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**HEARINGS**  
BEFORE THE  
**COMMITTEE ON FINANCE**  
**UNITED STATES SENATE**  
ON THE PROPOSED  
**TARIFF ACT OF 1921**  
(H. R. 7456)

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IN EIGHT VOLUMES

**VOLUME II**

Schedule 1—CHEMICALS, OILS, AND PAINTS  
Schedule 2—EARTHS, EARTHENWARE, AND  
GLASSWARE

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*Revised and Indexed*



WASHINGTON  
GOVERNMENT PRINTING OFFICE

1922

## COMMITTEE ON FINANCE.

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## P R E F A C E .

Tariff hearings were begun on July 25, 1921, pursuant to the following notice:

UNITED STATES SENATE,  
COMMITTEE ON FINANCE,  
July 22, 1921.

The Committee on Finance will hold public hearings relative to the tariff at Washington, D. C., beginning Monday, July 25, 1921.

It is the purpose of the committee to hear first the proponents and opponents of the American valuation plan.

The committee expects first to hear members of the Tariff Commission and certain special agents of the New York customs office with respect to this plan upon Monday and Tuesday next.

The committee expects to close the hearings upon the American valuation plan by Thursday next and then to take up the several schedules in order.

Notices will be sent to all applicants for hearings as early as possible, advising them when they can be heard.

In order to avoid duplication of arguments and suggestions it is requested that persons desiring to present the same character of information relative to any tariff item agree upon one representative to present their views.

The hearings will be conducted in room 312 of the Senate Office Building. Sessions will be held each day from 10.30 a. m. to 12 noon and from 2.30 p. m. to 5 p. m.

It is desired that witnesses endeavor to prepare their statements in such form that their presentation will not require more than 30 minutes.

Persons wishing to be heard should, if possible, apply to the clerk of the committee, prior to the date set for the hearings, for an assignment of time. In making such application the following information should be given: Name, business address, temporary address in Washington, business or occupation, the person, firm, corporation, or association represented, and the item and paragraph of the tariff bill (H. R. 7456) concerning which testimony will be given.

All briefs and other papers filed with the committee should have indorsed on them the item and paragraph of the tariff bill (H. R. 7456) to which they relate, and the name and address of the person submitting them, his business or occupation, the name of the person, firm, corporation, or association whom he represents.

BOIES PENROSE, *Chairman.*

The hearings were continued to and including August 31, 1921. Because of the unsettled and continually changing world conditions and the great length of time required to complete the tariff bill, it was decided to put the internal-revenue legislation ahead of the tariff bill. The tariff hearings were, therefore, postponed, and resumed November 3, 1921, and completed January 9, 1922.

The stenographic minutes of each day's proceedings were first printed in preliminary form in 58 parts. Copies were sent to each witness with the request that he make necessary corrections for clearness in his statement and return the revised copy to the clerk. Such corrections have been observed in preparing the revised edition of the hearings. In this edition the chronological order of the statements has been disregarded (except that of American Valuation and Dyes Embargo, Vol. I) and the oral testimony and the papers filed on each subject have been grouped and arranged, as nearly as practicable, according to the paragraphs of the tariff bill as it passed the House.

The revised hearings were first indexed and printed in separate volumes, each containing only the testimony relative to a particular schedule. Three additional volumes were also printed, one containing the testimony relative to the American valuation plan, one the testimony relative to the dyes embargo, and the other that relative to the special and administrative provisions of the tariff bill and testimony relative to certain paragraphs that was taken too late for incorporation in the proper volume.

The hearings are here consolidated in 8 volumes (each indexed by name and subject), including a general index, arranged as follows:

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**SCHEDULE 1.**  
**CHEMICALS, OILS, AND PAINTS.**

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**CHEMICALS IN GENERAL.**

**STATEMENT OF HENRY HOWARD, REPRESENTING MANUFACTURING CHEMISTS' ASSOCIATION OF THE UNITED STATES; CHAIRMAN GRASSELLI CHEMICAL CO., CLEVELAND, OHIO.**

The **CHAIRMAN**. You reside in Cleveland?

**Mr. HOWARD**. Yes, sir.

The **CHAIRMAN**. Formerly in Boston?

**Mr. HOWARD**. Yes, sir.

The **CHAIRMAN**. What concern do you represent personally?

**Mr. HOWARD**. I represent the Grasselli Chemical Co.

The **CHAIRMAN**. What line of products do they make specially?

**Mr. HOWARD**. Heavy chemicals, intermediates, and dyes.

**Senator REED**. I did not understand the answer.

**Mr. HOWARD**. Heavy chemicals, intermediates, and dyes.

The **CHAIRMAN**. Will you go on in your own way and state your views concerning this schedule in the bill that comes over to the Senate from the House of Representatives?

**Mr. HOWARD**. It is hardly necessary to remind you of the tremendous importance that a highly developed chemical industry bears to the prosperity of the country. Its relative development is, perhaps, the best index of the progress of civilization in a country. Its high development is always accompanied by a utilization of waste products and building up and creation of new products and new industries that in many cases never existed before, all of which in the aggregate adds enormously to the wealth, prosperity, and happiness of the people. But we must not forget that development of this sort is predicated on continued systematic research carried out at great expense by the most highly trained experts obtainable, and this sort of work is only possible when the industry is in a prosperous condition, because it generally requires a number of years before any adequate cash return is realized on the large sums spent on chemical research and development work.

The importance of a large, well-developed industry in acids, alkalis, and coal-tar dyes in any preparedness program is so familiar to-day at the end of the war that reiteration would be unnecessary.

In this brief we shall deal only with the features of the tariff which have general application to all our members.

This brief will be followed by briefs of our members dealing with the products and the paragraphs in Schedule 1—Chemicals, oils, and paints, in which they are directly interested.

We wish particularly to call your attention to the importance of a proper differential between the rates on raw materials and the rates on products made therefrom; in some instances this has apparently been overlooked in H. R. 7456. If we might suggest, this could be referred to your committee's chemical expert.

When our members filed their briefs with the Ways and Means Committee on January 6, 1921, they asked for the lowest rates which they felt would prove adequate. Subsequent events have proved, however, that in a number of instances they were entirely too low.

Specific instances supported by facts and figures will be furnished you by some of our members.

Without entering into arguments regarding protection for the coal-tar chemical and dye industries—our newest American chemical development—we urge the fostering of their growth through proper control of foreign competition, as well as by tariff legislation.

First. The rates must be sufficient to protect American labor—this is fundamental, and is especially urgent at the present time, because we are not only confronted with the problems of protection for new industries, developed as a result of the war, but also with the task of adequately protecting our highly paid American labor in established industries from ruinous competition with cheap European labor resulting from the combination of the vast armies of unemployed European labor and the badly depreciated European currency.

The problem in its present form is really not alone one of depreciated foreign currency or of low foreign exchange—but low wages.

I am going to quote a prediction we made in our brief to the Ways and Means Committee on January 6 last, which has already come true:

German currency and German exchange are at about one-eighteenth their old par value. If German wages were now eighteen times as high in paper marks as they were before the war in gold marks, the low exchange rate and depreciated currency would present little concern for us. But German wages have risen on the average only seven or eight fold in their currency, according to information sent the last of November, 1920, to the national industrial conference board by its investigator in Germany, and so on, when the barriers shall be down again and trade resumed; if Germany can send her goods to America at the old prices in dollars and get eighteen times as much for them in paper marks as formerly, and produce these goods by paying only seven to eight times as much in wages, it is manifest that what was already cheap German labor before the war has become, roughly, twice as cheap now.

That the foregoing prediction has been literally fulfilled is evidenced by our idle workmen, factories shut down, and German goods offered everywhere for sale.

Tariff rates should not be placed so high that they will prohibit importation. The tariff should act in general both as an adequate protection to American labor and industry and as a source of revenue to the Government. There are, of course, important exceptions to this rule, as, for instance, when public policy demands the upbuilding of an infant industry such as the dye industry, the reasons for which are too well known to you to need repetition.

We do not believe there can be any intelligent rates unless they are based on American valuation. For reasons, see our brief and

testimony on this subject given you at the hearing on July 27, 1921, on American valuation.

If, however, American valuation is not adopted, it is, of course, perfectly obvious that all the ad valorem rates in House bill 7456 are entirely inadequate.

The importance of medicinal and miscellaneous technical chemicals is strongly emphasized as being a very important branch of the chemical industry, viewed from the standpoint of the welfare of the Nation.

This industry embodies a large, varied, and continuous production of every and all kinds of medicinal supplies. The industry is of vital importance to the health of the Nation at all times; there must be a complete and comprehensive supply at all times of the normal medicinal requirements, and particularly in time of epidemic, plague, and catastrophe, such as the country witnessed from time to time. It is plain that the maintenance of this industry should be fostered to the utmost within the borders of the United States.

The industry is of great necessity to the country in time of emergency, and we urge that due consideration be accorded to its needs.

