trying to equalize with 10-cent and 12-cent a pound stocks. When it slipped down to 6 cents a pound, there was still more equalization, and 3 cents a pound was considered just incredible, that it could not be, but it has been there, and we have still been equalizing and adding to stocks, which are long of the usual inventory position.

Senator BARKLEY. Well, your foresight in buying cheap rubber might now reduce the amount of revenue over a period of months or a year or so, because of your laying by an unusual stock while it is 3 cents a pound. Even though you did not begin to import any more rubber until it got to 10 or 12 cents a pound, when it reached that price a tax of 5 cents a pound on it would not be an unusual burden, would it? It only sounds big now because it is twice as much as the present extremely low price of rubber. But when rubber gets back to a normal price, a tax of 5 cents a pound would not make any very great difference, would it?

Mr. VILES. Well, I do not think so if we had compensatory duties.

Senator REED. Well, I will say that this bill carries compensatory duties, Mr. Viles.

Senator SHORTRIDGE. I suggest that the gentleman be permitted to finish his statement.

Senator WATSON. That is all right, but we are getting interesting information by propounding questions as he goes along.

Senator REED. Wouldn't an additional tax increase the market value of the rubber which you now have on inventory?

Mr. VILES. Surely.

Senator REED. And be an indirect benefit to your company by reason of that fact.

Mr. VILES. Not only by reason of the 5 cents, but it would create a speculative position, such as we now have. In other words, rubber is a cent a pound higher since the action taken by the Finance Committee on Friday.

Senator REED. Well, that is the first time I have heard that Congress managed to put a price up.

Senator CONNALLY. Are there any considerable interests in the rubber industry who want this tax, on the theory that it will raise the price of their stocks?

Mr. VILES. No; I do not think so. I have heard from nearly all of them since Friday. There is occasionally a manufacturer who is thinking that this would bring about a rise in price or an upward trend in finished goods, and therefore a greater degree of stability, and perhaps would lessen price-cutting activities, of which we have a monopoly and have had for some time.

Senator CONNALLY. I mean those people who have these big stocks of rubber on hand, do they want this tax so as to raise the price of their stocks?

Mr. VILES. No. I should say that 90 per cent of the owners of the big stocks of rubber are against this tax, and have so recorded themselves.

The CHAIRMAN. They are looking to the future rather than to the present year.

Mr. VILES. Yes, sir. First, they believe that a tax on raw material is unsound in principle. They are also a little fearful that as to rubber being produced in British and Dutch colonial territory, where money is needed rather badly to run the governments, or the Dutch colonial territory particularly, that they may feel it is an opportunity, inasmuch as we place a tax on it, to place a tax on it also. I might add that they have recently considered placing a tax on it, and we do not know whether it will end here or there, or where it is going to end. We can not think it is a proper thing, and we do not know just what the result will be.

Also as to the companies having these stocks of rubber on hand, and we have a very variable position as to the invent situation, I mean on the part of the individual company, and we do not know what will be done to equalize that position. It can very well engender a competitive position that would be destructive; it might be that some companies with rubber would like to see a company without it exterminated. That may be a very human thought but it is not good business.

Senator SHORTRIDGE. Did you say that the price of rubber had gone up a cent a pound already?

Mr. VILES. Approximately that.

Senator SHORTRIDGE. Well, then, it is not 3 but 4 cents a pound.

Mr. VILES. Well, there is nobody buying rubber. When you try to buy rubber that is the price they quote, but the thing is standing still, dead as a door nail at this minute.

Senator WALSH of Massachusetts. I will say that I received this afternoon a telegram from the Cambridge Rubber Co., which is as follows:

"Cable received to-day from London states British and Dutch considering retaliatory export tax of 10 cents per pound."

What do you say about that?

Mr. VILES. Yes. You see, Senator Walsh, they have been considering that matter for some time, not along retaliatory lines but in connection with negotiations between British and Dutch growers and the colonial officers of the two governments. The British want a restriction and the Dutch want a tax, the British saying: We will take the export tax and apply it if you will agree to our form of restriction, both being a little bit afraid of what the attitude of the principal consumer would be, and that is the United States. And if we should place a tax on crude rubber that would be prima facie evidence that we did not care a damn about taxes.

Senator REED. They expect us to submit to such a thing as the Stevenson plan and yet not do anything in a retaliatory way; is that it?

Mr. VILES. Yes.

Senator CONNALLY. Which hurt India worse than it did us.

Mr. VILES. Well, I will say that the Stevenson plan cost us a quarter of a billion dollars, and I will defy you to prove that I am wrong.

Senator CONNALLY. I do not doubt it hurt for the time being, but they had to abandon it.

Mr. VILES. Yes, sir. But in the meantime they had very large profits out of the thing, and we made none.

Senator CONNALLY. Why didn't they keep it, then?

Mr. VILES. Well, the Dutch would not go in with them; and thereby they let the Dutch in on the market, and the Dutch were getting a little too far in the lead in the matter of crude-rubber production.

The CHAIRMAN. You may proceed with your statement.

Mr. VILES. Add to this the excess stocks of tires presently carried in this country and you have an additional 4 months' supply, or rubber requirements for 22 months.

Approximately 80 per cent of rubber consumption in the United States goes into tires. There was a time when automobiles were considered in the luxury class, but that day is gone. An automobile is an absolute necessity on the farm and as a mode of transportation for the man of small and moderate means. An additional burden placed on this very large and already highly taxed proportion of our population will be resented as an executive burden on an item already bearing the very heavy burden of personal-property tax, municipal and State license and franchise fees, gasoline taxes, and so forth, which during the year 1931 totaled in this country the amazing sum of \$1,022,000,000. In other words, this industry is now paying nearly one-tenth of all taxation of all forms in the United States, and the amount of motor taxes alone equals one-fourth of Federal expenditures for the year closing June 30, 1932.

Has consideration been given to effects that might flow from the imposition of this duty? If this duty becomes effective, certainly there is no immediate need of the American rubber manufacturer purchasing rubber in the primary markets; and when these markets have lost more than 50 per cent of their trade markets, would nit not be most natural for those governments to retaliate by, say, placing a 7-cent per pound duty on cotton or 25 cents per bushel on wheat and similar important products presently produced in and exported from this country? We no longer have a monopoly on tariffs.

Do you realize that a cessation of buying for 12 months will bring financial ruin to large English and Dutch interests, which countries may very reasonably retaliate with a like weapon? In addition it must be taken into consideration that reduced rubber production may disrupt entire rubber-producing areas and ultimately bring about an exorbitant price for rubber, increasing the cost to the American public by hundreds of millions of dollars?

The proposed duty on crude rubber would place American manufacturers of rubber products at a distinct disadvantage in competition with foreign manufacturers exporting rubber products to this country and would make possible the flooding of the United States with rubber products manufactured abroad and offered in the United

States at prices lower than the American manufacturer could meet, bringing disaster to American labor and to capital.

	Pounds
London stocks presumably available for shipment to and arrival United States, prior to effective date of tax, 180,000 tons or----	291,200,000
Estimated 1931 United States consumption, 846,640 tons or-----	776,572,160
Estimated 1932 United States consumption, 840,000 tons or----	761,600,000
Total on hand and afloat, 878,756 tons or-----	848,418,440
Estimated London stock on hand for immediate shipment, 180,000 tons or-----	291,200,000
Total on hand and afloat and estimated London stock, 508,756 tons, or-----	1,139,618,440

Senator WATSON. How much rubber was used last year in the United States in the manufacture of tires alone?

Mr. VILES. Eighty per cent of 846,000 tons, which would be about 277,000 tons.

Senator WATSON. And tire manufacturers now have on hand 246,000 tons of rubber.

Mr. VILES. Two hundred and sixty-seven thousand tons.

Senator WATSON. And they used last year about 276,000 tons.

Mr. VILES. That is right.

Senator WATSON. So that a tax on imported rubber at this time for one year would not hurt the tire manufacturers, would it?

Mr. VILES. No; it would not hurt them because there would be little or practically no application of the tax.

Senator WATSON. Well, I just wanted your views.

Mr. VILES. Yes, sir.

Senator WALSH of Massachusetts. But it would increase the price to the consumer 10 per cent, he says.

Senator SHORTRIDGE. Why?

Senator CONNALLY. The price of rubber has already gone up, he says.

Senator WALSH of Massachusetts. To what extent do we export finished-rubber goods including tires?

Mr. VILES. Only about 5 per cent of our production.

Senator WALSH of Massachusetts. Of all kinds of rubber goods?

Mr. VILES. Yes. We are not large exporters anyway, and they have been building tariff walls in the different countries.

Senator WALSH of Massachusetts. The Fisk Tire Co. informed me they exported a considerable number of tires.

Mr. VILES. They do. A great many tires are exported and distributed abroad to meet the equipment requirements of American-made cars. Owing to the tariff situation in England three of our companies have built plants over there to take care of that trade, and for distribution in continental Europe, and they also have plants in Canada, France, Australia, and the Argentine.

Senator WALSH of Massachusetts. What does that represent in the matter of value, just approximately?

Mr. VILES. Oh, I should say \$50,000,000.

Senator COUZENS. Do you think there is any probability of these other countries putting a tax of 7 cents a pound on cotton?

Mr. VILES. I think there is a possibility of it, yes.

Senator COUZENS. In other words, it would mean quite a revenue for them, wouldn't it?

Mr. VILES. Yes; and I think there is a possibility of it. You have Egyptian cotton reaching out into new markets since we have placed

a tax on Egyptian cotton. They have gone into India in larger degree, and are getting into continental Europe, into Germany and Austria now. We have shut it out to a certain extent.

Senator COUZENS. In view of their great need for revenue, I mean in these other countries, why haven't they put a tax on cotton and wheat from us as you have suggested?

Mr. VILES. It would be rather difficult for me to attempt to answer that question.

Senator CONNALLY. I will say because it is food and clothing.

The CHAIRMAN. It is long-staple cotton that is used in automobile tires, almost entirely, isn't it?

Mr. VILES. That is right. We use American-grown cotton to the extent of about 75 per cent of our consumption, and the balance is Egyptian uppers that we use on our truck and bus tires.

Senator SHORTRIDGE. Why is that? I mean, why do you use Egyptian cotton for that purpose?

Mr. VILES. Because it has a better staple.

Senator SHORTRIDGE. Do you mean better than ours?

Mr. VILES. Yes, sir.

The CHAIRMAN. It is longer.

Mr. VILES. We told you at the time you had this question of a duty up that we could not always rely on the uniformity and strength of the American staple cotton. We now have a year earlier than we thought was contemplated to test the uniformity and quality of the American staple cotton, both California and Delta, but the Delta particularly because that is the big tonnage, and it is lacking in uniformity, and we are obliged to turn away from it and pay the duty on the Egyptian cotton and use it. We must have that margin of safety on the big tires.

The CHAIRMAN. You pay a duty of 7 cents a pound.

Mr. VILES. Yes, sir; we have to do it.

Senator WATSON. Well, Mr. Viles, are you now trying to convince Senator Shortridge that they can raise better cotton in Egypt than in California?

Mr. VILES. No, sir. I would not again attempt to do that.

Senator SHORTRIDGE. Well, I will include much of the territory of Texas.

Mr. VILES. The only thing I can not forgive him for is not realizing that undoubtedly the biggest manufacturing industry in California is rubber.

Senator SHORTRIDGE. Yes; but for all that they are thriving and giving us some revenue which we must have.

Senator REED. It is probably because the climate of Egypt is better than that of California. [Laughter.]

Mr. VILES. Well, there is something in the matter of climate.

Senator SHORTRIDGE. That would be up around the Pyramids I suppose you would say.

The CHAIRMAN. Have you anything else to present?

Mr. VILES. That is the end of the statement I had prepared.

The CHAIRMAN. Have you anything else you wish to say to the committee?

Mr. VILES. Now to summarize: First, as we tried to show in our statement, the stocks of rubber on hand would preclude any consid-

erable degree of revenue being derived for a considerable period of time. And, second, we are quite fearful of results to the industry by its own action because of the variance in inventory position of individual manufacturers. And next and as a part of that situation, you would bring about an increase in price by 10 per cent. And with that variable position you can imagine what that price situation might be. We do not know ourselves but we are very fearful.

Senator REED. What is the wholesale value of the tires produced in any year?

Mr. VILES. In 1931 it was about \$425,000,000.

Senator REED. So that in order to realize a revenue of \$50,000,000, or we will say \$53,000,000, from this source we would have to put on a tax of about 12 per cent, I mean on the wholesale value of the tires.

Mr. VILES. That is right.

Senator REED. In your judgment would that be a course preferable to a tariff on the crude rubber?

Mr. VILES. Well, I do not know, Senator Reed, what viewpoint that would bring forth in the industry. I should like to have 24 or 48 hours in order to bring that out. In the first place, I think if a tax of that sort were considered, then the manufacturer ought to have a chance to weigh it as between the various sizes of tires, for tires constitute the greater part of their sales, so as to consider some graduated proposition.

Senator REED. If we put a manufacturers' excise tax of 12 per cent on all tires, that naturally would affect each size in proportion.

Mr. VILES. Perhaps I did not make myself clear. What I meant is this: You might very well want to consider the Ford, Chevrolet, and Plymouth as one basis. Then tires for the larger cars as another basis, so as to distribute the burden a little more equally with respect to the purchasing power which each class represents. We would want to weigh it from that standpoint if that sort of thing were proposed.

The CHAIRMAN. What is the difference in the matter of weight between a Ford tire and a tire for one of the larger cars?

Mr. VILES. A Ford tire and tube of the present size, 5.25, will run 22 or 23 pounds. The tire of the size of 6.50 or 7.20 is the size for the Buick, the Studebaker, or the Nash.

The CHAIRMAN. But what about the matter of weight?

Mr. VILES. The weight would run about 40 pounds.

The CHAIRMAN. As against 22 or 24 pounds?

Mr. VILES. Yes, sir.

Senator WALSH of Massachusetts. What is the difference in price between the two?

Senator REED. At wholesale?

Senator WALSH of Massachusetts. Yes.

Mr. VILES. The wholesale price of a Ford tire is somewhere around \$5 or a little over. I am not very familiar with the prices of the larger tires.

Senator WALSH of Massachusetts. Then the tax would be about 50 cents.

Mr. VILES. That price would be as against \$18 or \$20 for a 6.50 or 7.20 size of tire.

Senator KING. Is there any proper relation between the prices and the weights of tires?

Mr. VILES. How was that?

Senator KING. Is there any ratio between the quantity of rubber in a tire and the price of a tire?

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

Senator REED. Obviously not, because on the basis of a tax of 5 cents a pound it would be about 30 cents for the tax that would be imposed on each Ford tire.

Mr. VILES. There is about 12 pounds of rubber to a tire and tube.

Senator REED. You mean a Ford tire?

Mr. VILES. Yes, sir. They are using the same cross section on the Ford to-day that was used some years ago on the Cadillac.

Senator REED. I am told that only about one-fourth of the weight of a tire is rubber.

Mr. VILES. That may be with respect to some sizes. The Ford tire and tube to-day will consume about 12 pounds of rubber.

Senator SHORTRIDGE. Is the price of a tire measured by its weight?

Mr. VILES. No; it is presumably measured from the standpoint of cost, although present-day prices of rubber would not indicate that cost had very much consideration. But that is presumed to be the basis.

Senator CONNALLY. You use a different grade of cotton in the heavier vehicle tires.

Mr. VILES. We use Senator Shortridge's cotton in Ford tires.

Senator CONNALLY. You use the more expensive cotton, however, in the more expensive tires.

Mr. VILES. Yes, sir.

The CHAIRMAN. Do you use the Texas cotton on Ford tires?

Mr. VILES. When we get to the high-grade tire we use the Mississippi Delta cotton.

Senator SHORTRIDGE. And if Senator Harrison were here he would raise the question with you as to long staple cotton in connection with the Egyptian cotton, I mean his long staple cotton.

Mr. VILES. He has already done that many times and vigorously.

Senator SHORTRIDGE. And he claims it is just as good as the Egyptian.

Mr. VILES. Yes; I know he does.

Senator COUZENS. I do not quite get your point as to a graduated sales tax. Why would you graduate a sales tax on the low-priced tire and not on the high-priced tire?

Mr. VILES. In the event of a tax of that kind I am assuming that you might want to distribute the burden more with respect to the presumed income of those buying the tire.

Senator CONNALLY. We object to that theory here.

Senator REED. What do you suggest as a method of raising this amount of revenue if we were to strike out the rubber tax?

Mr. VILES. Well, of course, we have not given any thought to a specific tax on some of our goods. For instance, we have, since the tax measure began to take shape in the House, been in favor of a manufacturers' sales tax, really believing that that would be absolutely sound and would distribute the burden more equitably and more generally than any other form of tax.

Senator BARKLEY. Earlier in your statement you said you have no objection to a general sales tax but do object to being specified as a victim of the tax.

Mr. VILES. That is right.

Senator BARKLEY. Of course, that position would be tenable where there is competition in articles, or where there might be a substitution of other articles for the article taxed. But in the matter of rubber there is no substitution for the general use of rubber, there is nothing else that could be used for tires or for the ordinary processes of rubber manufacture. So that it seems to me, unless the 5 per cent would be added there would be no difference in the matter of principle.

Mr. VILES. We are in competition with other materials.

Senator BARKLEY. You are not in competition with other materials as to the manufacture of tires.

Mr. VILES. Well, take one of the largest converters of leather in this country, who was talking to me only yesterday afternoon, he said he was sympathetic to a tax on rubber, believing that the price of rubber would therefore be raised, and that that would have a good effect on commodity prices generally, and would stiffen up the leather market, and that leather could then compete with rubber, particularly in the footwear situation, or more successfully than at the present time. At the present time they can make heels and soles for shoes cheaper out of rubber.

Senator BARKLEY. There is no competition in the matter of the desirability as between a rubber heel and an all-leather heel. People buy leather-heeled shoes if they are so made, but they prefer rubber heels on their shoes because there is more resiliency in walking. I do not see how much of the rubber business would be displaced by leather. It might be that in the matter of certain wrappings or insulations or things of that sort a small amount of leather might take the place of higher-priced rubber, but for ordinary purposes for rubber I can not see any competition from leather, although it may be ignorance on my part.

Mr. VILES. Well, there is no competition from other materials so far as tires are concerned. But in all our other lines we are having to contend with severe and constant competition from other materials.

Senator SHORTRIDGE. If the gentleman will pardon me for a question: You say that the long-staple Egyptian cotton is superior in quality to the Mississippi long staple?

Mr. VILES. To any other long-staple cotton.

Senator SHORTRIDGE. Doubtless you have studied the problem, but do you attribute it to the soil, to climatic conditions, or does the element of irrigation enter into it? Or is it some particular variety of seed that is planted in Egypt? Or to what do you attribute the superiority of the Egyptian cotton?

Senator BARKLEY. Now, don't give away your secrets to California,

Senator SHORTRIDGE. Just tell me to what you attribute it.

Mr. VILES. Personally, I have never watched the growing of long staple cotton, nor have I personally investigated the growing of Egyptian cotton in its native heath. All that I can reflect to you is the general opinion of the industry that the combination of soil, climate, and general Egyptian environment produced by conditions there, gives a staple that maintains uniformity or strength and

smoothness for the entire length of the fiber and to a greater degree than the American long-staple cotton.

Senator SHORTRIDGE. Say, an inch and an eighth?

Mr. VILES. Yes; an inch and an eighth to an inch and three-eighths and up to 2 inches is approximately what they use mostly. Thread makers use an inch and five-eighths.

The CHAIRMAN. What did you say?

Mr. VILES. I say an inch and an eighth and an inch and three-eighths is the range. For tires a little above that, but very little. The most of the long staple above that the fine goods and thread makers use. We use more than 50 per cent of the total Egyptian.

Senator SHORTRIDGE. In other words, if we were to take the same kind of seed that is planted in Egypt and plant it in Mississippi, yet for some reason the Egyptian long-staple cotton is superior in the elements mentioned to the Mississippi cotton.

Mr. VILES. The nearest approach we have to Egyptian was Sea Island, which as you know was destroyed by a bug of some sort.

Senator GEORGE. And the boll weevil.

Mr. VILES. And we have not been able to use it since. It is our purpose to use American cotton all we can. We have brought it up from 30 per cent to 75 per cent, and if we were able to be sure of the staple we would not buy a pound of foreign cotton.

Senator SHORTRIDGE. The 7 cents a pound on long staple has not robbed the users of long staple, has it? And it has brought considerable revenue to the Government.

Mr. VILES. I do not know how much, but imports fell off very sharply. In the first place, realizing that you were going to take that action, we bought considerable cotton, and then the depression hit us and we used less of it. But we are now beginning to buy again. I think the question of revenue has to be proven by the amount we have to buy within the next 24 months.

Senator WATSON. I suppose if you relied on your present supply and consumed it all within the next year, without importing any within the next year, that when you went to buy your tire supply you would find the price raised quite a bit?

Mr. VILES. That is right.

Senator WATSON. You could not let an industry like that go on without some supply on hand, could you?

Mr. VILES. Oh, no. You are speaking of rubber now?

Senator WATSON. Yes; I am speaking about rubber, too.

Mr. VILES. Yes; that is very true. Not only that, but if we draw on our present stocks without replacing them, then later on the traders in the commodity in London and Singapore and Amsterdam are certainly going to hold it up for the period when we do have to have it.

The CHAIRMAN. Is there anything else that you want to present?

Senator CONNALLY. If we wanted to keep this tax on, and if we also wanted to put an excise tax on domestic rubber, what rate would do that, I mean in order to equalize it?

Mr. VILES. Do you mean to equalize the tariff?

Senator CONNALLY. Yes; in order to equalize the stocks already on hand.

Senator REED. It would be 5 cents a pound.

Senator CONNALLY. But tires are already manufactured. You do not sell raw rubber, do you?

Mr. VILES. If you wanted to bring about absolute parity of conditions as between manufacturers, you would have to make your tax applicable to existing stocks of rubber in this county.

Senator CONNALLY. And how would you do that?

Mr. VILES. That would be if you wanted to start from scratch.

Senator CONNALLY. And that is what I am talking about. What rate would do that?

Senator COUZENS. A manufacturers' sales tax.

Mr. VILES. If you tax crude rubber on the basis of 5 cents a pound for imports, and you wanted to equalize conditions in the industry by taxing the rubber immediately at hand, I can see no reason why you would not go to the same basis.

Senator COUZENS. Is the most of the rubber on hand in the raw state?

Mr. VILES. Yes; all of it. I have made no reference to rubber in process.

Senator WALSH of Massachusetts. Is there any deterioration of rubber in the raw state?

Mr. VILES. It would keep for years unless exposed to sun or moisture. It is kept in dry storage.

Senator WALSH of Massachusetts. Then they can stock up indefinitely or to their capacity if they want to.

Mr. VILES. Yes, sir.

Senator SHORTRIDGE. And the rubber comes principally from what countries?

Mr. VILES. From Malay, Sumatra, Java, Ceylon, some from French Indo-China, 2½ to 3 per cent from Brazil and Africa but mostly from Brazil.

Senator WATSON. Have you in mind any kind of tax on manufactured rubber products that you could propose as a substitute for this tax we are levying and that would be less burdensome to your industry?

Mr. VILES. Why, you could place a tax on tires. What you really mean, I take it, is to get a better vehicle for carrying the tax?

Senator WATSON. Yes.

Mr. VILES. You could put a tax on tires, but I am speaking for the industry, as their servant so to speak, and I do not feel that I can reflect their opinion on something they have not considered. Speaking personally, I would say you could take tires, and there are approximately 50,000,000 units produced, and a tax per pound or per tire produced could be considered, and then it could be estimated as to the kind and amount of tax necessary to produce the revenue required.

Senator REED. Would a domestic excise tax on all rubber goods, or I mean goods made of rubber, at the rate, say, of 5 cents per pound of crude rubber content, be workable?

Mr. VILES. It probably could be workable, but when we speak of crude rubber content then you get into something that would take the Bureau of Standards and the Department of Agriculture and almost every other department down here in Washington to work it out.

Senator WATSON. Well, we don't want to try that.

MR. VILES. On finished goods you would have to go——

Senator COUZENS (interposing). But you could not tax the re-claimed rubber, could you?

Senator REED. Oh, yes. Why not?

Senator SHORTRIDGE. You tax refrigerators and why not rubber?

The CHAIRMAN. What would be your opinion as to the best mode of raising the amount of money we want to raise, to place a tax upon the manufactured tire or on the rubber as we have already done it at so much per pound?

Mr. VILES. Well, if that form of tax were to be levied, I would think it more feasible to tax the units.

Senator LA FOLLETTE. Rather than to put it on a pound basis?

Senator REED. Why not put it on a value basis?

Mr. VILES. Answering Senator La Follette's question, I will say that unit and pound are the same thing in my mind.

Senator LA FOLLETTE. For instance, the average tire, as I understand it, weighs about 22 pounds.

Mr. VILES. A little more than that.

Senator LA FOLLETTE. You could probably figure out a pound tax and base it on the weight of the tire.

Mr. VILES. We could come quite near the correct average, and then could take 50,000,000 units and show what that would produce, and it could be put on a pound basis. Or we could take the 50,000,000 units and by the application of the amount per unit arrive at the total amount you are looking for.

Senator REED. But if you limit it to tires only you exclude 20 per cent of the rubber.

Mr. VILES. Yes, sir. In that case you have such a variety of articles; you have everything from surgeons' gloves to the long and wide belts. Then you would have to go to the percentage on price.

Senator LA FOLLETTE. The only reason I wanted to get your reaction on a pound basis was that it would, to a certain extent, meet the objection you had made before as to a definite tax on different sizes of tires, would it not?

Mr. VILES. Yes.

Senator LA FOLLETTE. In other words, the smaller tire weighs less and pays less taxes.

Mr. VILES. It would be more evenly apportioned to the purchases on that basis than otherwise.

Senator SHORTRIDGE. Do you mean on the poundage basis?

Mr. VILES. Yes, sir.

The CHAIRMAN. You would prefer that to the way we now have it?

Mr. VILES. Yes, sir.

The CHAIRMAN. Well, would it be just to all manufacturers making different sizes? Take the Ford tire and then take the bigger tire, would it be just to both to have it placed on the manufactured tire? Or which would receive an advantage, if there is any advantage, to put the tax upon the manufactured product or upon the raw product?

Senator WALSH of Massachusetts. He said it should be placed upon the manufactured article.

Mr. VILES. Either a percentage on the price or a rate per pound as has been discussed by Senator La Follette. With a basis of a rate

per pound if the Ford unit, we will say, has a total weight of 24 pounds, and the bigger units 40 pounds, obviously the bigger owner, who is presumed to be more able to pay, would pay a greater price. Is that what you had in mind, Senator La Follette?

Senator LA FOLLETTE. Yes.

The CHAIRMAN. Could you say offhand the number of pounds of tires manufactured in the United States?

Mr. VILES. We produced last year approximately 50,000,000 units.

The CHAIRMAN. And a unit is what?

Mr. VILES. I should say that the average weight of the 50,000,000 units, and of course there is a little difference of opinion about it, is about 25 pounds per unit.

Senator WATSON. What do you mean by a unit?

Mr. VILES. One tire.

Senator LA FOLLETTE. It is estimated that this proposed 5 cents on imported rubber would yield \$55,000,000, is that right, Mr. Beaman?

Mr. BEAMAN. It is estimated as \$58,000,000.

Senator LA FOLLETTE. Did you take into consideration the amount of such rubber now here and on hand?

Mr. BEAMAN. I had nothing to do with it, Senator La Follette. The Treasury Department, I believe, stated that.

Senator LA FOLLETTE. Well, did you take that into consideration?

Mr. PARKER. They figured it out on only importations for the last three years, and then subtracted the rubber that was exported out again.

Senator LA FOLLETTE. Do your figures indicate the weight of the tires including the rubber, or in other words, the total weight of the rubber used in the manufacture of tires last year in the United States?

Mr. VILES. I have such figures but they are not available to me now. If you wish them I will be glad to submit them.

Senator LA FOLLETTE. Would the 5 cents equal, you think, the amount estimated to come from imposing this so-called tariff duty? In other words, would it be about the same thing?

Mr. VILES. Well, on what we estimate would be the consumption for 1932, or 840,000 tons, it would run about \$38,000,000 if it were applicable to the entire tonnage.

Senator COUZENS. Would you get a more immediate result by putting a 10 per cent sales tax on tires than by a tax of 5 cents per pound on rubber based upon the figures you gave just now? In that case it would bring about \$45,000,000, and now you say \$38,000,000 at 5 cents a pound.

The CHAIRMAN. Here are the figures for casings and inner tubes, and it shows inner tubes 70,855,455.

Mr. VILES. That was in 1927-28.

Senator LA FOLLETTE. You estimate 50,000,000 casings for 1932?

Mr. VILES. Yes, sir.

The CHAIRMAN. You are short, then.

Mr. VILES. Yes, sir.

The CHAIRMAN. How many tubes do you estimate this year?

Mr. VILES. About the same probably as tires.

The CHAIRMAN. About 55,000,000?

Mr. VILES. Yes, sir.

Senator REED. I received a letter from the president of a Pennsylvania company to this effect: There are 40 or 50 factories, some of them very large, that reclaim rubber from scrap tires and other rubber scrap. These factories at present are practically closed down on account of the low price of crude rubber. The result is that a large number of men are thrown out of employment. Millions of dollars of scrapped tires that are usable are going to waste. A duty even of 5 cents a pound on crude rubber would start these factories up, thus giving employment to a great many men. I take it, there is no doubt that is the case.

Mr. VILES. To some extent.

Senator REED. That a tax on a competitive article would result in making this article more in demand.