We believe that wherever it is possible specific rates should be used in place of ad valorem, thereby greatly simplifying the administration of the act. It is important, however, in many cases to provide two or more specific rates to cover different qualities; for instance, paragraph 73 of the 1909 act provided: Sulphide of soda, containing not more than 35 per cent of sulphide of soda, three-eighths of 1 cent per pound; sulphide of soda concentrated, or containing more than 35 per cent of sulphide of soda, three-fourths of 1 cent per pound. In the act of 1913 this dual classification was abandoned and a flat rate of one-fourth of 1 cent per pound substituted, with the result that only the concentrated product, 1 pound of which was equal to 2 pounds of the crystals, was imported at a rate designed for the crystal or unconcentrated variety. This concrete instance is given as being typical of a great many and shows the advisability of providing two or more specific rates in all cases where it is possible to substitute a more concentrated or more valuable product for the one in common use at the time the tariff is written. Without passing on the adequacy of the rate named, we note with approval that this condition as to sulphide of soda has been corrected in H. R. 7456, and we strongly urge that this principle be followed in every case where it is possible. In some cases better results are obtained by the combination of specific and ad valorem rates.

Since our brief of January 6, submitted to the Ways and Means Committee, was drawn up, the conditions predicted at that time have actually come to pass. The depreciated foreign currency and the low labor scales abroad, and the ratio that obtains between them have worked the unavoidable result. To-day scores of chemical products are being imported at prices which make American competition impossible. Production here has consequently been curtailed or entirely suspended.

We would emphasize, too, that we are only at the inception of this import movement of chemicals. Conditions abroad, particularly in Germany, have retarded the inevitable struggle for chemical supremacy, but we may expect from now on a continuous and sys-

tematic attack on the American chemical market. We have no hesitation in saying that the situation is worse than our fears anticipated in January last, and we pray your committee to save the American chemical industry from a threatened disaster which can not now be measured.

If there are no questions, Mr. Chairman, I would like to call on the first witness.

Senator REED. I would like to ask some questions, if the chairman does not.

The CHAIRMAN. No; I have none, Senator Reed.

Senator REED. Is the chemical industry drawn together in any one association?

Mr. HOWARD. There are two associations at the present time—the Manufacturing Chemists' Association of the United States, which represents primarily heavy chemicals and medicinal technical chemicals, and the American Dyes Institute, which has specialized particularly on the dyes end.

Senator REED. What is the second one?

Mr. HOWARD. The American Dyes Institute, which is concerned solely with the dyes and intermediates from which they are made.

Senator REED. I notice from this that the officers of the Manufacturing Chemists' Association are printed, but I see that Dr. Charles L. Reese, of E. I. du Pont de Nemours & Co., is the president.

Mr. HOWARD. Yes.

Senator REED. And the other officials I will not take the time to call attention to, except in a few instances. I notice the Armour Fertilizer Works, Chicago; they are a member also?

Mr. HOWARD. They are members.

Senator REED. They make chemicals?

Mr. HOWARD. They make some chemicals, yes; a limited line.

Senator REED. Chemicals such as the du Pont Co. make?

Mr. HOWARD. The du Pont Co. make in one of their plants a general line of heavy chemicals, acids, and salts, such as alums, etc. Those are the things that bring them into our association.

Senator REED. Is that a byproduct which results from the processes of the manufacture of powder?

Mr. HOWARD. No, sir.

Senator REED. Why is it, then? How do they happen to be in the chemical business?

Mr. HOWARD. Because one of their plants is in the business of producing heavy chemicals.

Senator REED. But it produces them for use in the manufacture of explosives, merely, does it not?

Mr. HOWARD. No; in that plant that I am speaking of—that is a plant which is in the general business of manufacturing heavy chemicals such as alum, glauber salt, sulphuric, muriatic, and nitric acids.

Senator REED. Those acids are used in the production of explosives, are they not?

Mr. HOWARD. Yes; but from that particular plant I do not think they use any. I think in most cases their acids are produced in plants adjoining their explosives plants.

Senator REED. You do not think that the du Pont people could get along at all without an increase in this tariff?

Mr. HOWARD. Which things are you speaking of?

Senator REED. Well, this du Pont Chemical Co.—this du Pont de Nemours & Co.—you do not think they could struggle along without any additional tariff?

Mr. HOWARD. I think they could struggle along by turning their business into an importing business instead of a manufacturing business.

Senator REED. You do not think they could continue to manufacture?

Mr. HOWARD. No; in a great number of instances.

Senator REED. But do you really know about it?

Mr. HOWARD. I have been in the chemical manufacturing business myself all my life.

Senator REED. Do you know what their profits were last year?

Mr. HOWARD. No, sir.

Senator REED. You expressed some qualified opinion that they can not get along. Do you know whether they made very enormous profits last year?

Mr. HOWARD. I do not know what their profits were last year, and I did not express an unqualified opinion.

Senator REED. Do you know what the profits last year of the Semet-Solvay Co., of Syracuse, N. Y., were, of which Mr. H. H. S. Handy is one of the vice presidents of your association?

Mr. HOWARD. I am not familiar with the profits of any of those companies on the list.

Senator REED. You do not know? You can not state, then, but that some of these companies on the list made enormous profits last year?

Mr. HOWARD. It is probable that nearly every industry in this country made good profits last year before the German competition came into effect.

Senator SMOOT. You mean for 1920 or 1919, Senator?

Senator REED. I mean last year; the year of 1920. We are now in 1921.

Now, do you know anything about the profits of any of these companies during the year 1921, as far as it has gone?

Mr. HOWARD. I know that in a great many of the companies the profits have been so low that they have had to pass dividends and reduce dividends this year.

Senator REED. Tell us the names of those companies. You say there are a great many of them. You have got your brief before you. Tell me the names of the companies whose profits have been small, if you know the ones that have made small profits. Why did they not make large profits?

Mr. HOWARD. I could not give you the specific instances of those who passed the dividends.

Senator REED. No. You can not be absolutely sure any of them have passed dividends who are named on this list?

Mr. HOWARD. I could make some inquiries and bring the information back to you.

Senator REED. I am asking about what you know.

Mr. HOWARD. No, sir.

Senator REED. If you have to make the inquiries, then, of course, those inquiries could not be the basis of testimony you have already given?

Mr. HOWARD. It is a matter of common knowledge that companies are passing dividends to-day.

Senator REED. Did you ever hear of anyone who was not in the chemical industries who passed dividends in the last six months?

Mr. HOWARD. I have just said that was all along the line.

Senator REED. In everything?

Mr. HOWARD. In everything.

Senator REED. Have you heard about the farmers being compelled to sell their stuff at a loss—some vague and indefinite rumors, maybe? If not, I refer you to the Senator from North Dakota for that information.

Mr. HOWARD. Yes.

Senator REED. Have you heard about the wages going down, moving picture shows having to close up, theaters running at losses?

Mr. HOWARD. Yes.

Senator REED. These concerns that are purely domestic having to cut their profits and sometimes run at losses?

Mr. HOWARD. That is a natural result of men being thrown out of employment.

Senator REED. That is the natural result of war, is it not?

Mr. HOWARD. It is the natural result of conditions resulting from war.

Senator REED. Yes. It is true in every country in the world, is it not?

Mr. HOWARD. I do not think it is true in Germany to-day, from my latest information.

Senator REED. You do not?

Mr. HOWARD. No, sir.

Senator REED. That is the first good news I have heard from Germany in a long time. You think every German is employed now?

Mr. HOWARD. Pretty much.

Senator REED. At what kind of wages?

Mr. HOWARD. At wages that in his country gives him fairly decent living conditions.

Senator REED. Do they? Then this money that he gets eight times as much of in volume as he used to get does purchase for him in his own country enough to put him in a good condition?

Mr. HOWARD. Moderately comfortable condition.

Senator REED. Then, as a matter of fact, that money—no matter what its value may be when transmuted into gold—does have a better purchasing value than one-eighteenth than when it is used by the German workmen; that is true?

Mr. HOWARD. Decidedly better; yes.

Senator REED. So that, as a matter of fact, this German workman is getting, when we get down to the practical end of it, more than one-eighteenth of his former wages, measured in the purchasing power of those wages?

Mr. HOWARD. I should say so. That is the disquieting thing about the whole situation, that the Germans were able to go ahead and manufacture and undersell everybody else all over the world.

Senator REED. We have had that German scare now for about six years, and I am getting so I am not impressed by it.

Mr. HOWARD. It has only materialized in the last six months actually here.

Senator REED. Is the German workman as well off to-day as he was before the war in the matter of wages, counting it now in what the wages will get him?

Mr. HOWARD. I really do not know enough about the details to answer that question.

Senator REED. You have been testifying to this committee in regard to conditions of German labor. Now, do you know about it, or do you not?

Mr. HOWARD. I know what I have said.

Senator REED. But you do not know whether this money which you have already stated has a purchasing power in Germany very much greater than one-eighteenth of its face value, when turned over to the German workman leaves him in as good condition as he was before the war? Answer that.

Mr. HOWARD. I think perhaps if you would let me tell you of some information—

Senator REED (interposing). I wish you would just answer that question, if you can?

(Thereupon, at the request of Senator Reed, the stenographer read the pending question.)

Mr. HOWARD. I have not received enough detailed information to say whether it leaves him in as good, better, or a worse condition.

Senator REED. What has been the importation of chemicals from Germany; what were they last month, that is, during the month of June?

Mr. HOWARD. I do not carry statistics in my head; I would have to look that up.

Senator REED. You could not, then, answer with reference to any months or any particular years?

Mr. HOWARD. Absolutely not.

Senator REED. Have you the figures available where you can get them?

Mr. HOWARD. I have no doubt the Government figures are available. I have no doubt Senator Smoot could produce those figures, could you not?

Senator SMOOT. Yes; any member of the committee could get them.

Senator REED. Are you prepared to say that the importations are greater now on the average than they were before the war?

Mr. HOWARD. I would not be prepared to make any statements of that sort without looking it up.

Senator REED. You have just told the committee that this great influx of German dyes has driven the American workman out of employment, and now you tell us you do not know what the importations are, and you do not know whether they are greater or less than they were before the war?

Mr. HOWARD. I would not want to make a statement of that sort without consulting with the facts.

Senator SMOOT. We made very few dyes before the war, Senator.

Senator REED. Very well. How many men are engaged now in making dyes in the United States?

Mr. HOWARD. I really could not tell you on that subject, and I would also like to remind you—

Senator REED (interposing). You are engaged in manufacturing chemicals in the United States?

Mr. HOWARD. I would also like to remind you that we are not taking up the question of dyes in our brief.

Senator REED. Dyes are made from chemicals, are they not?

Mr. HOWARD. Yes.

Senator REED. How many men are engaged in the business of making chemicals?

Mr. HOWARD. I think those are figures which I would have to ask you to go to the same source to find out.

Senator REED. You do not know how many men are engaged in that business? Can you tell me how many men have been turned out of employment, if you can not tell me how many men were in the business?

Mr. HOWARD. I can not tell you how many, but in a general way I can tell you the percentage that I think is pretty constant—about 50 per cent. The chemical business as a whole is running a little better than the iron and steel business. The iron and steel business is down to around 25 per cent. I think the chemical business is around 40 or 50 per cent.

Senator REED. Do you know anything about the importations of iron and steel into this country? Has that been sufficient to drive this 75 per cent of men out of employment?

Mr. HOWARD. I have, as I told you before, no detailed knowledge of statistics. I never make it a point of carrying statistics in my head.

Senator REED. I do not want to ask unpleasant questions, and I am not going to ask it in an unpleasant way, but getting right down to brass tacks, the chemical industry has suffered a depression and you assume that that depression comes from an influx of German chemicals, without being able to tell us that any more German chemicals have come in; and you tell us that the steel industry has suffered much more, and you do not know how much more steel has come in. As a matter of fact, there is a general business depression in the United States, and you assume, as to the business in which you are interested, that that is caused by an influx of German chemicals and you do not know how much that influx has been, and hence you do not know anything about it.

Mr. HOWARD. Well, I know that. I have no question but that the starting up of the industries in Germany and in Europe—not merely our enemies over there, but the Allies also—is having a natural effect. Part of it is due to the decrease in our own exports.

Senator REED. Of course, part of it is due to the decrease in our exports. A very large part of it, too, is it not?

Mr. HOWARD. Not a very large part; I do not know how large a part.

Senator REED. Oh, yes; our exports have fallen off from about seven billion to about three or four billion, and that produces a great result in the amount of employment in this country, does it not?

Mr. HOWARD. Yes.

Senator REED. The first point that you make in this brief as to why you ought to have a higher tariff than has been mentioned yet is wages. You want to protect the American laborer?

Mr. HOWARD. Exactly.

Senator REED. That is really the thing that is nearest to your heart, is it not; the labor?

Mr. HOWARD. I would say that, in a general way, it was, because the amount of wages that the laborer gets represents his purchasing power, and taking it by and large through the whole country there is nothing that affects prosperity as much as having industry in shape to pay good wages to everybody.

Senator REED. You are interested in good wages because good wages will bring business prosperity all the time. Do you think there is made or raised in the United States anything that can compete abroad?

Mr. HOWARD. With the poor wages over there? No.

Senator REED. No; just competes abroad. You have got to make something. Now, do you think there is anything that is made or raised in the United States than can compete abroad?

Mr. HOWARD. Cotton.

Senator REED. The cotton man had to pay increased wages, did he not?

Mr. HOWARD. They can not raise cotton that equals ours abroad; that is one of the reasons.

Senator REED. Well, but the cotton man raising his cotton had to pay high wages, did he not?

Mr. HOWARD. Yes.

Senator REED. And now he has got to sell that cotton on the broken market of Europe, and cotton has gone down from 28 or 30 cents to 8 or 9 cents?

Mr. HOWARD. Yes.

Senator REED. Do you think that we can raise American cotton and pay American wages and sell it abroad?

Mr. HOWARD. Well, we are doing it.

Senator REED. We are doing it; of course, we are selling it. We are selling it at these greatly reduced prices. Have you reduced your chemicals in proportion to the price cotton has gone down, 300 per cent or such a matter?

Mr. HOWARD. We never put the price up to anything like the point cotton went up.

Senator REED. Oh, let us see. You did put your prices up just as other things went up in this country, did you not?

Mr. HOWARD. Take sulphuric acid, which was selling in a wholesale way before the war at about \$17 a ton, 66 acid.

Senator REED. What did you sell it to the Government for during the war?

Mr. HOWARD. From 25 to 28.

Senator REED. And the Government regulated it, too, somewhat, did they not?

Mr. HOWARD. Twenty-five to 28 was the price during the war.

Senator DILLINGHAM. Let the witness complete his statement. I was interested in what he was going to say about sulphuric acid as an illustration.

Mr. HOWARD. At no time, as far as I remember—

Senator REED (interposing). Is that the only thing you can think of, sulphuric acid? What about the rest of the chemicals?

Mr. HOWARD. Sulphuric acid was perhaps the most important and the largest in tonnage of all the chemicals used; it was the basis for the manufacture of explosives.

Senator REED. Can you think of something else than sulphuric acid?

Senator DILLINGHAM. I submit that the witness should be allowed to answer a question and to continue his statement.

Senator REED. Just as soon as the witness has answered—I intend to let him answer—I had asked the witness a specific question, and he had answered it, and I was proceeding. But I have no objection to his going on.

The CHAIRMAN. The witness ought to be permitted, I think, to proceed.

Senator REED. Undoubtedly, if the witness will answer a question. I thought he had answered my question, and I was asking another. But I am perfectly willing he should continue his answer.

Mr. HOWARD. The price is approximately as low now as it was before the war.

Senator REED. How much is it to-day?

Mr. HOWARD. I should have to ask one of the men in the selling department of some company to answer that.

Senator REED. How much was the tariff on it before the war?

Mr. HOWARD. I think it was on the free list.

Senator REED. What is it now?

Mr. HOWARD. I think it is on the free list.

Senator REED. What other chemical, now, went up?

Mr. HOWARD. Nitric acid.

Senator REED. All right. What was nitric acid selling for during the war?

Mr. HOWARD. Dr. Reese can you give those figures?

Dr. REESE. Nitric acid price is affected by the cost of nitrate of soda.

Senator REED. What was it selling for, do you know?

Mr. HOWARD. If you will put down those questions, I would be very glad to look up the data and give you the answers, but I could not answer them offhand, because I am not in the selling end of the business.

Senator REED. I suppose the chemical business—using that broad term and process covers an infinite variety of articles, but suppose that you take—

Mr. HOWARD (interposing). I can say this in reference to the heavy chemical business: During the war I think it probably increased its prices less than any other business, almost, in the country. I think that is a fair statement.

Senator REED. What do you include in the heavy chemical business?

Mr. HOWARD. Such as sulphuric acid, muriatic acid, nitric acid, soda salts, alkalis, soda ash, caustic soda, bisulphite of soda, hypsulphite of soda; things of that kind.

Senator REED. Will you just take what you term, not only in your answer, but in the other items that may occur to you of the heavy

chemicals, and give me the prices before the war? Give me the apex of the prices during the war, and give us the present prices; and while you are at that, give us in each instance in this table the importations before the war, the importations during the war, and the importations that are coming in the last two or three months.

Mr. HOWARD. I should be very glad to put that in the record. That is what you mean?

Senator REED. Yes. But I would like to have it here before you leave the room finally. You can get it this afternoon or to-morrow, I am sure. They are not hard to get.

Mr. HOWARD. I was planning to return to Cleveland to-night. Would it not be satisfactory if I send it?

Senator REED. I will not ask it to-day. I want to follow this line I was on a few moments ago, whether there is anything in this country that does not have to compete with foreign wages. When wheat is raised on the American farm, it is raised at the prices paid for labor, which is higher than the price paid for labor in Europe, is it not?

Mr. HOWARD. Yes. Whether the price per bushel is higher or not, I am not a farmer and could not answer. But I have always understood that we had more labor-saving appliances than is generally the case abroad.

Senator REED. Speaking of labor-saving appliances, they have got some labor-saving appliances in manufacturing establishments. You employ labor-saving devices in all manufacturing processes, do you not?

Mr. HOWARD. Certainly, but you asked me how it compared with Europe?

Senator REED. Yes.

Mr. HOWARD. I do not know whether the difference in cost of labor is not more than offset by the conditions of agriculture in this country as compared with Europe.

Senator REED. We will come back to that in a short time. Let us take one thing at a time. You spoke about labor-saving devices on the farms. Do they have farm machinery in Europe?

Mr. HOWARD. I understand they do, but I question whether to any such extent as we have it here.

Senator REED. And you have labor-saving devices in your factories, all of them the very latest, do you not?

Mr. HOWARD. Oh, more or less; it varies from factory to factory.

Senator REED. Do you have some of them that are not up to date?

Mr. HOWARD. No doubt.

Senator REED. You want protection on inefficient machinery?