Mr. VILES. By the same token you have a productive capacity in reclaimed rubber owned by manufacturers of rubber goods, who simply did their own reclaiming, and who have large investments in reclaiming plants that they are not running, and as to which they are taking a loss on their capital investment.

Senator REED. You can not reclaim rubber in competition with 3-cent crude, can you?

Mr. VILES. No, sir; although we will continue to use a large amount of reclaimed. We used 125,000 tons in 1931, because reclaimed rubber supplies certain qualities to rubber goods. There are compounds that are adjusted and proven on that basis, and we hesitate to interfere or change a compound producing satisfactory results, because it is a very dangerous thing in a rubber plant to change compounds except after most thorough tests. And then things may go wrong. We have had tires and other articles as to which we have changed compounds, and as to which we were dead sure they were right, and as to products brought out after very rigid tests both in our laboratory and on the road, and then difficulties have come out that cost us millions of dollars, and almost the reputation of some of the companies. So that you can see that out of a total rubber consumption of 346,000 tons, with 35 per cent of consumption of reclaimed rubber even at very low prices, that reclaimed does fill a spot and can not be wholly eliminated in spite of price. And it is a protective material against exorbitant prices for crude rubber. As to the matter of employment, a great tonnage of reclaimed can be produced with very few employees.

Senator BARKLEY. How long can rubber be stored without deterioration?

Mr. VILES. Oh, I have no idea. We have rubber in New York now that is in good condition, and I should say it has been there at least three or four years.

Senator BARKLEY. There is some deterioration, I suppose.

Mr. VILES. A little bit. It may become a little bit mildewed if there is any moisture or any exposure to the sun. But we handle that much better now. It is packed much better than it used to be. It is packed much better at the primary markets.

Senator SHORTRIDGE. In what shape or bulk is rubber marketed?

Mr. VILES. It is usually in boxes, veneer boxes weighing about 220 pounds, I should say about 20 inches square. It has iron bands around it, and also it is put up in bales under pressure and wrapped with burlap. And they are now making a paper that they are try-

ing to use. When wrapped in burlap it means that rubber has to be heavily wrapped in sheets of paper and heavily talced, and something put inside the burlap so that it will not get into the rubber and entail expense of getting it out again.

The CHAIRMAN. Anything else?

Mr. VILES. We had expected this afternoon, and they may be already here, three or four executives from our very large companies, or at least they are on their way down here now and were expected to be here by this time. And I could reach about 80 per cent of our industry by telephone to-night. If the committee wishes us to consider some other form of tax to produce an equivalent amount of revenue, if we can have overnight to think about it, we will see what we can recommend.

Senator REED. Might I make a suggestion to you now for your consideration in that regard?

Mr. VILES. Yes, sir.

Senator REED. I am impressed by what you say as to the absence of revenue while this very big supply is being used up; and I am also impressed by what you said as to a retaliatory export tax by some rubber-producing countries, although they would have to have some agreement between them. If one country put it on, that country would lose business. But these things ought to be taken into account. It occurs to me if we could get the same amount of revenue and get it from the very beginning it might be done by putting a domestic excise tax on, of say, 10 per cent on the manufacturers' sales price, and on all articles containing rubber. Will you ask your friends to think that over?

Mr. VILES. Yes. Our total business last year was about—and you are talking in dollars and not in weight.

Senator REED. Yes; in dollars and not weight.

The CHAIRMAN. There are about 140,940,480 tons, and you can figure that out.

Senator SHORTRIDGE. That many tons here?

The CHAIRMAN. Yes; and long tons.

Mr. VILES. Our total sales approximated \$700,000,000 last year.

Senator SHORTRIDGE. On tires?

Senator REED. No; all forms of rubber.

Senator GEORGE. That is the wholesale price?

Mr. VILES. Yes, sir.

Senator REED. Then 10 per cent is too high. I should say 8 per cent would be more suitable.

Mr. VILES. Seven to eight per cent, assuming that we get approximately the same volume of business.

Senator REED. You understand there are a number of us on this committee, but unfortunately a minority, who do not believe in singling out any particular business for this kind of punishment. But the committee has refused to adopt a general manufacturers' excise tax of 1 per cent, and the result is that some industries are being singled out for especially severe taxes. I do not mean by offering this suggestion to say that I like it, but we are forced to the necessity of raising the revenue.

Senator SHORTRIDGE. But as between an excise tax and this so-called tariff tax, which would you prefer, Mr. Viles?

Senator WALSH of Massachusetts. He said he wanted to think that over.

Mr. VILES. I should like to have until to-morrow morning to think about it.

Senator LA FOLLETTE. I assume you will also consider the idea of either a unit or a per pound tax on tires.

Mr. VILES. A per pound tax on tires or a percentage tax on total sales, one or the other.

Senator WALSH of Massachusetts. Let us hear the executive heads of the companies.

Mr. VILES. There are not here yet. They were to come to Washington by airplane, but I understand have met with bad weather.

Senator SHORTRIDGE. We might give them a hearing to-morrow, Mr. Chairman.

The CHAIRMAN. If they will be here in the morning.

Mr. VILES. All right.

Senator SHORTRIDGE. Let us hear them here to-morrow morning at 11 o'clock.

Senator WALSH of Massachusetts. I move that we do now adjourn until 11 o'clock to-morrow morning.

The CHAIRMAN. I understood that there is another gentleman present who would like to be heard. If he will come forward.

STATEMENT OF EDGAR BROMBERGER, REPRESENTING THE ROBERT BADENHOP CORPORATION, NEW YORK CITY

Mr. BROMBERGER. Mr. Chairman and gentlemen of the committee, representing an importing house that imported last year approximately 7 per cent of the rubber imported into this country, in the main we indorse Mr. Viles' objections to the import tax.

Answering Senator Connally's suggestion about an excise tax on the crude material already in this country, I might remark that although there is a supply more than what is required for the estimated quantity of consumption, yet it is not finally distributed among the manufacturers. So that we have two situations that might arise on an excise tax on the raw product already here:

First, because of the uneven distribution of the available supply in the country a tremendous burden would be laid upon those companies that have stored up a large amount of crude material.

Secondly, and our next objection to the tax is, that because of the uneven distribution of available rubber in the country, the large manufacturers might advance the price of their tires only 2 cents per pound on the raw material, thereby still underselling the smaller companies whose credit is good but who unfortunately might not have been in the strong cash position of some of the larger organizations.

And the result would be that the large number of small factories that have been compelled as we know by orders to buy on advice, might be forced to the wall because of the fact that the larger organizations can undersell them because of having an available supply. So that the situation would not be cured with an excise tax on the raw product, for the reason that I do not believe the larger companies would be able to stand that excise tax.

I agree with Mr. Viles that a tax on rubber at this time would not produce the amount of revenue, or anywhere near the amount estimated by the department. There is this large supply of rubber probably for 14 months in the country. I assume that the bill carries with it some adjustment of the tariff on manufactured articles, so that our labor situation would not be placed at a disadvantage—

Senator RANK. It puts a duty of 5 cents a pound on the rubber content of imported articles.

Mr. BROMBERGER. The retaliatory feature emphasized by Mr. Viles is very important, because it is an element which was lately considered by various foreign countries, as I am advised, and which had been discarded; but from the Senator's telegram from London I infer it is again contemplated to put this export tax on rubber.

I also agree with the principle that crude rubber, being a product not grown in this country, ought to come in tax free in its raw state. It is not like copper or lumber, where we have our copper mines which we might protect against, say, the Rhodesian product, or our lumber which we might protect against foreign products.

If there is to be a tax at all on rubber—although to some extent a sales tax has been anathema—it would appear that a sales tax of a fair amount on the manufactured product would be less burdensome, would be less calculated to disorganize the industry both from an importing and a manufacturing standpoint, would put the smaller manufacturer on a parity with the larger manufacturer, would not penalize the smaller manufacturer by virtue of the fact that although his credit is good, he is not in position to lay by these large supplies of rubber, and would result in a more equitable distribution of the burden; although of course we do not agree that any one industry ought to be singled out for a sales tax.

Speaking for the importing concern in question, Robert Badenhop & Co., of New York, we feel that an import tax ought not to be laid on the crude material.

Senator WALSH of Massachusetts. I assume that some of these industries, the smaller ones particularly, have very limited facilities for storing crude rubber, and therefore must buy it frequently in small quantities?

Mr. BROMBERGER. They must buy from hand to mouth because of their limited storage facilities and also because of their rather limited cash position. They are mostly western, southern and some middle western concerns. There are just a few rubber manufacturers who have a cash position enabling them to store large amounts and money to pay the necessary carrying charges on that rubber. It is not alone the price of the rubber; it is also the interest charges and carrying and storage charges and insurance.

Senator WALSH of Massachusetts. Do you think there is any danger of these foreign countries retaliating?

Mr. BROMBERGER. Senator, I think you read the cable or telegram from London—

Senator WALSH of Massachusetts. Have you similar information?

Mr. BROMBERGER. We have fears. We have not had time to get the foreign reaction, but I will say that, speaking to Mr. Badenhop yesterday, he emphasized the point of retaliation very strongly, because the plantations are in bad shape, as it is, with the price of rubber so low; and the foreign countries will naturally feel that if

the American Government can lay an import tax of 5 cents on rubber they can lay an export tax of at least a similar amount on the same product. In other words, if our purchasing public are willing to pay a tax of 5 cents, they probably will not see any reason why they can not stand a tax of 10 cents.

Senator BARKLEY. The more burdens they put on it, either by retaliation or otherwise, the less rubber they would sell?

Mr. BROMBERGER. Not necessarily. We will still have to consume rubber at some time or other.

Senator BARKLEY. But we might not consume as much. We might utilize old rubber more.

Mr. BROMBERGER. But, Senator, in order to utilize old rubber, you must at some time or other have the new rubber, which will deteriorate into old rubber.

But further answering your point, I assume that the concern of the Treasury Department and of the Senate and Congress at the moment is for immediate revenue. I do not assume that you are so vitally concerned at this moment with revenue two years from now which can be taken up and considered carefully during the next 12 months.

Senator SHORTRIDGE. An excise tax, however, is preferable from a revenue-raising standpoint?

Mr. BROMBERGER. It would seem so.

Senator SHORTRIDGE. In view of the large quantity of rubber now on hand, and there being no necessity for importing for at least a year, we will say?

Mr. BROMBERGER. I would say, Senator, that an excise sales tax laid on the manufactured article, either ad valorem or based upon the percentage of rubber used in the article, as Senator La Follette has suggested, might be more equitable if any one industry is to be singled out.

Senator SHORTRIDGE. In other words, the large companies that have on hand this quantity of rubber would pay the excise tax?

Mr. BROMBERGER. When they manufacture it.

Senator SHORTRIDGE. Yes. The small concerns, having little rubber on hand, would still look to the imports. Therefore the small concern would prefer an excise tax to an import tax?

Mr. BROMBERGER. I should say so, Senator, offhand, without having had an opportunity to think it over very carefully. But I assume you have in mind a sales tax levied on the manufactured product and not on the raw stock on hand?

Senator SHORTRIDGE. Yes.

Mr. BROMBERGER. Because if that were done, I think that many of our larger manufacturers would find themselves in serious financial difficulties to meet the tax.

Senator REED. We have no constitutional power to put a tax on the rubber on hand. We can only tax the sale of it. We could not put a tax on rubber in the hands of the large companies.

Mr. BROMBERGER. But I do not assume you will tax the sale of crude rubber. You have in mind taxing the manufactured article?

Senator REED. Oh, yes.

Mr. BROMBERGER. In the first place, seeking to help out the situation, and viewing it from the standpoint of increased revenue, which,

after all, is what we are all hoping for—a balanced Budget—I should say that a sales tax of a fair amount on the manufactured article would yield a greater income than any other possible source, because if you are going to levy a sales tax on the manufactured article, as Mr. Viles has said, the aggregate amount of value of the manufactured article is greater than the aggregate value of the crude material. Therefore, if you levy a percentage on the larger amount you naturally will get a greater income than if you levy a percentage on the smaller amount, unless, of course, you make your percentage on the smaller amount out of all proportion, which I do not assume there is any disposition to do.

Senator BARKLEY. Assuming that there are 12 or 14 months' supply on hand and that the average supply on hand usually lasts six or seven months—that would be a fair average, would it not?

Mr. BROMBERGER. Yes.

Senator BARKLEY (continuing). Do you think there would be any delay beyond that period in the collection of a substantial amount of revenue? In other words, they would not consume the whole 14 months' supply before they would begin to buy more?

Mr. BROMBERGER. Senator, I should say that with the rubber that is possibly afloat or the rubber that can be landed before the effective date of this measure, which has still to go into conference and pass both Houses, I should say that there will be in this country, by the time this measure becomes effective, enough for approximately 15 to 20 months' supply, and I do not think that the Treasury Department will begin to receive an appreciable amount of revenue out of an import tax levied on rubber during this next fiscal year.

Senator SHORTRIDGE. Are you an importer speaking for importers?

Mr. BROMBERGER. I am speaking for one importer who imports about 6 or 7 per cent of all the rubber imported into this country; that is, he did last year.

Senator SHORTRIDGE. I take it that the importer of rubber does not want anything in the nature of a duty placed on rubber?

Mr. BROMBERGER. No, sir. Let me say this, in answer to that, that under our contracts with our customers the importer generally is protected because the contract provides that the purchaser shall pay any tax or duty; and in speaking to you Senators here to-day, Robert Badenhop & Co. is not actuated by any selfish motive, because the firm does not stand to lose 1 cent, nor does the importer generally stand to lose 1 cent, because he just passes it along under his contract. But we feel, in the interests of the industry generally that an import duty, aside from its lack of value in raising an appreciable amount of revenue, would also tend to demoralize the industry and possibly result in retaliatory measures on the part of foreign countries.

Senator SHORTRIDGE. So that this proposed import duty will hit the small concern first, with a harder blow, than it will hit the larger concerns who have a large amount of rubber on hand?

Mr. BROMBERGER. I should say so, Senator, because the larger concern had the cash available to buy, and the smaller concern had good credit, enabling it to buy futures, but did not have the cash to pay spot.

Senator SHORTRIDGE. I see your point clearly.

FURTHER STATEMENT OF A. L. VILES, NEW YORK, REPRESENTING THE RUBBER MANUFACTURERS' ASSOCIATION

Mr. VILES. I regret very much that we are not in position this morning to offer to the committee any plan of a sales or excise tax directly applicable to rubber goods. We have not had time to consult with a sufficient number of members of the industry to bring in a majority opinion. We felt unless we could do that it would be rather futile in so far as giving any real opinion to the committee is concerned.

We can say, as I stated on yesterday, that undoubtedly a very substantial majority of the industry have favored since its inception and continue to favor a manufacturers' sales tax. As to that we can state the industry would be in accord.

With respect to any form of excise or specific sales tax on rubber goods in lieu of a tax on crude rubber, we are not in position, owing to the short time and the large number of people in the industry, to contact with enough of them to give you a majority opinion.

The CHAIRMAN. Do I understand that you prefer to wait until you can agree upon some program?

Mr. VILES. If we could have a little more time; yes. We realize what a short time the committee can give us, and regret that we are not ready at this time.

The CHAIRMAN. Do you think you would be prepared by to-morrow morning?

Mr. VILES. Yes; I think we could be prepared then. We could certainly then do a very much better job.

The CHAIRMAN. Say to-morrow morning at 10 o'clock?

Mr. VILES. Yes; we think that would be very helpful to us, if that is agreeable to the committee.

The CHAIRMAN. I understand there are some who are opposed to the proposition. Is there anyone here now who desires to speak in opposition to the tax proposed by the committee and who have not already spoken?

Senator REED. Do you mean in opposition to the tariff?

The CHAIRMAN. Yes.

Senator REED. I think they are all opposed to that.

The CHAIRMAN. But I thought there was one party who wanted to be heard about the matter.

Senator REED. Aren't we all very well convinced that this tariff is open to very serious objections, and particularly that we would practically get no revenue from it during this year?

The CHAIRMAN. I think the committee is unanimous on that.

Senator GORE. That would be true if you did not put an excise tax on that which is already here.

Senator REED. Yes; but we can only put an excise tax on the sale of the product, and that means a tax on the sale of articles containing rubber. Take the supply that is held by the United States Rubber Co., and they are not going to sell it as rubber but as tires or rubber gloves or something of that sort. So we would have to put an excise tax on the sale of the article. If we are going to do that, then that is all we need to do and do not need to put on a tariff.

The **CHAIRMAN**. I think that would be about the only way we could do it under this bill that would be safe. So I think that is the policy of the committee.

Senator REED. Mr. Viles is just like the automobile people; he objects to an excise tax on his product when something equally innocent does not have a tax.

Mr. VILES. Yes, sir.

Senator WALSH of Massachusetts. When you get away from tires, would it be possible to put a tax upon rubber goods without putting a tax upon substitutes used?

STATEMENT OF S. M. JETT, SECRETARY B. F. GOODRICH RUBBER CO., AKRON, OHIO

Mr. JETT. The rubber industry is opposed to putting a special tax on rubber products. So far as any estimate I have seen is concerned, approximately a 7 or 8 or 10 per cent sales tax on tires would be required in order to bring in the revenue which you gentlemen demand, and would be a tremendous burden. I do not think there is anyone in the industry who would favor a special sales tax on the finished product.

The **CHAIRMAN**. What class of goods do you manufacture?

Mr. JETT. All classes of rubber goods, probably as diversified a line of products as anyone in the industry.

Senator REED. What is your company?

Mr. JETT. The B. F. Goodrich Co.

Senator COUZENS. Mr. Chairman, is this going into the record or is it a private conversation?

The **CHAIRMAN**. It is going into the record. What is your name?

Mr. JETT. My name is S. M. Jett. I am secretary of the B. F. Goodrich Co., Akron, Ohio.

Senator COUZENS. I do not see any need for special haste in this matter so long as it is going to be put in as an amendment. We could offer such an amendment within any reasonable time.

Senator GORE. Yes; we better take several days rather than make a mistake.

The **CHAIRMAN**. Well, gentlemen of the committee, we are here, and I thought we would like to hear them while they are here. Can you gentlemen be ready by 10 o'clock to-morrow morning?

Mr. VILES. Yes, sir.

Senator REED. Would you favor a uniform manufacturers' excise tax on all products?

Mr. VILES. Yes; on all products.

Senator REED. Say 1 or 1½ per cent?

Mr. VILES. But not a specialized tax against any one industry.

Mr. JETT. And I think the proposed tariff on rubber will not raise this amount of revenue.

Senator WALSH of Massachusetts. I understand that your company manufactures something like 30,000 different products made of rubber.

Mr. JETT. Yes, sir. We cover the entire field.

Senator WALSH of Massachusetts. And you have plants all over the world?

Mr. JETT. We have plants in a number of foreign countries.

Senator SHORTRIDGE. Where is your main office?

Mr. JETT. At Akron, Ohio. That is our main factory. But we are a New York corporation, and our statutory office is in New York City, but our main executive office is in Akron, Ohio.

Senator COUZENS. In other words, I understand that you favor a general sales tax of 1 or 1½ per cent on all surgical supplies, such as rubber gloves and household articles.

Mr. JETT. I did not mean to state that. I meant to state that I am opposed to any tax that singles out any one industry, such as the rubber industry or any other industry.

Senator COUZENS. I understand that, but I asked you if in lieu of that you propose and are in favor of a general sales tax?

Mr. JETT. Yes, sir; covering all articles, not rubber only, but all articles.

Senator COUZENS. But that would include all rubber surgical goods, all medical supplies, all household goods.

Senator REED. It would not include medical supplies.

Senator COUZENS. Why not?

Senator REED. The one I offered excluded all medicines. But rubber goods would not be medicines.

Senator COUZENS. No; or hot-water bags or things used in sick rooms, they would be included in such a tax.

Mr. JETT. I would not object to a general sales tax with reasonable exemptions such as you might find it necessary to make.

Senator SHORTRIDGE. Such as food and clothing.

Mr. JETT. I think those should be kept at a minimum, and the fewer the better. I would not be in a position to say what should or should not be included in the way of exemptions. But under a general sales tax there is nothing which we make that I would ask to be exempted.

The CHAIRMAN. Does anyone else care to say anything at this time?

STATEMENT OF CHARLES A. STILLMAN, VICE PRESIDENT OF THE GOODYEAR TIRE & RUBBER CO., AKRON, OHIO

Mr. STILLMAN. So long as we are going to have some respite and be able to present the matter to-morrow morning, I do not know that we care to be heard to-day, except merely to say that we are in favor of a general manufacturers' sales tax for industry generally, and further that we are very much opposed to a tax on the rubber content of products. We see practical objections to it, it would be almost impossible to figure it out, and the amount of work that would have to be done in order to get the tax would be something tremendous, and we see many obstacles to the plan of a tax on the product. If there is to be a tax, and we say this under protest, an import tax on crude rubber could be made workable.

Mr. VILES. In view of the committee's generosity in giving us a little further time, I take it we can go now and that there is no need for giving any further individual opinion.

Senator REED. Let us start to-morrow morning at 10 o'clock as we have other committee meetings starting at 11.

Mr. VILES. We will be here to-morrow morning.

The CHAIRMAN. Very well. The committee will now stand adjourned until 10 o'clock to-morrow morning.

FURTHER STATEMENT OF A. L. VILES, NEW YORK, REPRESENTING THE RUBBER MANUFACTURERS' ASSOCIATION

Mr. VILES. I believe we can do that very readily. In addition to what we have already presented in behalf of the rubber industry, I should like to add one more thing as an industry statement, and that is, that there is a very substantial opinion to the effect that the amount of money suggested and which the committee hoped to obtain from the proposed tax on crude rubber seems to the industry to be a rather large proportion of any tax to be collected from one single industry, and particularly through our industry.

We regret very much, particularly in view of the indulgence of the committee, that we have not been able to crystallize a single opinion to tell the committee by way of a solution of a means to apply a tax on the rubber manufacturing industry. We have made every effort to do that but have been unable to do so.

We have two basic schools of thought. Both schools are represented here this morning, and we ask that the committee hear these gentlemen in the order in which we will announce them here. Mr. W. S. Wolfe, executive vice president of the Seiberling Rubber Co., Akron, Ohio, and Mr. J. F. O'Shaughnessy, vice president of the United States Rubber Co., representing one group.

Then Mr. S. M. Jett, secretary of the B. F. Goodrich Rubber Co., Akron, Ohio, representing the other group, and he has with him Mr. C. A. Stillman, vice president of the Goodyear Tire & Rubber Co., and Mr. S. G. Corkhuff, secretary of the Firestone Tire & Rubber Co. And in addition—

The CHAIRMAN (interposing). Mr. Jett will speak for the others?

Mr. VILES. Yes, sir. Then we have Mr. Bradley Dewey, of the Dewey & Olney Chemical Co., of Boston, as an incidental distributor of rubber, not ordinarily classed as a manufacturer of rubber, but still presenting a different viewpoint.

We should like that Mr. Wolfe be permitted to speak first.

Senator REED. Mr. Chairman, do these gentlemen understand that we are pressed with duties on other committees?

The CHAIRMAN. Yes. I have told them that we will have to get through by 11 o'clock.

Senator REED. All right.

The CHAIRMAN. You may come forward, Mr. Wolfe.

STATEMENT OF W. S. WOLFE, EXECUTIVE VICE PRESIDENT OF THE SEIBERLING RUBBER CO., AKRON, OHIO

Mr. WOLFE. Mr. Chairman and gentlemen of the committee, an import tax on crude rubber of 5 cents a pound as proposed by you gentlemen as a fair tax which you would have to levy in order to raise \$52,000,000, and which you evidently considered would be a fair tax on the rubber industry, I must say after analysis is not the case.

In the first place, the supply of rubber now in the United States precludes a very large part of this tax being collected in the first year. With possibly a year and a half supply of rubber in the United States, it would affect the revenue desired very greatly.

On the other hand, this supply of rubber is distributed very unevenly among the manufacturers, which would make it an unfair burden, particularly on the smaller companies.

We represent in this group the Norwalk Tire & Rubber Co., Lee of Norwalk, Lee of Pennsylvania, Gillette of Wisconsin, Sampson of Wisconsin, Seiberling of Akron, Mohawk of Akron, Kelly-Springfield of Cumberland, Md., G. & J. of Indiana, and the India, who will accept the first plan which we submit.

There are a number of ways to bring rubber into the United States, by forward buying by the companies, by which the proposed tax will be heavier on certain companies and on other companies easier.

The companies that have large cash-purchasing power, and that have brought rubber into the United States on account of the low price, the price of rubber being below cost of production, are in a very fair position, and it will penalize those who have to buy it from importers. I mean those who have been buying on a hand-to-mouth basis; and it will also penalize the manufacturer who has plantations abroad and who will have to import his rubber.

It will injure the plantation business in the Far East because it will immediately remove from the market practically 60 per cent of the purchasing power from their estates.

Realizing that it is necessary to produce revenue, the smaller manufacturers believe that a much fairer plan in order to produce the revenue and not hurt the industry could be evolved, as the present method, if it went into effect, would mean that the stocks on hand could be used as a club in competition.

We therefore want to present a memorandum, which is a plan whereby revenue will be obtained and all companies will be treated fairly. We have that memorandum in written form.

The CHAIRMAN. Do you mean the same amount of revenue could be produced?

Mr. WOLFE. Yes. And we have this in written form, the suggestions we wish to present.

The CHAIRMAN. At this point the reporter will make that a part of the record. You may proceed.

Mr. WOLFE. This is a plan which would be fairer to the industry and which would produce revenue, and there are two alternatives, one of which might be chosen.

Senator COUZENS. Just let him read it to us so we may ask any questions if we so desire during the presentation.

The CHAIRMAN. Proceed.

Mr. WOLFE. Should the Congress decide that a tax upon the rubber industry is essential to balance the Budget, then the problem of procuring a tax from that industry is one which must be solved in such a manner that the industry as a whole, and the individual members of it, will not suffer, but, on the contrary, may use the tax as a stabilizing influence.

Such a tax must be one which can be passed on to the ultimate consumer.

A tariff on crude rubber will fail to produce a revenue to the Government in adequate amount during the first year and a quarter, and will fail to place an equal tax upon each of the companies engaged in the manufacture of rubber goods.

As to the lack of revenue during the next 15 months:

There are but four or five principal consumers of crude rubber. Two of these consumers have on hand in the United States sufficient crude rubber at low cost to carry them tax free, without further purchases, well into the second year. A third company has on hand approximately one year's supply. A fourth company depends upon the import of crude rubber from its plantations, as to one-half of its requirements, and such imports would be subject to a penalty of 5 cents a pound. As there are approximately 9 pounds of crude rubber in the average light Ford size tire, the penalty this fourth manufacturer will suffer will be discriminatory.

There are to-day a large number of smaller manufacturers of rubber tires. This group has not been able to finance the purchase of large inventories of crude rubber, and the tariff will automatically close their plants in competition with those companies which have had plenty of money to lay in a store against their future requirements.

Therefore, the proposed tariff will be neither a fair source of revenue nor a constructive move on the part of the Government, because it will destroy a part of the industry of the United States which provides employment for large numbers of American workmen. Moreover, the 5-cent tariff on crude rubber is equivalent to a tax of 15 per cent on the cost of all rubber tires and tubes in the United States.

We propose to the Senate a plan, and alternates thereof, which will produce the revenue required and which will not destroy industry; which will not be unfair to the small companies; which will not create monopolies of the large companies by destroying their competition; which will tend to stabilize an industry in great need, and will create a tax which must be passed on to the consumer.

THE PLAN

The tire department of the rubber industry uses the great percentage of the tonnage of imported crude rubber.

We propose that the tax be confined to that division because it will not materially increase the cost of living to the farmer, miner, and that class of men and women using rubber shoes, gloves, implements, etc., in industry and on the farm.

The collection of a tax on an article which can be identified by serial numbers is an easy and inexpensive form of tax to collect. Every automobile and truck tire bears a serial number. It is not practical to so designate other articles smaller in size and infinite in number. Tires for the purpose of the tax may be grouped into two classes for automobiles and two classes for trucks. The classes are simply light and heavy tires. The tax on light automobile tires, 50 cents a casing; on heavy automobile tires, \$1.25. The tax on truck tires shall be 90 cents on light and \$2 on heavy. The definition of light and heavy is determined as follows:

Automobile tires, sizes 5.25 and smaller, are classed as light; sizes 5.50 and larger are heavy.

The definition of truck light and heavy tires shall be determined as follows: Size 32 by 6 and smaller shall be light truck tires, and size 34 by 7 and larger shall be heavy truck tires.

Also there shall be a tax on rubber tubes used in automobile casings of 10 cents on light tubes and 25 cents on heavy tubes for automobiles; a tax of 25 cents on tubes used in light truck casings and 75 cents a tube on those used in heavy truck casings.

The estimated revenue to be provided from a tax under this plan is as follows:

Article	Units	Tax	Revenue
Light auto tires.....	35,500,000	\$0.50	\$17,750,000
Light auto tire tubes.....	35,500,000	.10	3,550,000
Heavy auto tires.....	4,500,000	1.35	6,075,000
Heavy auto tire tubes.....	4,500,000	.25	1,125,000
Light truck tires.....	3,100,000	.90	2,790,000
Light truck tire tubes.....	3,100,000	.25	775,000
Heavy truck tires.....	900,000	2.00	1,800,000
Heavy truck tire tubes.....	900,000	.75	675,000
Total revenue.....			34,090,000

ALTERNATE PLAN A

Amend the present bill (sec. 601, ch. 8) by substituting the following:

Rubber contained in an automobile and truck tire casings and tubes, including automobile and truck solid tires, 5 cents per pound. Rubber is defined as meaning crude rubber and the dry rubber content of latex.