Mr. HOWARD. No.

Senator REED. You spoke about the more fertile soil of America. Of course, we know all about that in a general way, but as a matter of fact they raise a good deal more wheat per acre in the wheat-raising districts of Europe than they do in the United States?

Mr. HOWARD. I think I have seen such statistics, by the use of very large quantities of fertilizers.

Senator REED. Yes; of course. So you think that when you come down to the farmer, he does not need any protection because he has so many natural advantages, and the manufacturing business does not have any in this country?

Mr. HOWARD. I have never said any such thing. I believe that industry in this country needs protection, and I have not stood in any position, and never would, that my business is the only one that needs protection.

Senator REED. When you say "industry," do you not include farming?

Mr. HOWARD. I would include farming.

Senator REED. We can not compete with Europe in farming, then, without protection?

Mr. HOWARD. I do not know. But I say if it needs it, it ought to have it.

Senator REED. If we can not compete in manufacturing because of the wages in each instance, how are we going to make anything to sell abroad at all?

Mr. HOWARD. By getting things on a quantity production, and by efficient methods, reducing cost. I would point to the Ford automobile as an instance.

Senator REED. If we get things on a quantity production and introduce efficiency, then we can compete?

Mr. HOWARD. Certainly, in some cases we can compete.

Senator REED. We can sell abroad. Do you want a tariff on those things on which we can compete abroad?

Mr. HOWARD. I think we ought to have a tariff, as a general thing; yes.

Senator REED. On those things that we are going to sell abroad, do you want a tariff on them?

Mr. HOWARD. I should want to see each particular question taken up on its merits. I would not want to make any blanket statement on that.

Senator REED. Then, assuming that we can manufacture and sell abroad or produce and sell abroad, do you want a tariff on those articles?

Mr. HOWARD. Why, if we are producing—if our production cost is cheaper here than it is abroad, I would not think a tariff meant anything.

Senator REED. I am not asking that. I am asking you if you take the position that there should be a tariff upon those articles which we can produce and sell abroad?

Mr. HOWARD. Yes; in that case I should have a revenue tariff.

Senator REED. Let us leave the question of revenue out. Do you want a protective tariff?

Mr. HOWARD. No; not in such a case.

Senator REED. Then, if there are articles that we do produce and do sell abroad, they do not need any protection?

Mr. HOWARD. I should not be willing to make that as a blanket statement. I say each question must be discussed on its merits.

Senator REED. You are so much of a protectionist that you are not willing to say that if we can make a thing in the United States and sell it abroad in competition with the world, that that article still should not have protection?

Mr. HOWARD. I would not want to make a statement of that kind without knowing what the facts were.

Senator REED. I have assumed the facts.

Mr. HOWARD. Well, there might be some other facts that you have not mentioned.

Senator REED. What about the other facts?

Mr. HOWARD. I do not know.

Senator REED. I will not pursue that further. Do you believe that an article that can be sold abroad in competition with the world needs protection in America against foreign products?

Mr. HOWARD. I can imagine that there would be cases where it would need it.

Senator REED. Why?

Mr. HOWARD. To prevent dumping over here.

Senator REED. That is the only thing you can think of?

Mr. HOWARD. To prevent methods of unfair competition.

Senator REED. But if unfair competition could be employed in our markets, it could be employed against us abroad at the same time, could it not?

Mr. HOWARD. It could, but might not be.

Senator REED. You really want it so that the American manufacturer can sell in America on a high level and then dump his surplus in Europe?

Mr. HOWARD. I think that is probably a desirable thing to have.

Senator REED. Undoubtedly. I thought so.

Mr. HOWARD. And I think it is the way it is generally tried to carry it out abroad, also.

Senator REED. That is to say, the American people must have a tax levied upon everything that we consume in order that the manufacturer can sell to them at a high price and sell abroad at a low price.

Mr. HOWARD. These conditions carried out to a reasonable extent make for the prosperity of the American people by enabling us to pay high wages.

Senator REED. And, carried out to a reasonable extent, you mean carried out far enough so that the American manufacturer makes a good, fat profit here—

Mr. HOWARD. Makes a fair profit. Internal competition will prevent his making too big a profit.

Senator REED. Internal competition. Now, let me ask you another question. I have pursued that as far as I want to.

What are the wages that you pay in these chemical industries? First, is your labor organized in the chemical industries?

Mr. HOWARD. Not to any great extent.

Senator REED. Then you pay your labor just what you have to pay it, do you not?

Mr. HOWARD. We pay it the market price.

Senator REED. The market price is fixed by the general wage level in the United States?

Mr. HOWARD. I might point out—

Senator REED. If you get a higher tariff on these higher articles, of course you expect to raise your wages above the market price?

Mr. HOWARD. We would always pay the market price, but if the prosperity of the country increases the demand for labor will increase; and the natural result is that we have to pay higher wages.

But I would like to point out that when you ask about the rate of wages in the chemical industry, it is perhaps a little different from

the general run of industries. We have two classes of labor, one which is very highly skilled, highly trained, and highly paid, men with technical training, and the other part of the work is to quite an extent carried out by ordinary common labor.

Senator REED. What do you pay your common labor?

Mr. HOWARD. That varies. It is from 40 to 50 cents an hour.

Senator REED. How many women do you employ—what proportion of women?

Mr. HOWARD. In our plant we do not employ any, outside of the offices.

Senator REED. But in the business generally?

Mr. HOWARD. A very small number of women. It is not, as a rule, a business that is particularly suitable for women.

Senator REED. How about boys?

Mr. HOWARD. A very small number of boys.

Senator REED. What proportion of your labor is highly skilled and technical?

Mr. HOWARD. That will vary tremendously between different types of chemical industry.

Senator REED. What would you say it is, on an average, applied to the whole chemical industry?

Mr. HOWARD. I could not tell you that.

Senator REED. Let us take sulphuric acid, with which you seem to be familiar. What is the proportion of those employed in producing sulphuric acid to the highly skilled people and who receive high salaries?

Mr. HOWARD. There, again, it would depend upon the size of the plant, but in a moderate-sized plant or a small plant the proportion would be—

Senator REED. Take the average plant. We are trying to get at averages.

The CHAIRMAN. Let the witness answer the question.

Senator REED. He goes down to a small-sized plant and differentiates between that and a big one. I am asking him to take the average, in order to get through.

Mr. HOWARD. Oh, perhaps 15 per cent or so might be highly skilled. If you went into the dollars paid it would probably be 25 per cent or 30 per cent.

Senator REED. I am speaking of individuals now. What do those highly skilled people get, on the average—the 15 per cent?

Mr. HOWARD. Perhaps \$2,500 to \$4,000 a year.

Senator REED. That is your best estimate?

Mr. HOWARD. Yes.

Senator REED. What would be the average? You say \$2,500 to \$4,000. That is a wide gap. What would that average—\$3,000 a year, or will they average \$2,500 a year?

Mr. HOWARD. It would only be a guess on my part.

Senator REED. Can you not give us some definite figures?

Mr. HOWARD. I would like to say one thing, and that is that while we chemical manufacturers like each other personally, we are very secretive about our own business and conditions.

Senator REED. How large a plant do you run?

Mr. HOWARD. We have several very large plants.

Senator REED. Where are they located?

Mr. HOWARD. One in Chicago, one in Cleveland, one in New Jersey, one in Birmingham, and different smaller plants.

Senator REED. What is your concern?

Mr. HOWARD. The Grasselli Chemical Co.

Senator REED. That one corporation owns all these plants?

Mr. HOWARD. Yes.

Senator REED. What is its capital stock?

Mr. HOWARD. To tell you the truth, I could not answer that right off the bat.

Senator REED. Could you approximate it?

Mr. HOWARD. Mr. Alvord, do you remember what that is?

Mr. ALVORD. \$50,000,000, and I think about \$35,000,000 issued.

Senator REED. What is your relationship to the company?

Mr. HOWARD. I am in charge of research and development work.

Senator REED. You are not an officer of the company?

Mr. HOWARD. No, sir.

Senator REED. You are one of the experts?

Mr. HOWARD. Yes.

Senator REED. \$35,000,000, you say?

Mr. HOWARD. Yes.

Senator REED. Please give me the name of the company again.

Mr. HOWARD. The Grasselli Chemical Co.

Senator REED. How many plants has it?

Mr. HOWARD. Sixteen or seventeen, all told. Many of those are small plants.

Senator REED. What was its output last year, the aggregate?

Mr. HOWARD. You can put that on the record for me to answer with other questions.

Senator REED. Can this gentleman to whom you spoke tell us what the output was in dollars?

Mr. ALVORD. No, sir.

Senator REED. Can you come within \$10,000,000 of it?

Mr. ALVORD. No, sir.

Senator REED. \$20,000,000 of it?

Mr. ALVORD. No, sir.

Senator REED. Can you, Mr. Howard, come within \$50,000,000 of it?

Mr. HOWARD. I would not be willing to give those figures without getting them.

Senator REED. What was its profit in 1920?

Mr. HOWARD. Eight per cent was its dividend.

Senator REED. How much was carried into surplus?

Mr. HOWARD. That I could not answer without looking up the records.

Senator REED. How do you know that you are in such a desperate condition if you do not know the amount of capital stock within \$50,000,000? You do not know what your plants are—

Mr. HOWARD. I told you what the capital stock was. It was about \$35,000,000.