ALTERNATE PLAN B

A tax upon the sale of automobile and truck tire casings and solid rubber tires of 2½ cents a pound.

Also, a tax upon automobile and truck rubber tubes of 4 cents a pound.

The revenue produced under either alternate plans A and B would approximate \$30,000,000.

The effect of either of the three plans presented will tax the rubber tire industry about 15 per cent, and we submit that such a heavy tax is unjust discrimination upon one industry.

We are convinced that a general sales tax or manufacturers' tax upon all the industries of the country is the only sound tax for the Congress to adopt.

The CHAIRMAN. Have you anything further to present?

Mr. WOLFE. I will say no, owing to the very short time you have to devote to this matter.

The CHAIRMAN. All right. We will now hear Mr. O'Shaughnessey.

STATEMENT OF J. F. O'SHAUGHNESSEY, VICE PRESIDENT OF THE UNITED STATES RUBBER CO.

Mr. O'SHAUGHNESSEY. Gentlemen, I should like to talk first against your proposed import tax. I have a few figures. The consumption of rubber for the year 1931 in the United States was approximately 776,572,160 pounds. The estimated consumption for 1932 is approximately 761,600,000 pounds. The stocks on hand March 31, 1932, in the United States, and afloat is approximately 848,413,440 pounds. In London available for immediate shipment to the United States, to arrive before your tax could go into effect, are 291,200,000 additional pounds. The Canadian stocks of crude rubber at the moment and available for shipment to the United States ahead of the tax, represent 112,000,000 pounds.

So that there is a supply of 1,251,613,440 pounds of rubber on hand or afloat, or in London stocks, or in Canadian stocks to take care of the requirements, which represent for 1932, on a yearly basis, 761,600,000 pounds, or approximately one and one-half year's requirements.

I do not think it requires any argument at all to prove that the proposed import tax will not produce the revenue that is claimed for it. In my humble judgment it will not produce \$5,000,000 in the current year.

Now, I speak as the representative perhaps of what might be classed as the third group of tire manufacturers. The United States Rubber Co. relies upon its own rubber, raised on its own plantations, for approximately 50 per cent of its requirements. It is obvious that if we produce it we can not go long on it. We can only take it as it is produced.

As to market grades for our other 50 per cent, I should say our position is comparable with that of any of our competitors. It is obvious that if we have to buy 50 per cent of our raw material, that represents 45 per cent of the material contained in our tires, we are taking on a handicap which we think is unjust and unfair, and—

Senator REED (interposing). Do you mean 45 per cent by value or by weight?

Mr. O'SHAUGHNESSEY. By weight.

Senator REED. What would it be in the matter of value, or I mean cost?

Mr. O'SHAUGHNESSEY. I should rather not talk to that because crude rubber is down so low that to-day crude rubber is comparable to reclaimed in price. In other words, to buy old or reclaimed rubber it costs as much to-day as crude rubber.

Senator REED. If we should attempt to put an excise tax on articles containing rubber it is important for us to know, say in the case of an automobile tire, whether the chief value lies in the rubber content or the fabric.

Mr. O'SHAUGHNESSEY. I should say to-day the chief value is in the fabric.

Senator REED. Then we will have to guard against any such expression as that, chief value.

Mr. O'SHAUGHNESSEY. Yes; particularly if you take into account the value of your reclaimed rubber.

The CHAIRMAN. I take it that it is not hard to find the rubber content.

Mr. O'SHAUGHNESSEY. Not at all. If a manufacturer does not know the rubber content to-day then he is too stupid to be in the business. Everybody knows. There may be a variation in tolerances as to size, because it is important to manufacture a tire to the ounce. There will be tolerances up and down, for there always are tolerances.

Now, of course, we are like our confreres in the industry, we greatly prefer a sales tax. We feel this would be an unjust burden placed upon an already greatly harrassed industry. We do not think our industry should be asked to produce this amount of revenue.

On the basis of the cost of a tire, if tires produced the entire \$30,000,000 that Mr. Wolfe proposes, it will add approximately 20 per cent to the manufactured cost of a tire.

Now, it is obvious that with 50 per cent of all tires manufactured to-day going on Ford and Chevrolet cars, that the man who drives a Ford or a Chevrolet will probably make a small contribution, yet in the aggregate he will represent a big contributor.

Now, in fairness to Mr. Seiberling, I should like to go on record of saying this: That if the automotive industry, or if the tire industry rather, is to be picked out and burdened with this tax, it is nothing should of infamous to leave the import tax stand. It is the most unjust thing I know of in the business.

It is true that some of my confreres with long rubber positions will not agree with me. But, gentlemen of the committee, it is just like holding four aces in a game of poker, if the other fellow holds them, they do not look good.

Now, we think this, and I will go on record as saying, that if our company is to have to choose between an import tax on rubber, we will unqualifiedly go in preference, if we must have either one of Mr. Wolfe's plans, to his first.

I thank you gentlemen very much.

The CHAIRMAN. The committee will now hear Mr. Jett.

STATEMENT OF S. M. JETT, SECRETARY OF THE B. F. GOODRICH RUBBER CO., AKRON, OHIO

Mr. JETT. I agree with Mr. O'Shaughnessey and Mr. Wolfe that it is not in any way fair to ask the rubber industry to bear a \$50,000,000 or a \$30,000,000 tax or any substantial part of such a tax.

The rubber industry is one that during a great many years has shown very little prosperity, particularly during the last few years. During 1930 the surpluses of eight of the largest rubber companies shrunk by \$26,000,000, and then last year the surpluses of these same eight companies shrunk by another \$26,000,000.

During the past 10 years there have been probably 200 rubber companies that have had to go out of business. There have been many receiverships in past years among rubber companies, and to ask the surviving companies to bear such an additional burden is unfair.

The automotive industry which is served by the rubber industry now pays about \$1,022,000,000 in taxes, which is approximately 10 per cent of the total taxes raised from all sources in the country.

The CHAIRMAN. You mean by way of local taxes and all other taxes?

Mr. JETT. I am talking about gasoline taxes, registration taxes, license taxes, and similar taxes borne by the automotive industry, which is an industry served largely by the tire industry. And that is without considering the sales tax on automobiles which this bill provides. We feel that that is certainly enough by way of taxes for one industry to bear.

Now, up to this point I do not think there is any difference of opinion among rubber manufacturers.

And going one step further, there is no difference of opinion, at least of which I am aware, among the rubber industry that a general sales tax applying to all manufactured products is the most fair means of raising the taxes required; and it would be a step that would go farther to restore confidence on the part of the people of this country than any other step this committee could take. But if the rubber industry does have to bear a tax in addition to what it already bears, other than a general sales tax, we feel that the less painful method of collecting the tax would be by placing an import tax on rubber itself. And in making this statement I feel that I am expressing the view of manufacturers of substantially a majority of the rubber products manufactured in this country.

The CHAIRMAN. Do I understand that you represent the Goodyear Tire & Rubber Co. and the Firestone Tire & Rubber Co., and so on?

Mr. JETT. Yes, sir. I also understand that this plan has been advocated by others, including the General Tire & Rubber Co., although I have no specific authority to speak for them.

Senator LA FOLLETTE. Let me ask right there how much revenue would be produced this year under an import tax?

Mr. JETT. Well, I do not think that \$52,000,000 would be produced. It would be a mere guess on my part to try to state what would be produced during the first year. According to a survey which we made hurriedly in Akron there is approximately one year's supply of crude rubber on hand at this time.

The CHAIRMAN. You are talking on behalf of the B. F. Goodrich Rubber Co., as I understand it. How much rubber have you on hand?

Mr. JETT. I could not answer that question.

The CHAIRMAN. Have you enough on hand to last you for six months?

Mr. JETT. As to whether we have that much on hand or not, I can not say. We have at least a six month's supply.

The CHAIRMAN. And you could get it into the United States before this bill would take effect?

Mr. JETT. I assume we could have it in here by that time, yes.

The CHAIRMAN. Now, how about the Goodyear Tire & Rubber Co.? Do you know about them?

Mr. JETT. No, sir.

Senator COUZENS. You do not mean to say to the committee that you do not know how much crude rubber the B. F. Goodrich Rubber Co. has on hand, do you?

Mr. JETT. Yes; I answer that that is true.

Senator COUZENS. As the secretary of the B. F. Goodrich Rubber Co., do you mean to say that you do not know how much crude rubber your company has on hand?

Mr. JETT. Yes; Senator Couzens, I answer that I do not know. I could find out if it is a material question, but I do not handle the purchases of rubber. I am in charge of legal work for the Goodrich Co. and have nothing to do with the purchase of rubber. I could give a fairly close estimate as to what our total commitments for rubber are, but as to how much of it is represented by rubber in Singapore, and how much in England, and how much in Canada, and how much in Akron, and how much is on the ocean, I could not answer you.

Senator COUZENS. Well, you can see that it is an important question for us to know. If it is estimated that we are only to receive \$5,000,000 for the first year, and that is what prior witnesses have estimated, it is important for this committee to know where the rubber is, who has it, and how much there is.

Mr. JETT. I believe the estimate was \$5,000,000 for the balance of 1932.

Senator COUZENS. Yes.

Mr. JETT. And I think that is a fair estimate for the revenue for 1932. You see there will be only six months of 1932 left available for this.

Senator COUZENS. So this import tax will not be a very lucrative tax to the Government.

Mr. JETT. Not for the first one-half year. The probabilities are that during the first two years it would produce somewhere from \$40,000,000 to \$50,000,000 or \$55,000,000 or maybe more.

Senator COUZENS. I am at a loss to understand your preference for a 5-cent per pound import tax.

Mr. JETT. If I have the opportunity I will give you my reasons.

Senator COUZENS. All right.

Mr. JETT. But before doing that I should like to finish the statement I had started to make in response to Senator LaFollette's question.

Senator COUZENS. All right.

Mr. JETT. The annual consumption of rubber in this country is about 340,000 long tons. That means 2,240 pounds to the ton. Now, that is the estimated 1932 consumption. There is probably a year's consumption available, but that includes inventories, and those inventories would have to be maintained. That is, you could not sell all that rubber before you bought another pound. You would have to have a normal inventory.

Now, Senator Couzens, I am going to try to answer your question: The principal reason why I favor an import tax over a sales tax on this specific industry is, first, the cost of administering it. It will cost the Government a considerable amount of money to administer it, and—

Senator COUZENS (interposing). Do you mean to administer one of these general proposals?

Mr. JETT. The sales tax on this particular industry; yes. That complication arises in the matter of tracing products to the uses for which they are sold. And then—

Senator COUZENS (interposing). Well, that would not be true if the committee took one of the alternative plans, if we should say 5 cents per pound for the rubber content, would it?

Mr. JETT. I think it would be even more complicated.

Senator COUZENS. More complicated than the first plan?

Mr. JETT. Yes, sir; and very much so.

Senator COUZENS. The trouble with the first plan is that it places an undue burden upon transportation, does it not?

Mr. JETT. It does.

Senator COUZENS. As it places it on pleasure vehicles.

Mr. JETT. It does place an undue burden upon transportation. It cripples the whole automotive industry.

Senator COUZENS. Having in mind the committee's desire for revenue, how do you propose for us to get revenue if we can only get \$5,000,000 on the proposal of 5 cents per pound on crude rubber?

Mr. JETT. Our proposal to you is a general sales tax.

Senator COUZENS. But suppose we have to deal with one of the alternative plans instead of the sales tax?

Mr. JETT. Well, in the first place, I think it would not be fair to ask the rubber industry to come in here and provide \$52,000,000 or \$50,000,000 or \$25,000,000 or \$15,000,000 even. I think it is analogous to arresting a man on the street and saying to him: "You are going to be put to death to-morrow morning at 8 o'clock, and you have to choose as a means from among electrocution or being shot or being hanged." I think that is the proposition here.

Senator COUZENS. We are holding this hearing for the purpose of giving you an opportunity of expressing your views with respect to raising the revenue.

Mr. JETT. Yes; I understand that.

Senator COUZENS. And your plan does not raise the revenue. That is my point. That is what I should like to have you explain.

Mr. JETT. There is no plan that you could put into effect that will raise the desired revenue from this industry that would be at all fair.

Senator COUZENS. I am not questioning that. I think that is true. But I am supposing that there are degrees of fairness.

Mr. JETT. I have already stated that if you have got to raise this amount of money from the rubber industry, however unfair it may be, the least painful method of raising it is by means of an import tax.

Senator COUZENS. But which does not get us the revenue.

Mr. JETT. Well, neither will the sales tax give you the revenue unless it is confiscatory in amount.

Senator BARKLEY. But as I understand it, an import tax does raise \$55,000,000.

Senator COUZENS. No; it has been testified before the committee that it will only raise \$5,000,000 during the first six months.

Senator REED. Because, Senator Barkley, there is a year and a half's supply in this country.

Mr. JETT. There is probably a year's supply of crude in the country, but it is always necessary to have on hand an inventory of rubber. You can not sell your last pound of rubber before you begin to import it. Rubber is produced half way round the world from here, and you must be sure to buy it and get it here in time, and you have to keep a three or four months' supply on hand in order to be sure that you will keep your factories going.

Senator REED. What percentage of rubber comes from Brazil?

Mr. JETT. A very small percentage, but I would have to ask some of these gentlemen sitting here to give you an answer to that question.

A BYSTANDER. Less than 5 per cent, and probably 3 per cent would represent it.

The CHAIRMAN. You may proceed.

Mr. JETT. You asked my reasons why, if this amount must be raised from this industry, an import tax would be a less painful method of raising the revenue. My reasons for that are these. If you should have a sales tax applying on individual products, there is a tremendous accounting problem for the manufacturer, who has got to compute the tax on each sale. He has to invoice that tax to each one of his customers, and he gets a lot of resentment from his customers. And you will get a lot of resentment from those customers also. We have to keep an account of these collections for the Government. We have to collect it, and if we fail to collect it we have to pay it to you anyhow. I estimate that it will cost the B. F. Goodrich Rubber Co. somewhere around \$50,000,000 to do the accounting and collecting work and take care of bad and doubtful accounts.

Senator REED. If we should put a flat tax of X per cent on all sales of tires, that ought not to require \$50,000,000 of expense to calculate it and do what you refer to.

Mr. Jerr. Here is the trouble: You can not tax export sales. The Constitution won't allow that. You have never had a double tax on an automobile tire going with original equipment. There are a number of articles, for instance, a belt, that we do not know when we sell it whether it will be used as a fan belt on an automobile, or a belt on a refrigerator, or a belt on a Delco lighting equipment. It would mean that we would have to trace every one of these doubtful items, and we have got to find out whether the man who bought the tire, for instance, exported it, or where he sold it, or what he did with it.

Senator Reed. That would be unreasonable. But if we tax everything you make and then allow the automobile manufacturer to deduct the cost of it from the value on which he pays the tax, we would avoid duplication.

Mr. Jerr. Nevertheless you would have the expense of compiling records, of invoicing, of collecting the tax and keeping a record of it, and accounting to the Government for it, which would be a substantial amount. Not only would it be expensive for the rubber companies but also for the Government to administer a specialized sales tax of that kind. It is very much simpler to collect the tax on your net sales.

As to placing a tax on the rubber content of the finished article, only a chemist could tell what it is, because it depends upon what the manufacturer compounds that tire with. It depends upon the various articles that are put into the compound before you could tell what is the rubber content of the article. A chemist might be able to tell, but I do not know. Perhaps as Mr. O'Shaughnessey says, the bookkeeping departments could figure that out if you want to put that burden on us.

Senator Couzens. Of course we have a great many import taxes where the tax is based upon the content of the product. I do not know that there is especially any trouble there.

Mr. Jerr. Rubber content is a very complicated matter to figure out.

The Chairman. I take that would be on the basis of the chief value. Under present conditions I do not think you could tell about that, or that rubber was.

Senator Couzens. I did not mean on the basis of the chief value, but on the basis of the rubber content. If you had the percentage I take it that would cover the matter.

Mr. Jerr. One of the gentlemen who preceded me mentioned that the United States Rubber Co. has large plantations, and while I think they have the largest rubber plantations, yet the Goodyear and the Firestone companies also produce a part of their own rubber.

Senator La Follette. What percentage of it?

Mr. Jerr. I can not answer that question. I assume it is a smaller percentage than is produced by the United States Rubber Co., but there is a substantial plantation owned by Goodyear and similarly by Firestone.

Senator Walsh. Is hard rubber made from gutta percha?

Mr. Jerr. Hard rubber is made from the same kind of rubber that a tire is made of except it has more sulphur and is vulcanized longer. Gutta percha is entirely different. It is used principally for golf

ball covers and for submarine cables; at least those are the principal uses that I know of.

Senator COVENS. What did the Goodrich Co. import in 1931 as to volume of rubber.

Mr. JETT. I could not give you that information. I assume that we use approximately 15 per cent of the total rubber used, and there are 840,000 tons of crude rubber used annually. Now, that is largely a guess. I am not familiar with the factory end of the work or the purchase end on the work.

Senator SHORTRIDGE. Following up that thought as to importations of rubber, let me ask: I understand that the industry has on hand about how many tons?

Mr. JETT. There is about one year's supply, I believe. Some of the others have the figures here.

Senator SHORTRIDGE. All right. But you have a considerable quantity of crude rubber on hand.

Mr. JETT. Yes, sir.

Senator SHORTRIDGE. What is the price of rubber now?

Mr. JETT. The price of rubber before this act was considered was about 3 cents a pound. I believe it is up over 4 cents a pound now. But some of these other gentlemen could tell you better about that than I can.

A BYSTANDER. It was 4¼ cents a pound yesterday morning.

Senator SHORTRIDGE. So that in buying rubber you would pay that much per pound?

Mr. JETT. You would pay about 166 per cent tax on the price.

Senator SHORTRIDGE. I am not talking about the percentage. How much would you pay for rubber to-day if you were to put in an order for the purchase of rubber to be imported?

Mr. JETT. If you purchased it in Singapore it would be less than 3 cents a pound.

Senator SHORTRIDGE. Now, do I understand that having this quantity on hand, and with rubber at this low price, the industry would seek to import rubber during the coming year—

Mr. JETT (interposing). Undoubtedly it would slow up.

Senator SHORTRIDGE (continuing). Wait a moment. It would slow up somewhat, but they would not cease to import crude rubber, would they? They would not go forward and exhaust all of their supply on hand, I mean.

Mr. JETT. No, sir; we could not do that.

Senator SHORTRIDGE. Simply to avoid importing crude rubber and paying the duty.

Mr. JETT. They could not do that. It would undoubtedly slow up importations of crude rubber, but they would require substantial inventories. They could not exhaust their inventories before beginning buying, because they could not take the risk of rubber getting in here from the Far East. You can not use your last pound before your next pound gets in. You have to keep a substantial inventory on hand. I should say that including your finished goods inventory and your raw material inventory, there would be at least a four months' supply on hand.

Senator SHORTRIDGE. And that would mean that they would necessarily continue to import crude rubber.

Mr. JETT. Yes, sir.

Senator SHORTRIDGE. But in less quantity.

Mr. JETT. Yes, sir.

Senator SHORTRIDGE. Wherefore, the argument is that there would not be any very considerable duty paid during the coming year.

Mr. JETT. I think there would be a small amount of duty paid during the next six months, and thereafter for the next six months there would be somewhat less than normal importations, and then thereafter there would be undoubtedly normal importations.

Senator SHORTRIDGE. As a matter of business when rubber is so low as compared to what it was years ago, wouldn't the industry now take advantage of the low price of rubber and import it in large quantities?

Mr. JETT. It is quite possible that they would take advantage of the low price of rubber, but they would not import it with this tax on it. They would probably continue to purchase it and hold it abroad. But I do not think they would import crude rubber to lengthen their present position.

Senator SHORTRIDGE. What was the price of rubber, and I do not recall the testimony, but about what was the price of rubber a year ago?

Mr. JETT. The price of rubber a year ago as I recall it was somewhere around $8\frac{1}{2}$ cents a pound. I should like to get somebody sitting here who buys rubber to tell you that.

A BYSTANDER. It was about $8\frac{1}{2}$ or 9 cents a pound a year ago.

Senator BARKLEY. I assume that all this surplus rubber, which practically represents a year's supply, might be compared to an ordinary or normal surplus of a six months' supply.

Mr. JETT. Yes, sir.

Senator BARKLEY. Which was brought about because of the extreme cheapness of crude rubber and to have the benefit thereof in case rubber ever goes up again.

Mr. JETT. Yes, sir.

Senator BARKLEY. In other words, those manufacturers in a position to buy rubber now are buying it ahead of their needs because it is cheap and because they can make a profit out of it when rubber spurts back up again.

Mr. JETT. That is correct.

Senator BARKLEY. So that if we put this import tax on crude rubber of course that would be added to the present price. But if it was anticipated that in the course of a few months rubber would go up, the inducement would still be held out to them to buy, or at least those in a position to buy rubber.

Mr. JETT. That is true.

Senator BARKLEY. Against the approach of the time when it would go up naturally in price.

Mr. JETT. Yes, sir.

Senator BARKLEY. There would be no cessation of normal purchases brought about, by reason of the abnormally cheap price of the product.

Mr. JETT. I think that is correct.

Senator BARKLEY. And of course those who have rubber already stored and which they purchased at 3 cents a pound will add the tax onto that price although they pay no tax on it. So that the

public will pay the tax just as though it had been sent in to the Treasury.

Mr. JETT. I can not speak for the industry on that, but I assume it will be done.

Senator REED. And if it were not done everybody would be put out of the business who had not an inventory.

Senator COUZENS. Assuming that this tax is put on, then all stocks on hand would go up 5 cents per pound.

Mr. JETT. I think as soon as the tax is put on the price of rubber in this country would increase to somewhere around 7 to 7½ cents a pound.

Senator WALSH of Massachusetts. How large a storage capacity have the larger companies?

Mr. JETT. I can only speak for the B. F. Goodrich Rubber Co., and I think we have sufficient storage capacity to store several years' supply of rubber. I think that would be true of all rubber companies, for the production in the industry is less than it was years ago and they have a lot of available space.

Senator WALSH of Massachusetts. I suppose the smaller dealers are not so fortunate.

Mr. JETT. I do not know about that. Some of the smaller dealers no doubt have long positions and some have short positions.

Senator COUZENS. So the passage of the bill that is now before us mean an enhancement of value of stocks of rubber on hand of something like \$53,000,000.

Mr. JETT. I wouldn't say that much but a substantial amount.

Senator COUZENS. So that the passage of this bill would mean a gift to those who have stocks of crude rubber on hand of something like \$53,000,000.

Mr. JETT. I do not know that it would be a gift to us.

Senator COUZENS. Well, if it increased the value of the stocks of crude rubber on hand it would do that.

Senator WALSH of Massachusetts. It would increase the inventory value, you mean.

Mr. JETT. Yes. But we have that for use and not for sale as crude rubber. It depends upon what we can manufacture and sell it for. Our experience in the manufacture and selling of products during the past two years has shown a loss of surplus by 8 of the larger companies of about \$62,000,000 in our operations.

Senator COUZENS. Isn't that because of competitive conditions?

Mr. JETT. That is due to a number of causes, but competitive conditions is one of the serious causes. Shrinkage in inventory value is another serious factor. Loss on exchange when England went off the gold standard was a contributing factor.

Senator COUZENS. To what extent or in what percentage was the fact of England going off the gold standard a contributing factor?

Mr. JETT. I could not say. But in the case of the Goodrich Co. it was probably approximately \$2,000,000. It was not because of the effect on the English currency alone, but on Canadian and South American currencies as well. My recollection of the figure is that it was \$1,850,000 direct loss that we took last year on account of the situation.

Senator COUZENS. Was it your loss or England's gain?

Mr. JETT. I do not know that it was England's gain.

Senator COUZENS. Or the gain of other countries off the gold standard?

Mr. JETT. I do not know whether there is any gain there or not. But it was certainly a loss to us, on paper. We might get it back if they were to go back to the gold standard.

The CHAIRMAN. Is there anything else that you wish to present to the committee?

Mr. JETT. One other thing.

Senator LA FOLLETTE (interposing). The rubber industry divides on this proposition, does it not?

Mr. JETT. That is right.

Senator LA FOLLETTE. Is it or not a fact that the division is produced by the relative positions of the various companies so far as their position in rubber is concerned?

Mr. JETT. That undoubtedly has some influence.

Senator LA FOLLETTE. Will you furnish for the record of the committee an exact and detailed statement of the present position of your company concerning crude rubber?

Senator WALSH of Massachusetts. Do you mean their holdings of crude rubber, Senator La Follette?

Senator LA FOLLETTE. Yes.

Senator SHORTRIDGE. Do you mean over here in the United States?

Senator LA FOLLETTE. Anywhere.

Mr. JETT. I am not certain that that would be a fair thing for us to do.

Senator LA FOLLETTE. Well, you have just stated that the rubber industry divides in its position upon this proposed tax because of the relative positions of the various companies concerning their stocks of rubber. Now, I think it is fair to ask those people who are coming here advocating the import duty, in view of your admission that your position in the matter of rubber has much to do with the attitude you take, to know what rubber you have, so that we may properly evaluate the weight to be given to your testimony.

Mr. JETT. In the first place, Senator La Follette, I did not make the statement that that was the determining factor. I did state, or concede to you, that I thought that had some influence on it.

The CHAIRMAN. Didn't you also state approximately the amount of rubber you have on hand?

Mr. JETT. No, sir; I did not. I do know our approximate manufacturing demand.

Senator WALSH of Massachusetts. Would it embarrass you with your competitors to make known that amount?

Mr. JETT. I think it would.

Senator WALSH of Massachusetts. Don't you have in your inventory which you prepare each year a statement of the amount of rubber you have on hand?

Mr. JETT. We state by way of dollars and cents the amount of our total inventories, which includes finished goods as well as raw materials.

Senator COUZENS. And the reason you do not want to furnish that data is that you think it would embarrass you?

Mr. JETT. I think it would. I would not object if every company filed a similar statement, although I do not know that we would do

so if it should be made a public record. I do not think it is fair to ask me to do that.

Senator COUZENS. Well, we would ask all of them to do that.

Senator LA FOLLETTE. Oh, yes. I meant to ask every witness to furnish the same statement.

Senator COUZENS. Let us decide in executive session whether we want to ask for that information.

Senator LA FOLLETTE. We are in executive session now.

Senator COUZENS. Well, there is a record being made of these proceedings.

Senator SHORTRIDGE. You say there are some companies who have only a little rubber on hand?

Mr. JETT. That is probable.

Senator SHORTRIDGE. And other companies that have a considerable amount of crude rubber on hand.

Mr. JETT. I think that is undoubtedly true. I would assume it would run from four to five or six months at the bottom, including crude rubber and rubber content of finished goods inventories, up to around 18 months for some. But I will now go on record by saying that I do not think we are as far out as at least two of our largest competitors, although I do not know.

The CHAIRMAN. Have you anything else to present?

Mr. JETT. In case this tax does go on the importations of crude rubber, there are two items which I have called to the attention of two members of the committee and which I should like to call to the attention of all of the members, and I have prepared a written memorandum on it. One relates to the compensatory provision, and the other relates to the effect when the tax comes off. I believe that is adequately covered in this memorandum of which I will leave copies for the members of the committee.

The CHAIRMAN. Let the committee reporter have it for the record.

Mr. JETT. It is as follows:

We wish to call your attention to two matters in connection with the proposed import tax on crude rubber as provided in Title IV, section 801 (c) (8).

(1) The compensatory provision in this section under which a 5-cent per pound tax would be imposed on the rubber content of imported articles is not adequate to offset a tax of 5 cents per pound on imported crude rubber, because in the imported finished article the tax is on the rubber content, whereas in making articles here there would be a substantial waste of tax-paid rubber due to the washing of rubber to eliminate foreign substances, waste in manufacturing operations, and rubber consumed in products which are defective. Moreover, it would be practically impossible to determine the rubber content of rubber articles. It is therefore suggested that this 5 cents per pound tax on the rubber content of imported article be changed to a 5-cent per pound tax on the total weight of the imported rubber article.

(2) After the termination of this tax on June 30, 1934, American manufacturers of and dealers in rubber products would have on hand an inventory of tax-paid crude rubber, rubber in process of manufacture, and rubber in finished goods. Until this inventory is depleted, foreign manufacturers would be able to import manufactured rubber articles free of this tax. This would place the American manufacturers of and dealers in rubber products at a

very distinct disadvantage as compared with such foreign competitors. It is recommended that there be included a provision in this connection similar to that provided in section 602 (e) (1) under which the tax paid on the rubber content of inventories carried by rubber manufacturers and dealers would be refunded.

This memorandum is not to be construed as an acquiescence in the imposition of a tax such as set out in section 601 (c) (8), as we are unalterably opposed to a special tax against this industry, but should such a tax be proposed these provisions should be included.

Senator LA FOLLETTE. Mr. Chairman, I now move that all witnesses appearing before this committee on this tax be requested to furnish the committee with a detailed statement of their crude rubber position, and the committee may then determine whether it will make it public or not.

Senator COUZENS. Before that motion is put, I should like to say—

Mr. JETT. I think on that matter—

Senator BARKLEY (interposing). I should like to ask this witness—

Mr. JETT (continuing). I want to draw Senator La Follette's attention to the fact that all of the big companies have not appeared and therefore your motion is not inclusive enough.

Senator SHORTRIDGE. I take that would apply to all of the companies.

Senator LA FOLLETTE. I will amend my motion to require all of the principal manufacturing companies, or that they be requested by the committee to furnish a statement of their crude rubber position, and the committee will then determine whether it will make it public or not.