Senator REED. I mean the sales. You did not know when you started to answer.

Did you build any additional plants last year or make any investments?

Mr. HOWARD. No; not to any great extent.

Senator REED. What do you make at these places?

Mr. HOWARD. Sulphuric acid, all the mineral acids, and heavy chemicals generally.

Senator REED. Did you ship anything abroad?

Mr. HOWARD. A small amount—we were—but at the present time that business is dead.

Senator REED. Almost all business is dead going abroad, is it not?

Mr. HOWARD. Yes.

Senator REED. How much were you sending abroad?

Mr. HOWARD. I will have to get those figures for you if you want them.

Senator REED. I do. You do not know what your profits were?

Mr. HOWARD. I told you they were 8 per cent—the dividends.

Senator REED. You did not say profits; you said dividends. There is a great deal of difference between a dividend and a profit sometimes. Do you know anything more about the other concerns engaged in the chemical business, as to their profits, than you do about your own?

Mr. HOWARD. No; I do not carry those figures in my head.

Senator REED. How many of these highly skilled people who get from \$2,500 to \$4,000 a year and who constitute 15 per cent of your employees are there?

Mr. HOWARD. I will get you those figures.

Senator REED. Can you approximate it?

Mr. HOWARD. I would say that in our organization there were probably several hundred.

Senator REED. That get the large salaries?

Mr. HOWARD. Yes.

Senator REED. How many employees have you, all together?

Mr. HOWARD. Several thousand.

Senator REED. How many thousand?

Mr. HOWARD. I could not tell you offhand.

Senator REED. Can you come within a thousand or two of it?

Mr. HOWARD. It would only be a guess.

Senator REED. You do not want to guess, and I do not want you to guess either, because we do too much guessing nowadays.

Will you get me the pay roll of your institution? I would like to see what the wages are that are paid.

Mr. HOWARD. That is a question that would have to be put up to the officers of our company. I do not know.

Senator REED. I do not mean the individuals, but will you give me the number of men employed? Will you classify them, showing those that are highly skilled and then those that are not skilled, and give me the average wages of the highly skilled and then give me the average wages of the unskilled?

Mr. HOWARD. That could be done quite easily.

Senator REED. Will you do that?

Mr. HOWARD. I will, with the approval of our officers.

Senator REED. Do you doubt that your company, that comes here asking protection for its product, will refuse to furnish the United States Senate with that information?

Mr. HOWARD. I do not think there is the slightest question but what we can send them to you, but I can not promise you.

Senator REED. Can you not send us a statement of the wages so that we will know how much we may need to raise them? Otherwise we could not tell how much we ought to boost those wages. I shall thank you to bring us that. I would like to have you bring us a statement of your gross profits and your net profits and the amount paid in dividends, the amount carried into surplus, and to answer the question whether you paid any excess-profits tax last year—that is, during 1920 for 1919—and if so, the amount, in order that we may determine whether or not you really need this protection.

Mr. HOWARD. What bearing would that have on it?

Senator REED. A great deal. If you have been making an enormous profit, it might take something out of your profit to take care of the poor laboring men, and if you have been running on the verge of bankruptcy, possibly you could not take care of them.

Mr. HOWARD. There are a good many companies that made enormous profits during the war that have already become bankrupt and have no chance to pay wages.

Senator REED. That is true. A great many individuals went bankrupt, too.

Mr. HOWARD. And if the Government does not grant some measure of protection, a great many of the other more prosperous companies will become bankrupt and be unable to employ labor.

Senator REED. Of course that is your conclusion. But you do not know the number of your employees and do not know your own profits, and you do not know anything more about any other concerns than you do about your own, do you?

Mr. HOWARD. No, sir.

Senator REED. What proportion of the sulphuric acid consumed in the United States is made by your concern, these 16 different plants?

Mr. HOWARD. That is a detail statistical question that I could not answer.

Senator REED. I do not ask you to state it within a few dollars or a few tons. Is it one-half, one-third, or 80 per cent?

Mr. HOWARD. Oh, I should assume perhaps 15 per cent.

Senator REED. What other concerns in the United States are engaged in making sulphuric acid and these other chemicals that you make, speaking broadly, now?

Mr. HOWARD. During the war we had an association of sulphuric acid manufacturers. There were about a hundred and fifty members.

Senator REED. How many of them? How many are in your class? Is there anybody in your class?

Mr. HOWARD. We are not the largest.

Senator REED. Who is the largest?

Mr. HOWARD. The General Chemical Co., I would imagine, is the largest single producer.

Senator REED. Where is it located?

Mr. HOWARD. Its headquarters are in New York. Its plants are scattered over the country.

Senator REED. How many plants?

Mr. HOWARD. I do not know. They are in a good many of the places where we have our plants, and in direct competition with us.

Senator REED. Is it represented here?

Mr. HOWARD. I do not think so. I have not seen anybody here from it.

Senator REED. Of course, you do not know what its profits have been?

Mr. HOWARD. No. Its statement is easily available to you. It has been filed in New York.

Senator REED. Can you give me the output in pounds or tons that your concern has produced in the year 1920?

Mr. HOWARD. Not without looking it up.

Senator REED. Can you approximate it?

Mr. HOWARD. No.

Senator REED. How do you sell sulphuric acid—by the ton or by the pound?

Mr. HOWARD. The prices are made in both ways, either by the hundred pounds or by the ton.

Senator REED. What is it worth a ton?

Mr. HOWARD. \$18 to \$20.

Senator REED. What is it made of?

Mr. HOWARD. It is made from sulphur.

Senator REED. Where do you get the sulphur?

Mr. HOWARD. Louisiana.

Senator REED. Do you mine it?

Mr. HOWARD. Buy it.

Senator REED. Do you buy it from somebody that does mine it?

Mr. HOWARD. Yes, sir; and then it is also made from iron pyrites.

Senator REED. How much labor goes into a ton of sulphur?

Mr. HOWARD. As made in Louisiana?

Senator REED. As made in your plants. I mean a ton of sulphuric acid. I said sulphur. I beg your pardon.

Mr. HOWARD. I do not think that I would be justified, without consulting with the officials of the company, in giving you figures that, if you take them one by one, would finally give you our exact cost of production.

Senator REED. I did not ask the cost of production. I am asking the labor cost.

Mr. HOWARD. That is one factor; and then your next question would be, How much sulphur would go in?

Senator REED. I might ask that question and I might not. You must not undertake to anticipate my mental processes.

Mr. HOWARD. If you would mind not pressing that question—

Senator REED. Can you tell me what you pay for raw sulphur per ton?

Mr. HOWARD. Raw sulphur is costing in the neighborhood of \$22 a ton.

Senator REED. \$22?

Mr. HOWARD. \$20 or \$22 a ton, delivered—\$24 in some places.

Senator REED. Let us say \$22, to make it easy. How much of that sulphur goes into a ton of sulphuric acid which only costs \$17 a ton?

Mr. HOWARD. We make about, roughly speaking, 3 tons of sulphuric acid, 66 degrees.

Senator REED. So your sulphur cost, in a ton of sulphuric acid, if you take the \$24 basis, would be \$8. What else do you put in to make a ton of this sulphuric acid?

Mr. HOWARD. Nitrate of soda is used.

Senator REED. How much does that cost?

Mr. HOWARD. Steam is used; coal, fuel, and steam.

Senator REED. I am talking about chemicals, now.

Mr. HOWARD. Nitrate of soda is imported, you understand, from Chile.

Senator REED. How much do you have to put into a ton of sulphuric acid of that material?

Mr. HOWARD. There have been such fluctuations that I really do not know what the present price of nitrate of soda is.

Senator REED. Can you not approximate it for 1920? Well, no; state it now, because we are figuring on the basis of now.

Mr. HOWARD. I will not vouch for the accuracy of these figures, you know.

Senator REED. Give me your best estimate.

Mr. HOWARD. Roughly, perhaps two or three dollars.

Senator REED. Would you say \$2.50 is a fair figure?

Mr. HOWARD. Put it down as \$2.50.

Senator REED. The raw materials, then, that go into a ton of sulphuric acid will cost you about \$10.50. That is the raw material. You have named them all, have you not?

Mr. HOWARD. No; I have not named them all. Steam is a raw material. It is not used for power, it is used in the process.

Senator REED. How much does that cost a ton?

Mr. HOWARD. Oh, that might be one dollar or so, perhaps.

Senator REED. What other costs go into it outside of your overhead?

Mr. HOWARD. In the manufacture of sulphuric acid the wear and tear is so heavy on the lead apparatus used that it has to be figured as a very large item.

Senator REED. Will you give me the labor cost in a ton of sulphuric acid? That is what I want to know. If you can not give it to us now, will you figure it and bring it to us this afternoon? I would like to have it before you finally leave the stand. I do not want to delay you and keep you here, because you are a busy man.

Mr. HOWARD. Yes, sir.

Senator REED. What salaries do the officers of this corporation get?

Mr. HOWARD. I do not know.

Senator REED. Can you not approximate it?

Mr. HOWARD. No.

Senator REED. Is there anybody here who does know?

Mr. HOWARD. I do not think so.

Senator REED. What salary do you get?

Mr. HOWARD. I would prefer not to say. I do not think it is a proper question.

Senator REED. Oh, yes. We are figuring on labor. We want to know how much protection you need. It is not asked in any spirit of desiring to go into your personal affairs.