The CHAIRMAN. But we want to go forward with this bill right away.

Senator LA FOLLETTE. You will not get action on the bill in the Senate before you will be able to hear from those people.

The CHAIRMAN. I realize that.

Senator COUZENS. This will have to be put on as an amendment on the floor.

Senator LA FOLLETTE. We will have plenty of time to get the statements.

Senator SHORTRIDGE. They will have ample time to furnish the information.

Senator WALSH of Massachusetts. I suppose in event of refusal by any company to give this information you would suggest resorting to the power of summoning witnesses.

Senator LA FOLLETTE. The committee can determine that afterwards.

The CHAIRMAN. What I was going to say was this, when I was interrupted, that the committee could simply now write a letter and ask them to furnish the information, and then if they fail to do so the committee can take whatever action it desires in the future.

Senator LA FOLLETTE. That is correct.

Mr. JETT. Does that apply to all rubber companies or just to those who have appeared here?

The CHAIRMAN. We would like to get the information from all rubber companies.

Mr. JETT. It seems to me in fairness it should apply to everyone, and also that it should be kept as confidential information and not made available to our suppliers and competitors.

The CHAIRMAN. Perhaps we can get the information in this way, if the committee has no objection: I will have the press make a statement to-day that at our meeting held to-day a request was made of all rubber manufacturers to furnish the committee with the amount of crude rubber they have on hand. And if they do not answer that I can follow it up by letter.

Senator LA FOLLETTE. Oh, you must write a letter. Just a statement in the press will not cause them to comply with the request.

Senator BARKLEY. If it has any bearing upon this tax bill, and I am frank to say that I do not see that it has, but if it would be worth anything you would have to ask them how much they paid for the rubber on hand, so as to evaluate their interest either for or against a particular sort of tax, all of which it seems to me is a lot of detail we do not need.

Senator LA FOLLETTE. I do not see that point.

Senator COUZENS. May I point out that this has a very vital bearing if we are looking for revenue, as to the amount of crude rubber that is really on hand at this time.

Senator BARKLEY. Before this witness leaves let me ask a question: The impression has been left that all this surplus rubber now on hand has been bought at cheap prices such as are at present prevailing. I should like to know whether or not that is true, or whether a lot of the crude rubber was purchased when rubber was up around 12 or 15 or 20 cents a pound.

Mr. JETT. I doubt if there is any rubber on hand now that was bought at that price. Possibly the loss was taken by rubber companies writing their rubber stocks down to the market. What price they paid for it I could not say.

Senator BARKLEY. You do not know what proportion of the rubber on hand now has been purchased at present prices?

Mr. JETT. No. I think that would depend upon the accounting methods. In the case of some of the companies they exhaust the oldest rubber first.

Senator COUZENS. At any rate it was all written down to present prices.

Mr. JETT. For accounting purposes.

Senator COUZENS. You can tell what the average cost of the rubber on hand to-day is.

Mr. JETT. No. We could not tell which pound of rubber was bought at this or that price. We simply keep it all as one class of rubber, and we evaluate it at the price of the market at the time the valuation is made.

Senator SHORTRIDGE. I understood you to say that for business reasons the companies would be disinclined to make public the quantities respectively that they have on hand; that there are business reasons, competitive reasons, or other reasons why they would not desire to give that information to the public.

Mr. JETT. Yes. There are reasons why no rubber company would want that to become available to its competitors or suppliers. It would give a competitor a very strong competitive position over him.

Senator COUZENS. Did the chairman put the question?

The CHAIRMAN. Not yet. Let me ask a question: Mr. Viles, have you a rubber manufacturers' association?

Mr. VILES. Yes, sir. The Rubber Manufacturers' Association is the name of it.

The CHAIRMAN. Who is the president of it?

Mr. VILES. Mr. J. D. Tew, the president of the B. F. Goodrich Rubber Co. is the president of the association.

The CHAIRMAN. Are you the secretary?

Mr. VILES. The general manager.

The CHAIRMAN. Could you secure that information and send it to the committee? You know all of them who are interested and could get it and send it to the committee, I take it.

Mr. VILES. I will be very glad to try.

The CHAIRMAN. Have you any doubt but what you can do it?

Mr. VILES. I think that would be feasible if it were for the information of the committee. I think you have heard a doubt expressed if it is to become the property of each other in the industry.

Senator LA FOLLETTE. I now offer as a substitute motion: To request Mr. Viles to secure from the members of his association for the information of this committee a statement as to the crude rubber on hand and commitments of the various members of his association.

The CHAIRMAN. That is what I thought we could do. That was the reason I asked the question of Mr. Viles.

Mr. VILES. As confidential information?

Senator LA FOLLETTE. Yes. Well, let us have it understood it is to be confidential so far as reporting the individual position of any company is concerned.

The CHAIRMAN. As to the amount of crude rubber held by any individual company.

Senator LA FOLLETTE. But that the members of this committee would be in a position to use the totals to show the effect of the tax, and so forth.

The CHAIRMAN. Without objection the substitute motion will be considered as agreed to.

Mr. VILES. Might I ask Senator La Follette if he will say that is to include all rubber manufacturers. There may be one or two who are not members of our association but whom we will approach just the same.

Senator LA FOLLETTE. Certainly.

Mr. VILES. You referred to commitments. Sometimes commitments mean rubber that is not here. Do you want to separate it in two parts. Do you want stocks on hand and afloat and forward commitments?

Senator LA FOLLETTE. Yes.

The CHAIRMAN. That would only apply to the price of it.

Senator COUZENS. That is important because according to Mr. O'Shaughnessey's testimony the amount in Canada and afloat and which can get in here before the tax would be imposed, must be considered. Let us have the commitments as well.

Mr. VILES. There are forward commitments that are in here, in the country.

Senator LA FOLLETTE. I suggest that you get information in these three classifications.

Mr. VILES. I think I understand.

The CHAIRMAN. And we will be glad to have it as soon as possible.

The CHAIRMAN. Mr. Bradley Dewey.

STATEMENT OF BRADLEY DEWEY, DEWEY & ALMY CHEMICAL CO., CAMBRIDGE, MASS.

Mr. DEWEY. Mr. Chairman and gentlemen of the committee, I come here to represent a type of manufacturer that has probably not been represented before, one who uses rubber as his raw material but is not normally considered a rubber manufacturer.

I had prepared a memorandum of my ideas on the subject. I am going to ask permission to leave it with your secretary, because I find many parts have been already covered. I do not want to burden you.

The CHAIRMAN. It will be made a part of the record at this point.

Mr. DEWEY. It is as follows [reading]:

MEMORANDA ON THE SUGGESTED IMPORT DUTY OF 5 CENTS PER POUND ON CRUDE RUBBER

1. Comments on duty as originally proposed:

(a) The amount of revenue which might accrue from such a duty would be entirely disproportionate to the disastrous results to American industry which would almost certainly ensue. Such a final straw added to the financial burdens already carried by the rubber manufacturers and the far-flung organizations correlated with them, may well entail calamity to capital and workingmen alike.

It would be the death warrant for those concerns which have sold forward and believed they had covered themselves on raw material.

It would be almost equally fatal to industries which elected to use rubber as an essential ingredient in their products instead of other competitive ingredients which remain untaxed. A concrete example of such use is in brake bands where rubber is employed as a binder in competition with oils, resin, asphalt, and so forth.

(b) A duty on a raw material not produced in this country and of such widespread use presupposes an economic theory which appears to be directly opposed to all the accepted ideas of protective taxation.

(c) Such a duty might well provoke a retaliatory export duty on rubber at least equal to the amount of the import tax.

(d) Without drawbacks of duties paid on rubber used in exported products, this tax would ruin the export trade of American rubber companies and that of a great number of consuming concerns (automobile, shoe, electrical manufacturers, and so forth).

(e) If provisions were made for such drawbacks, the cost of policing and bookkeeping would be prohibitive, both to manufacturers and to the Government. In fact, rubber plays such a concealed part in many industries that effective drawbacks would be impossible.

(f) The cost of collecting a tax on stocks of rubber as a sales tax on rubber goods of which the rubber content is constantly varying would be prohibitive.

2. To meet a few of these objections and, particularly, the belief that such a tax would be discriminatory in favor of certain large concerns which have from one to three years supply of raw rubber on hand in this country, it has been suggested that all physical stocks in the United States should, by some mechanism, be taxed a similar amount.

(a) Such a scheme fails to obviate the probability that an import duty will provoke retaliatory duties by countries of origin. Only minor differences have prevented the British and Dutch Governments from imposing such a tax. The proposed tax would spur them to combine in a common offensive against American industry.

(b) The imposition of any equivalent of a tax on stocks of rubber already stored in the United States would require inquisitorial machinery closely analogous to that of prohibition enforcement. The cost of collecting this part of the tax would necessarily be disproportionate to the proceeds. Honest manufacturers would resent such policing and any dishonest ones could probably evade it.

3. If the rubber industry should bear a special share of the national tax burden, two alternatives have been proposed. (1) A sales tax on all rubber goods; (2) a sales tax on tires alone.

(a) A tax on rubber goods alone, not taken as merely one item in a general sales tax, would be extremely involved and impractical because of the difficulty of determining when products should be classed as rubber goods. While rubber gloves, hot water bags, and so forth, are undoubtedly rubber goods, such things as brake bands, some electrical products, battery boxes, artificial leathers and shoes, often contain minor but appreciable amounts. Where is the line to be drawn? The determination of these questions would be involved and expensive and would induce quibbling, litigation, and dishonesty.

(b) Approximately 80 per cent of all the rubber imported into the United States is manufactured into tires.

(c) A sales tax on tires would be inexpensive to collect inasmuch as all tires are manufactured under serial numbers and by comparatively few large concerns.

(d) A sales tax is of domestic concern and would not provoke any retaliatory export tax.

(e) The consuming public would rebel against a rubber tax on products in which they didn't recognize rubber as an ingredient. For example, few people recognize the large quantity of rubber utilized in the construction of automobiles in addition to that in the tires; i. e., often over 50 pounds per car in the form of spring shackle coverings, running board covers, floor mats, wire cables, steering wheels, and so forth.

(f) It would obviate the unfairness of taxing articles partially made of rubber which are in direct competition with those employing untaxed ingredients.

DEWEY & ALMY CHEMICAL CO.,
BRADLEY DEWEY, *President*.

MAY 10, 1932.

I state frankly, as have others, as a manufacturer, I personally favor a general sales tax, but I assume in the rest of my discussion that the committee feels that they must, for reasons best known to themselves, raise a special tax from the rubber industry.

I also want to assume that this committee is too wise to get tangled up in this unfortunate intrigue between the rubber manufacturer who is long and the rubber manufacturer who is short; and I assume that the committee, in order to meet that situation, will, if it elects to raise this income, find some method of placing an equitable tax of equal magnitude on the stocks of rubber that are now in this country.

Senator COUZENS. I just want to make it plain. Do not assume to much wisdom to this committee, however.

Senator BARKLEY. I do not think it is up to the committee to dispute it.

Senator COUZENS. I knew the committee would not, and I did not want him to misunderstand it.

Mr. DEWEY. I can not help but feel that you would, if you do this, place a tax in the form of a sales tax, excise tax, or something that would take care of that situation. Otherwise, you would be ruining rubber manufacturers at the expense of others in a very unjust way. The fellow who was long of rubber would not necessarily mark up his inventory. He would simply keep his prices up or down and walk the other fellow out of business.

With those assumptions, I want to point out that there is another class of manufacturer that uses rubber, of which my company happens to be a member. We use rubber as a raw material to make products that come into competition with not other rubber products, but products made with other raw materials.

As for an example, brake bands. Now, our brake bands are bonded together with rubber. Other brake bands are bonded together with asphalt, which is imported, and pays no tax. Others are bonded together with china wood oil, which is imported and bears no tax.

Senator KING. We put a tax on asphalt in this bill.

Mr. DEWEY. Well, I am using that as a single example, Senator.

Senator KING. It did not have a tax heretofore and ought not to now have it.

Mr. DEWEY. It certainly ought not to be there, because you are going to raise the dickens with roads and a lot of other things.

You get down to inner soles and items which we manufacture. We are not in competition with rubber products; we are in competition with the very cheapest forms of leather, and so on. Our organization is built up on research, one of the finest research departments in the country.

Senator COUZENS. What is the name of your company?

Mr. DEWEY. Dewey & Almy Chemical Co. of Cambridge, Mass. We only represent a class. There are other companies. The Brown Co. of Berlin, N. H., manufactures fiber leather. They are scattered all over the country; you can find them, who are in this same fix. They have had faith in the Government not tampering with raw materials. Economic swings were enough. So they at least feel that we did not have to have this surprise swing.

We have gone through a mechanical age and an electrical age. Now we are in a chemical age. Your whole chemical age has grown up from a few men who have spent three to five years in research and have done that without any appreciation of what the Government is going to do with it at the other end of the road. It just simply can not be done, gentlemen, and let the other industries live. It simply can not compete with these products if we do not know what our raw materials are going to cost us.

Now, the question of export has been touched on here very lightly. I know you gentlemen are not going to crucify the export business of the rubber companies of this country. You have got to give them some relief. How are you going to do it?

The CHAIRMAN. I recognize the necessity of providing for the export business.

Mr. DEWEY. If you will make it as you have on exported oil you would do it as a separate tax. That rubber fellow would be making tires in the mold with a common stock of raw materials. He can not do it otherwise. He hasn't in enough orders and he can not do it. He may be making hot water bottles, maybe surgeons' gloves, and to segregate that would be practically impossible, and it would be tremendously costly for the Treasury Department to try to come along and find out how much rubber is in it. Because I might make a hot water bottle with 20 per cent of rubber and my competitor might use 60 per cent, and if you carried that all through the industry the Lord knows what is going to happen to you. I can not conceive of

how you could adequately take care of the drawback phase of this thing in the export business. You are simply going to have another case of the prohibition law where you set out to make crooks.

Senator CONNALLY. You covered a good deal of territory this morning.

Mr. DEWEY. Excuse me.

Senator CONNALLY. Are you here on prohibition or asphalt or rubber?

Mr. DEWEY. Excuse me, Senator.

Senator CONNALLY. Really, I want to know.

Mr. DEWEY. I am here on rubber.

Senator CONNALLY. I think it would be well for you to stick to rubber.

Mr. DEWEY. I accept your view, Senator.

The CHAIRMAN. It is more elastic.

Mr. DEWEY. Now we come to the question of the practicability of how to determine rubber goods if you want a general excise tax. That is very difficult, because rubber shades gradually down until it tapers off in the compounding of the products, and if you gentlemen will realize that 80 per cent of your rubber is used in tires and inner tubes, that you can place a definite tax on them that can be collected, that you will not ruin this industry that uses rubber not in competition with other industries, that you will take care of the situation or fellow who is long versus the fellow who is short, I think you will find that Mr. Seiberling has proposed to you a simple, definite method of collecting what income you feel you must collect from the rubber industry without doing great injustices. Thank you.

The CHAIRMAN. Mr. Viles, do you know whether speculators in rubber have very much of a stock on hand, or have they ever carried a stock?

Mr. VILES. In the information we presented the other day, Mr. Chairman, Monday, we showed approximately two hundred sixty-odd thousand tons in the hands of manufacturers, and more than 60,000 tons in the hands of dealers. The largest speculative owners are the dealers, both in New York and London and Singapore. Some manufacturers do take speculative positions at times, but that is not as prevalent as it is among the dealers.

Senator KEYES. Do importers come in the class of dealers?

Mr. VILES. Yes, sir.

The CHAIRMAN. That covers all the witnesses.

Mr. WOLFE. Mr. Chairman, I would just like to present a paper here that shows the method of figuring alternative B in putting the tax on tires and tubes, explaining the memorandum presented just now. That tax will amount to \$30,000,000.

The CHAIRMAN. This may be placed in the record.

Mr. WOLFE. This is explanatory, as follows [reading]:

Notes on a proposed sales tax on tires and tubes on a per pound basis applicable to tires of either foreign or domestic manufacture that would approximate the amount of crude rubber in each tire and tube.

The tire industry, during the next year, will sell approximately 50,000,000 casings with an approximate average weight of 22 pounds each.

Fifty million casings at 22 pounds each, 1,100,000,000 pounds total weight.

Finished casings represent approximately 45 per cent crude rubber: 45 per cent of 5 cents would equal 2.25 cents. Based on a per pound tax of 2.25 cents on casings, the return would be 1,100,000,000 pounds at 2.25 cents per pound, \$24,750,000.

Tubes will have an approximate weight of 8 pounds each.

Fifty million tubes at 8 pounds each, 400,000,000 pounds total weight.

Finished tubes represent approximately 80 per cent crude rubber; 80 per cent of 5 cents would equal 4 cents. Based on a per pound tax of 4 cents on tubes, the return would be 150,000,000 pounds at 4 cents, \$6,000,000.

Total casings, \$24,750,000; total tubes, \$6,000,000; total casings and tubes, \$30,750,000.

Tires and tubes represent approximately 80 to 85 per cent of total rubber production.

Advantages: 1. Everyone, regardless of stocks, would be on an equal basis.

2. An immediate return during the next 12 months of at least \$30,750,000 would be realized, based upon placing a sales tax upon tires and tubes alone.

The CHAIRMAN. Mr. Bromberger.

STATEMENT OF EDGAR BROMBERGER, REPRESENTING ROBERT BADENHOP CORPORATION; LITTLEJOHN & CO. (INC.); MITSUI & CO. (LTD.); HECHT, LEVIS & KAHN (INC.); MEYER & BROWN CORPORATION; H. A. ASTLETT & Co.; HALDANE & CO.; T. A. DESMOND & CO. (INC.), NEW YORK CITY

Mr. BROMBERGER. Mr. Chairman, I want to thank the Senators for the indulgence of a second hearing, but since addressing the committee Monday I have been authorized to represent and oppose the tax on behalf of Messrs. Littlejohn & Co.; Mitsui & Co. (Ltd.); Hecht, Levis & Kahn (Inc.); Meyer & Brown Corporation; H. A. Astlett & Co.; Haldane & Co.; T. A. Desmond & Co. (Inc.); and Robert Badenhop Corporation, who are practically the controlling factors in the importing field in the United States. They are the principal importers. I also called attention of the Senators on Monday to the fact that before this tax became effective there probably would be enough rubber in this country for about 15 or 20 months' supply. That was in answer to Senator Barkley's question. I have here an article printed this morning in the Journal of Commerce, which reads in part:

A rising tide of opposition to the duty from dealers, importers, and manufacturers, threatens to lift the rubber duty out of the revenue bill. Local trade opinion is that it will be replaced by a sales tax on manufactured rubber goods. For the first time in many years rubber is being rushed from London and Liverpool to New York on dealers' orders before the tax becomes effective.

In addition to my presentation last Monday I want to leave one last thought with this committee: That import duty or an excise tax on the use of rubber as it passes from a dealer or into the product of manufacture would seriously affect the credit structure of the rubber industry. It would mean that the importer, the dealer and the manufacturer would require twice as much credit standing for the same supply of rubber that he now receives as he enjoys at present. In other words, if an importer extends a \$20,000 credit to a manufacturer—that is a small figure, but I am taking it at random—in order to supply the same amount of rubber that dealer or manufacturer would have to show a credit standing of approximately twice that which he has to-day. That means an added burden would be thrown on the banks of this country to finance that rubber all along the line and would result in no corresponding benefit to the Government.

It would also mean that the ultimate price to the consumer would be increased by virtually that necessary overhead in paying the interest charges on those loans.

It would also mean a doubling up for some appreciable time, short or long, of the same loans. In other words, the importer has to increase his loan until he gets the money from his dealer, and the dealer would increase his loan; the factory would increase its loan. So that by imposing a tax at the source, such as import or excise, before the rubber is manufactured, you are interfering, I believe in my humble opinion, somewhat with the credit structure of the industry, and also placing an added burden on banks throughout the country.

If the rubber industry is to be singled out—and I am thoroughly sympathetic and patriotic enough in my viewpoint to realize the difficulties of the Senate and the needs of the country to appreciate we must have revenue—but if in its wisdom Congress should single out the industry, it would be far simpler, less complicated, to tax the manufactured article, because otherwise with an import duty supplemented by an excise you have two different departments dealing with the collection of tax. You have your customs dealing with the import; you have your collector of internal revenue dealing with the merchandise in this country as it passes all along the line. Whereas, with a tax on the manufactured product you would concentrate the enforcement of collection and supervision of that tax into one hand.

Senator BARKLEY. That is true. The same situation is true of any other article that has a duty on it and happens to be taxed by an excise tax in this bill.

Mr. BROMBERGER. That is perfectly true, Senator, but it does not seem to me that if we have a choice of methods we ought to select the more complicated as against the simpler.

Senator COUZENS. What is the difference between a dealer and an importer?

Mr. BROMBERGER. Well, an importer is a man who imports the merchandise from abroad.

Senator COUZENS. I understand what an importer is. I am asking what the difference is.

Mr. BROMBERGER. A dealer does not necessarily import.

Senator COUZENS. What function does he perform?

Mr. BROMBERGER. He may trade in the product within the country without importing it directly himself.

Senator COUZENS. What profit does the dealer get out of it and to whom does he sell?

Mr. BROMBERGER. He is in the position, I assume, of a middleman. I do not believe any of these people are dealers. They are dealers and importers.

Senator CONNALLY. Let me ask you, does the importer buy the rubber himself and then sell it? Or is he merely a broker?

Mr. BROMBERGER. As a rule he buys. He may be both, but as a rule he buys. He has capital invested.

Senator WATSON. What rate would we have to put on manufactures of all rubber goods to equal the amount of money we would get by this 5-cent tax?

Mr. BROMBERGER. Senator, I was asked that question this morning from another source, and I shall answer it in this way: While I agree that \$53,000,000 is a large amount to draw out of one industry, nevertheless, whatever amount the Senate shall fix as its requirement from this particular industry which it feels is a just requirement and one which the industry may be in position to pay, the industry

realizes it must produce, and I believe the industry would be prepared, although not particularly happy about returning to the Government the amount which Congress requires from that particular industry.

Senator WALSH of Massachusetts. Would you confine the levying of such a tax to tires and tubes?

Mr. BROMBERGER. I would not, Senator. I think I should include—I think not. I think in the interest of any specific goods—

Senator WALSH of Massachusetts (interposing). How are we going to reach these 32,000 rubber products that these companies manufacture?

Mr. BROMBERGER. Lay a sales tax on all rubber products except those required in medicinal sick rooms and similar necessary articles, including wearing apparel, which ought to properly be exempted and which I think were exempted.

Senator COUZENS. The witness is going to lose some of his customers, Senator, if you keep on asking him those questions.

Mr. BROMBERGER. I do not think so.

Senator SHORTRIDGE. Some one has asked about the difference, if any, between the importer and the dealer.

Mr. BROMBERGER. Yes, sir; Senator.

Senator SHORTRIDGE. Now, we assume that A imports rubber.

Mr. BROMBERGER. Yes.

Senator SHORTRIDGE. Not for the purpose of immediately using it.

Mr. BROMBERGER. But for resale.

Senator SHORTRIDGE. And he resells it to some man, we will say, B, known as the dealer in rubber. Is that the idea?

Mr. BROMBERGER. Yes, sir.

Senator SHORTRIDGE. And the dealer in rubber sells it, presumably at a profit, to the manufacturer. Is that the process?

Mr. BROMBERGER. He may, or the importer may sell directly to the factory. It is handled both ways.

Senator SHORTRIDGE. But there is a type of men known as dealers in rubber?

Mr. BROMBERGER. Yes, sir.

Senator SHORTRIDGE. Not importers?

Mr. BROMBERGER. Yes, sir.

Senator WALSH of Massachusetts. I imagine the dealers buy from the importers and sell to the small manufacturers, but the big manufacturers deal directly with the importers. Isn't that true?

Mr. BROMBERGER. Yes, sir; they are more in the nature of jobbers.

Mr. VILES. Mr. Bromberger, might I amplify that a little bit in answer to Senator Couzens's question and Senator Shortridge's question? An importer may be only an importer or he may be an importer and a dealer, and he imports rubber and sells to the manufacturer. The dealer usually is the man who does not make the large investment required from an importer, buys from an importer, sells either through brokers to other dealers or to other importers who are both importers and dealers; and then we have brokers who simply act as an intermediary and handle no physical rubber.

The CHAIRMAN. And manufacturers import themselves?

Mr. VILES. Import direct; yes.

Senator LA FOLLETTE. If we put this import duty on, who would pay the import tax on the forward movement?

Mr. BROMBERGER. Under the contracts, the vendee. So that we are not looking largely in a selfish spirit at all, but looking down the vista of the entire industry and the effects of this measure in its ultimate application, and we are seriously concerned with the credit features of the situation and see no reason why there should be a further expansion and increase of credit all along the line, the importer, the dealer, and the factory. Whereas the Government could get the same amount of revenue by taxing it in its ultimate use rather than at the source.

Senator SHORTRIDGE. Your contracts contain a provision as to possible tariff duties?

Mr. BROMBERGER. The contracts do not, but rather under the rules under which the contracts are drawn it is provided that import duty or tax levied by the United States or Canada shall be for buyer's account.

(Telegrams and letter received by the chairman subsequent to the above hearing are as follows:)

MAY 18, 1932.

HON. REED SMOOT,

Chairman Senate Finance Committee, Washington, D. C.

DEAR SIR: I am a stockholder in and a director of the firm of Chas. T. Wilson & Co. (Inc.), rubber importers and dealers of New York City.

Yesterday we received information that on May 11, one Edgar Bromberger appeared before your committee as claiming to represent a number of the principle rubber importers, including ourselves. He stated that these firms opposed the proposed import duty of 5 cents per pound on crude rubber and that we urged an excise tax on manufactured articles containing rubber.

Mr. Bromberger was not authorized to represent us or a majority of the others whom he claimed to represent. Upon investigation at the office of your committee, we find that he did not use our name, but, nevertheless, we wish to make clear our position, which we believe is identical with that of the other principal importers.

We did not and do not object to the original proposed import duty of 5 cents per pound, both because we feel that it would be a tax broadly distributed and easily borne and also because it would be a benefit to importers and dealers who have stocks on hand and also to manufacturers similarly situated.

We are opposed to a direct tax on the rubber already in the country, as well as an excise tax on manufactured rubber goods. We, and we believe the rest of the industry, are perfectly willing to bear our full share of such burden, as might be imposed by a general sales tax, as we are deeply conscious of the supreme importance of immediately balancing our National Budget.

Yours very truly,

FRED B. PETERSON.

NEW YORK, N. Y., May 18, 1932.

HON. REED SMOOT,

Chairman Senate Finance Committee:

We are informed that Edgar Bromberger appeared before you on May 11 and stated that he represented a number of prominent importers of crude rubber. We were solicited, through Robert Badenhop, and declined this representation. Furthermore, we are confident, from talks at the same time with certain importers whose names are mentioned, they did not give assent to such representations as we hear were made by him. Mr. F. B. Peterson is at your disposal should you desire any information our feeling on import duty crude rubber.

CHARLES T. WILSON RUBBER CO. (INC.).

NEW YORK, N. Y., May 18, 1932.

Hon. REED SMOOT,

Chairman of Finance Committee:

We are informed that Edgar Bromberger appeared on May 11, 1932, before Senate Finance Committee, stating that we were in favor of an excise tax on rubber tires. This we positively deny. We did express our opposition to any tax being imposed on crude rubber and we still adhere to this position.

MEYER & BROWN CORPORATION.

NEW YORK, N. Y., May 18, 1932.

Hon. REED SMOOT,

Chairman Senate Finance Committee:

We are informed that Edgar Bromberger appeared before the Senate Finance Committee and stated that we were in favor of an excise tax on tires and tubes. This statement is incorrect and Bromberger did not have our authority to make such statement. It is entirely out of our sphere to express an opinion with regard to tax on manufactured articles. We hasten, therefore, to state that Bromberger's statement should not be taken as representing our view.

HOECHT LEVIS & KAHN (INC.).

NEW YORK, N. Y., May 18, 1932.

Hon. REED SMOOT,

Chairman Senate Finance Committee:

We are informed that Edgar Bromberger appearing before your committee on May 11, stated that we were opposed to the proposed 5 cent per pound import duty on crude rubber and were in favor of an excise tax on tires and tubes. This statement as concerns us was not authorized and is a misstatement of our position. Bromberger was not directed by us to make any statements in respect to tax on tires and tubes. We are importers of crude rubber and did not even consider expressing any opinion whatsoever in respect to such a tax. With reference to crude rubber we were adverse to any proposal of tax on crude rubber stocks held in this country by importers against which sales had already been made for future delivery.

LITTLEJOHN & Co. (INC.),
135 Front Street.

NEW YORK, N. Y., May 18, 1932.

ISAAO STEWART.

Senate Finance Committee, Washington:

In reference appearance Edgar Bromberger May 11 submitting our name amongst others apparently advocating tax on tires and tubes. Bromberger only had our authority to protect at that hearing against proposed import and excise tax on crude rubber.

HALDANE & Co. (INC.).

NEW YORK, N. Y., May 18, 1932.

Hon. REED SMOOT,

Chairman Senate Finance Committee:

We understand that Edgar Bromberger, when he appeared before the Senate Finance Committee on May 11, stated that we were in favor of an excise tax on tires and tubes. Should this be correct, we wish to go on record that such a statement misrepresents our position. We gave no authority to Bromberger to make any statement in respect to tax on tires and tubes, nor did we give him authority to commit us in any way whatever. Furthermore, we wish to state that in our capacity as importers of crude rubber we feel that it would be entirely outside our province to express any opinion whatever on such a matter.

H. A. ASTLETT & Co.