Mr. HOWARD. It is going into my personal affairs, and I decline to answer.

The CHAIRMAN. The question is proper enough, and it is also proper for the witness to decline to answer.

Senator REED. On any legal ground?

The CHAIRMAN. No; on the matter of his private affairs.

Senator REED. Very well. Is your salary any more a private affair than the wages of the men who work in this factory?

Mr. HOWARD. It is to me.

Senator REED. Do you get as much as \$50,000 a year?

Mr. HOWARD. I am not going to answer a "yes" or "no" game.

Senator REED. Can you give us any idea of the salary of the officers of the corporation?

Mr. HOWARD. No, sir.

Senator REED. Is there anybody here who can?

Mr. HOWARD. No, sir.

Senator REED. I want to deal with you in perfect frankness. You are here asking us to take your judgment and opinion in regard to a tariff. You assert as the first and primary reason for a tariff the wages of the men. Whether you are able to pay the wages of the men or not depends, of course, on the money that the institution makes; and if part of the money is used in the payment of salaries and part of it is used in the payment of wages of labor, all of it, in fact, being for labor of different kinds, how is this committee to tell whether you need any advance at all in order to keep wages up until it knows what the wages are? And you sit here and decline to tell us.

Mr. HOWARD. I would like to point out one thing, Senator, and that is that this article that you have been talking about is not one that we ask for any protection on. It is already on the free list, I believe, and we are perfectly content to have it stay there.

Senator REED. Have you not just cited it as an instance of the competition that you are suffering under?

Mr. HOWARD. Sulphuric acid?

Senator REED. Yes.

Mr. HOWARD. No, sir.

The CHAIRMAN. Senator Reed, may I address a question here? As I understand it you are going into this long examination on the question of sulphuric acid—

Senator REED. I am going into it on this whole business. Here is a man who comes here and indulges in generalizations, which he has a right to do, and then I have the right, I think, with the permission of the committee, to find out on what he bases his opinion.

The CHAIRMAN. As I am informed and reminded sulphuric acid has always been on the free list, is on the free list, and there is no contention for a duty on it.

Senator REED. It was the only thing that the witness singled out as an example of the terrible competition that he was already suffering.

Mr. HOWARD. I beg your pardon. It was the thing that I singled out when you asked me to what extent prices had been increased during the war. That is the way we came to discuss sulphuric acid.

Senator REED. What are these other articles that you say you must have protection on?

Mr. HOWARD. I have not personally put in any brief on the subject to-day. I am going to call, if you give me an opportunity, witnesses of the association that are prepared to discuss specific paragraphs

and specific recommendations. Would it not be well and save time if you cross-examine them on these specific paragraphs as they come up?

Senator REED. Perhaps if you say that you do not know anything about it I will not ask you any questions about it. You are not familiar with it?

Mr. HOWARD. I am not prepared to answer questions in detail on those paragraphs; no, sir.

The CHAIRMAN. I think I ought to state, and I thought I had stated, that the witness is here to make a very brief statement on his own part, and then to present to the committee some few gentlemen who are experts on various phases of the chemical schedule. If he is through with his statement I will suggest that he be permitted to introduce to the committee his galaxy of experts.

Senator REED. Very well. Let me ask another question. I know it is getting a little embarrassing.

You do not know, then, the items of cost that enter into any of these chemicals that are in the schedule. You do not know the items of labor?

Mr. HOWARD. I do not carry any of them in my head. If I had come here prepared to discuss them I would have had data to back it up.

Senator REED. But your opinion, which you have expressed, therefore, is based upon these facts with which you are not familiar.

Mr. HOWARD. I do not think that I have expressed opinions that need detailed facts to back them up. The general statements which I made, I think, carry their own conclusions with them.

Senator REED. Very well. That is all.

### FORMIC AND OXALIC ACIDS.

[Paragraph 1.]

#### STATEMENT OF AUGUST KOCHS, PRESIDENT VICTOR CHEMICAL WORKS, CHICAGO, ILL.

Senator McCUMBER. Please state your full name, business, and address.

Mr. KOCHS. My name is August Kochs; I am president of the Victor Chemical Works, Fisher Building, Chicago, Ill.

Senator DILLINGHAM. What schedule do you propose to address yourself to?

Mr. KOCHS. To paragraph 1, schedule 1, oxalic and formic acids.

We have appeared before the Ways and Means Committee, and we have also appeared before this committee a few days ago in connection with the extension of the temporary license control. So, I will try to avoid repetition of what I have said. There is a little new information I would like to submit.

Under the Payne-Aldrich law there was a specific duty of 2 cents per pound, which meant 40 per cent on the foreign invoice value or 28 per cent upon the American valuation. Under the Underwood law there was a specific duty of 1½ cents per pound, which was equivalent to 30 per cent on the foreign invoice or 22 per cent on the American valuation.

Under the proposed House bill we are given a duty of 25 per cent ad valorem, and this is not sufficient to keep the industry alive.

Under neither the Payne-Aldrich Act or the Underwood Act was it possible for the industry to get along. Only one American concern was engaged in the manufacture of oxalic acid at that time. That was the American Alkali & Acid Co., of Bradford, Pa. They failed once, and then they organized and resumed, but according to their testimony before committees of Congress, after they did resume they lost a great deal of money, on an average \$100,000 per year over the years 1909 to 1914.

The consumption in the prewar years of oxalic acid was 10,000,000 pounds, of which 8,000,000 pounds was imported. Practically all these importations came from Germany, and the competition was such that under the prevailing duties the American manufacturer could not get along.

In Germany they have two large factories producing this product which were supplying practically the world. There are some smaller factories—one, I think, in Norway, one in France, and one in England. But according to the best information we have—and it is given in Ullman's Technology, just issued, they produced about 24,000,000 pounds of oxalic acid per annum, and they have a common sales arrangement under which they have prospered.

Senator WATSON. How much do we consume in the United States?

Mr. KOCHS. About 10,000,000 pounds. The consumption at present is somewhat difficult to tell, because the importations will come in and we have not compared notes. I should say that we started in this business in 1914 originally. It took us several years, and we finally completed the plant in 1917.

Senator WATSON. Where is the plant?

Mr. KOCHS. At Chicago Heights, Ill.

Senator WATSON. What is oxalic acid made from?

Mr. KOCHS. We make it synthetically; that is, we make it from coal, air, and water; that is, theoretically. The raw materials are caustic soda, coal, coke, lime, and sulphuric acid, all produced in this country.

Senator WATSON. Do you employ skilled chemists?

Mr. KOCHS. Yes; we employ a number of skilled chemists. Our oxalic plant probably employs about 10 men; I should say 9 chemists and about 4 or 5 chemical engineers.

Senator SMOOT. Is there any American manufacturer whose process is now one being used by Germany?

Mr. KOCHS. We have one. We have the Bitterfield process, and I believe another manufacturer has lately gone into the business in Niagara Falls, who I also believe uses the synthetic process, but whether he uses ours or the sodium sulphate process—

Senator SMOOT (interposing). That is the German process?

Mr. KOCHS. Both; one factory uses the caustic soda process and the other uses the sodium sulphate process.

Senator WATSON. How much do you produce?

Mr. KOCHS. We did produce up to October last year at the rate of 2,000,000 pounds, but we are equipped to produce at the rate of 5,000,000 pounds per annum.

Senator WATSON. There is but one factory in the United States?

Mr. KOCHS. Two more, but three or four of them have failed that started since, in the last four years; tried it, and when the armistice came they could not compete.

Senator WATSON. What wages do you pay?

Mr. KOCHS. Our minimum wage to-day is 37½ and our average wage is 55 cents.

Senator WATSON. Is that for common labor?

Mr. KOCHS. That includes semiskilled and common labor, not salaries and no foremen; it includes biweekly men.

Senator WATSON. Of course that does not include salaries of skilled men?

Mr. KOCHS. Oh, no.

Senator WATSON. What are competing wages paid in the country of your strongest competition?

Mr. KOCHS. Practically our only competition is from Germany, and the wages there are 40 to 50 cents per day, as against our \$5.50 a day, and that is, of course, a matter of record.

Senator WATSON. How much capital have you invested?

Mr. KOCHS. The actual capital invested in our oxalic business is more than \$600,000.

Senator DILLINGHAM. When you were interrupted you had begun a statement about starting your business in 1914?

Mr. KOCHS. Yes, sir; and we after a great deal of trouble got our processes running. We started out with a thousand pounds a day, instead of 13,000 which we had originally figured on. But we got going; we went along. We lost money in 1919, after heavy losses prior to that, more than \$300,000 altogether. But we made a little money in 1920—we made about \$30,000 in the first six or seven months of that year. Then importations came from abroad and prices were constantly cut until they reached a level in October of around 15 cents a pound, and our costs in October were 24 cents a pound. Of course, we were paying higher wages, and there were various other factors which made our costs in last October 24 cents a pound, the lowest cost we had obtained up to that time.

We were obliged to close down. We had large stocks on hand, and we could not move them at anywhere near what they cost us. On January 1 we went down to 18 cents and we could not sell them for that, and along about May we were put on the controlled list, under the emergency tariff act, and we immediately started up our factory again and accomplished in June a cost of 17 cents a pound.

That cost is, direct labor 6.4 cents per pound; raw materials 7 cents a pound; factory operation 1.1 cent a pound; transportation, warehousing and administration expense, 2.5 cents per pound.

Senator McCUMBER. You have that in the record already, in the hearings on the chemicals. I notice here that you had a statement filed, I think, by Mr. Jones on two sections, one being on oxalic acid, and you are practically covering the same thing now that you covered in that testimony and are practically giving the same testimony twice in the record.

Mr. KOCHS. I do not mean to do that. I will just conclude, then, by making the recommendations which are not included in there.

This was not included: According to the latest chemical market reports issued in Germany on July 16 the price of oxalic acid on that date was 13½ marks, which figures the equivalent of 7.62 cents a pound. On the same day the price at Liverpool was 15 cents a pound in our money, figured at the rate of exchange at 3.60; that

shows a difference of about 8 cents a pound, which is due to the embargo England has against German oxalic acid.

Senator WALSH. State how much you want this rate?

Mr. KOCHS. We suggest on oxalic acid that in addition to the duty of 25 per cent, which is now provided for in the House bill, that we be given a specific duty of 5 cents per pound.

I might say that we ask this to equalize the labor cost, and that is practically all we ask.

Senator WALSH. Can you give us a practical illustration of how that would work out?

Mr. KOCHS. Yes, sir. The German price—because that is what we have to take, that is our competition—is 7.62, and that being the published quotation undoubtedly it includes profit. Oxalic acid today is sold at, taking the highest price, 18 cents a pound. So the 25 per cent ad valorem would be 4½ cents per pound. After that 25 cents per 100 pounds for transportation from abroad—that is the rate actually quoted now—makes a total of 12.37. Now, the specific duty we ask would bring that price up to 17.37, or our cost.

Senator WATSON. Do you need that additional rate, under the American valuation?

Mr. KOCHS. Yes, sir; in other words, as I have just demonstrated, that will bring the German price up to our cost.

Senator WALSH. The specific duty is more than the ad valorem duty?

Mr. KOCHS. In this case, yes, sir.

Senator SIMMONS. You spoke a little while ago about the British embargo.

Mr. KOCHS. Yes, sir.

Senator SIMMONS. Have you that law?

Mr. KOCHS. No, sir; and I only know about that from what I have read in the hearings. But what is significant to me and has been for months past is, in watching these quotations, that the English quotations on oxalic acid were a great deal higher than the German quotations, and that could only be if Germany was shut out of England.

Senator SIMMONS. I asked you that question because it has been stated to me that the English embargo contains a provision which limits the possible profit on the English price, and requires the manufacturer to make an exhibit showing what his profits are.

Mr. KOCHS. That, Senator, we have done right here, and we are doing it now under the emergency tariff act. We have reported voluntarily, but if you would like to have the information—we reported to the Secretary of the Treasury our cost of production, going into minute detail in each item. That was done to show that our price of 18 cents a pound was a reasonable price, and, of course, it was reasonable, because it was practically without profit.

Senator WALSH. In order to protect you under the German valuation plan you would have to get 150 per cent duty?

Mr. KOCHS. Only 100 per cent duty. I figure it about 100 per cent on the foreign value plan.

Senator SIMMONS. That is on the American valuation?

Mr. KOCHS. Oh, no; on the German valuation. On the American valuation an ad valorem duty of 50 per cent would be necessary in order to get the same result.

Of course, gentlemen, you understand—that is, without repeating myself—that this industry has struggled to live for 15 or 18 years and never has been able to do so. It is an important industry. People have fallen by the wayside who tried it, and we are really struggling for our life.

Senator SIMMONS. If 50 per cent would do for you, why do you not ask for 50 per cent instead of asking for this pound duty?

Mr. KOCHS. I would just as soon do that, or I would ask for a specific duty of 10 cents a pound, as we did in the House; either way will do it.

Senator McCUMBER. Your time is up.

Mr. KOCHS. May I have just a few words more?

Senator McCUMBER. Very well.

Mr. KOCHS. In regard to formic acid, I just want to put into the record that our labor cost is 5.07; our materials cost is 9.44; our factory expense is 2.27; our sales, transportation, warehousing, and warehousing expenses 1.50. That is a total of 18.28.

Senator SIMMONS. What do you make the German labor cost?

Mr. KOCHS. On that I have not the figures. But the formic acid is made from the same intermediate as the oxalic acid, namely, formate of soda, which we also produce; and we ask that the same rates of duty be permitted to apply to formic acid as they do to oxalic acid.

There is just this in comparison with Germany: I figure our labor cost 5.07; the cost of labor in our raw materials, 5.40; that makes 10.47 as the total cost of labor, and the record shows the German labor cost is one-tenth of our cost. Then we should have on the face of this the same duty that we asked for on oxalic acid, 25 per cent ad valorem plus 5 cents, or 50 per cent ad valorem, or a specific duty of 10 cents a pound.

Senator SIMMONS. Were you figuring upon the daily wage rate in Germany?

Mr. KOCHS. The daily wage rate of 40 marks a day, using the figures that were gotten by the Ways and Means Committee, and taking the prevailing rate of exchange.

Senator McCUMBER. One of the Senators desires to know what oxalic acid is used for.

Mr. KOCHS. That is explained in the statement previously filed with the committee requesting temporary continuance of license control over synthetic organic chemicals, by our attorney, Mr. W. Parker Jones.

### ACETIC ACID, ACETALDEHYDE, PARACETALDEHYDE.

[Paragraphs 1 and 2.]

#### STATEMENT OF V. G. BARTRAM, REPRESENTING SHAWINIGAN PRODUCTS CORPORATION, NEW YORK.

Mr. BARTRAM. We are filing a brief with reference to tariff item No. 1, page 2, acetic acid. In the interests of the Canadian Electro Products Co. at the present time we are distributors in the United States of glacial acetic acid.

In the first place, gentlemen, before I go into the details of this brief, I beg to call your attention to the trade relations between the Dominion of Canada and the United States. Canada, as is well

known by statistics, is our biggest customer, purchasing during the last financial year over \$800,000,000 worth of goods in the United States and selling in return slightly under \$400,000,000 worth, of which over a hundred and eighty-one thousand dollars worth were agricultural products at present excluded under the emergency tariff.

In order to enable the Canadian industry to continue to purchase in this market some arrangement should be made whereby the Canadian manufacturer can dispose of some of his finished materials in return. In many industries in Canada we buy the greater portion of our raw materials in the United States, and in return sell only to this market a small percentage of the finished product.

This remark applies particularly to the one subject that I am going to mention, glacial acetic acid, and also to paragraphs 2 and 15.

If the proposed new tariff on acetic acid of 2 cents a pound is placed it will absolutely exclude Canadian competition.

The United States Tariff Commission during their investigation of the wood chemical industry made a thorough and complete survey of the wood chemical industry as a whole, and we have reason to believe that they have fully satisfied themselves as to the fairness of the competition offered the wood chemical industry by the synthetic acid produced in Canada by the Canadian Electro Products Co., at Shawinigan Falls. By the method of production used at the Canadian plant, acetic acid is produced in the first distillation of ninety-nine one-hundredths per cent strength. This grade being known to the trade as glacial acetic acid. By the older method of production from acetate of lime, the various weaker grades of acid are first produced, which are then redistilled in order to bring them to the concentrated strength required to meet glacial specifications of ninety-nine one-hundredths per cent. Owing to this method of production many of the producers in the United States have a very limited production of glacial acetic acid, the greater proportion of acetic acid made from acetate of lime being sold in the weaker strengths as required by the greater bulk of the users in the United States who demand 28, 56, 60, 70, and 80 per cent acetic acid.

For the production of many of the finer dyes, chemicals, artificial silk, cellulose acetates, and many other products, high grade glacial acetic acid of absolute purity and uniformity of strength is required. The recent great strides of the dye and chemical industries in this country have naturally been in advance of the increase in the production of the glacial grade of acetic acid, so that there will be under normal conditions of operation a shortage of this particular grade.

In order to enable the American dye and chemical producers to meet foreign competition and hold their place in the world's export markets glacial acetic acid should be made readily available in large quantities without restriction and for these reasons if it is still considered necessary to protect the wood chemical industry by applying a duty on the lower grades of acetic acid, glacial acetic acid, which is so essential to the production of dyes and chemicals, should be admitted duty free.

Another reason why the synthetic acetic acid produced at Shawinigan Falls should not be discriminated against is the fact that it has been proved in the past that the absolute purity of this acid renders it specially suitable for the production of acetic anhydride

and acetanilid, two of the most important basic chemicals, and information to this effect has been placed before the United States Tariff Commission by the manufacturers concerned.

Another important consideration is the question of hardwood supplies available in this country. Any great increase in the consumption of wood for the production of wood chemicals by the wood distillation process will further tend to rapidly deplete our forest reserves. The great increase in the demand for wood chemicals during the war period has resulted in the total depletion of the readily available supplies adjacent to points of production so that wood supplies now have to be obtained in out-of-way places, great distances from the plants where distillation takes place. This fact naturally is bound to materially increase, as time goes on, the cost of operations and seriously interfere with the economical production of many of the dyes and chemicals now so necessary in the everyday life of this country.

The price of acetic acid is governed by the base price of acetate of lime, and it is a well-known fact that acetate of lime has been for years past a closely controlled commodity. As the cost of acetate of lime, for the reasons above mentioned, increases, acetic acid of all grades will increase in a like proportion. As a matter of fact it is quite possible the cost of acetic acid will increase owing to the inefficient methods of production now in force in the United States, greatly in excess of any proportionate increase in the basic price of acetate of lime. The wood chemical industry is one of the oldest established industries in the United States, and like all other industries which are based on natural resources and used in their natural crude form, must feel the effects of depletion of their source of supply. This fact, in addition to the proposed protection afforded, will greatly tend to increase prices and prevent the American producer from exercising every possible economy unless competition from Canada is permitted.

Acetic acid is one of the basic chemicals and has a wide field of application, being used in many industries, including dyes, chemicals, paint and color, laundry trade, foodstuffs, insecticides, and so forth. The excluding through a prohibitive tariff of the Canadian product in this field, especially as far as the glacial grade is concerned, will tend to increase costs to the manufacturers of these various lines and will result in the ultimate consumer having to pay more for many commonly used and staple materials.

There are no producers of synthetic acetic acid in the United States, nor is there any immediate prospect of this product being produced from acetylene gas synthetically, as is now being done in Canada. To penalize the consumer and especially to place our dye and chemical industries at a distinct disadvantage in meeting foreign competition by placing this proposed duty on acetic acid, in view of the fact that this duty will exclude Canadian competition and therefore produce no revenue, seems hardly justified. Many competent authorities predict that this older method of production from acetate of lime will in course of time be entirely replaced by the synthetic process. This point of view can be readily appreciated owing to the scarcity of hardwood supplies and the distance of the present available supplies from points of manufacture, the cost of

handling and transporting the wood to the distillation plants, etc. Experts predict that within the next 15 or 20 years, at the present rate of consumption, the hardwood supply of this country will be nearly depleted. This, therefore, means that in the meantime the consumer will be penalized to the extent of the protection given as the rate of duty proposed in tariff bill H. R. 7456 entirely excludes any possible competition.

In support of some of these statements I would like to refer the committee to the survey of the wood chemical industry by the Tariff Commission, wherein many facts which are mentioned in my brief will be confirmed.

Senator McCUMBER. You can insert in the testimony such parts of it as you desire.

Mr. BARTRAM. That will be inserted by the stenographer, I presume?

Senator McCUMBER. Yes.

Senator DILLINGHAM. Mark the portions that you desire to put in.

Mr. BARTRAM. I have marked them.

With reference to the last paragraph, on page 2 of the bill, I desire to refer to acetaldehyde, paraldehyde, aldol or acetaldol and aldehyde ammonia, covered by part of paragraph 2 of the bill.

This paragraph recommends a duty of 6 cents per pound and 30 per cent ad valorem on the products mentioned.

We are filing a brief with the committee in which we set out that under the present existing tariff the duty is 15 per cent. The proposed duty will exclude all imports. Furthermore, there are no producers of these chemicals in commercial quantities in the United States, and all of the materials mentioned which have so far been used commercially have been imported by us from Canada.

I would just like to mention that these chemicals, until recent new developments, were unknown before the war and before the Canadian company produced them in commercial quantities, being used solely for experimental work and pharmaceutical purposes. They are now being successfully applied in the rubber industry, in the manufacture of synthetic extracts, the manufacture of dyes, in phenol condensation products, or synthetic resins, and so forth, in the manufacture of synthetic perfumes, and in the manufacture of aldol. It is now being investigated by the copper interests of the United States for use in their ore concentration processes. This brief covers the whole matter fully, and I would like to file it for the committee's consideration.

Senator McCUMBER. It will be printed.

Mr. BARTRAM. If the committee desires any information, I have a chemist here who is interested in the rubber industry.

**BRIEF OF V. G. BARTRAM, REPRESENTING SHAWINIGAN PRODUCTS CO.**

**ACETIC ACID.**

The above reference provides for a duty of 2 cents per pound on glacial acetic acid. In this brief we give reasons which we believe will warrant our careful consideration the elimination of the proposed duty on this product.

The United States Tariff Commission during their investigation of the wood chemical industry made a thorough and complete survey of the wood chemical industry as a whole, and we have reason to believe that they

have fully satisfied themselves as to the fairness of the competition offered the wood chemical industry by the synthetic acetic acid produced in Canada by the Canadian Electro Products Co., at Shawinigan Falls. By the method of production used at the Canadian plant acetic acid is produced in the first distillation of 99 to 100 per cent strength, this grade being known to the trade as glacial acetic acid. By the older method of production from acetate of lime, the various weaker grades of acid are first produced, which are then redistilled in order to bring them to the concentrated strength required to meet glacial specifications of 99 to 100 per cent. Owing to this method of production, many of the producers in the United States have a very limited production of glacial acetic acid, the greater proportion of acetic acid made from acetate of lime being sold in the weaker strengths as required by the greater bulk of the users in the United States, who demand 25, 50, 60, 70, and 80 per cent acetic acid.

For the production of many of the finer dyes, chemicals, artificial silk, cellulose acetates, and many other products, high-grade glacial acetic acid of absolute purity and uniformity of strength is required. The recent great strides of the dye and chemical industries in this country have naturally been in advance of the increase in the production of the glacial grade of acetic acid, so that there will be under normal conditions of operation a shortage of this particular grade.

In order to enable the American dye and chemical producers to meet foreign competition and hold their place in the world's export markets, glacial acetic acid should be made readily available in large quantities without restriction, and for these reasons if it is still considered necessary to protect the wood chemical industry by applying a duty on the lower grades of acetic acid, glacial acetic acid which is so essential to the production of dyes and chemicals should be admitted duty free.

Another reason why the synthetic acetic acid produced at Shawinigan Falls should not be discriminated against, is the fact that it has been proved in the past that the absolute purity of this acid renders it specially suitable for the production of acetic anhydride and acetylind, two of the most important basic chemicals, and information to this effect has been placed before the United States Tariff Commission by the manufacturers concerned.

Another important consideration is the question of hardwood supplies available in this country. Any great increase in the consumption of wood for the production of wood chemicals by the wood distillation process will further tend to rapidly deplete our forest reserves. The great increase in the demand for wood chemicals during the war period has resulted in the total depletion of the readily available supplies adjacent to points of production, so that wood supplies now have to be obtained in out-of-way places, great distances from the plants where distillation takes place. This fact naturally is bound to materially increase, as time goes on, the cost of operations and seriously interfere with the economical production of many of the dyes and chemicals now so necessary in the everyday life of this country. The price of acetic acid is governed by the base price of acetate of lime, and it is a well-known fact that acetate of lime has been for years past a closely controlled commodity. As the cost of acetate of lime, for the reasons above mentioned, increases, acetic acid of all grades will increase in a like proportion. As a matter of fact, it is quite possible the cost of acetic acid will increase, owing to the inefficient methods of production now in force, in the United States greatly in excess of any proportionate increase in the base price of acetate of lime. The wood chemical industry is one of the oldest established industries in the United States, and like all other industries which are based on natural resources and used in their natural crude form, must feel the effects of depletion of their source of supply. This fact, in addition to the proposed protection afforded, will greatly tend to increase prices and prevent the American producer from exercising every possible economy unless competition from Canada is permitted.

Acetic acid is one of the basic chemicals and has a wide field of application, being used in many industries, including dyes, chemicals, paint and color, laundry trade, foodstuffs, insecticides, etc. The excluding through a prohibitive tariff of the Canadian product in this field, especially as far as the glacial grade is concerned, will tend to increase costs to the manufacturers of these various lines and will result in the ultimate consumer having to pay more for many commonly used and staple materials.

There are no producers of synthetic acetic acid in the United States, nor is there any immediate prospect of this product being produced from acetylene

gas synthetically, as is now being done in Canada. To penalize the consumer, and especially to place our dye and chemical industries at a distinct disadvantage in meeting foreign competition by placing this proposed duty on acetic acid, in view of the fact that this duty will exclude Canadian competition and therefore produce no revenue, seems hardly justified. Many competent authorities predict that this older method of production from acetate of lime will in course of time be entirely replaced by the synthetic process. This point of view can be readily appreciated, owing to the scarcity of hardwood supplies and the distance of the present available supplies from points of manufacture, the cost of handling and transporting the wood to the distillation plants, etc. Experts predict that within the next 15 or 20 years at the present rate of consumption the hardwood supply of this country will be nearly depleted. This therefore means that in the meantime the consumer will be penalized to the extent of the protection given, as the rate of duty proposed in tariff bill H. R. 7456 entirely excludes any possible competition.

We present these facts to you for the careful consideration of your honorable committee and feel sure that in view of the situation you will unambiguously agree that acetic acid, glacial, should be left on the free list as at present.

#### ACETALDEHYDE, PARALDEHYDE, ALDOL, OR ACETALDOL, AND ALDEHYDE AMMONIA.

The above reference recommends a duty of 6 cents per pound and 30 per cent ad valorem on the products above mentioned.

In this brief we give reasons which we believe fully substantiate our claim that this duty, were it enforced, would prevent imports and thereby not produce revenue.

Under the existing tariff these products are dutiable at 15 per cent ad valorem under section 5, which covers all chemicals and medicinal compounds not specially provided for.

No acetaldehyde or commercial paraldehyde and, consequently, owing to the fact that these two additional products are based on aldehyde, no aldol or aldehyde ammonia are at present manufactured on a commercial scale in the United States. Prior to the war these chemicals were only known to the chemists in a small way, being used solely for experimental work and pharmaceutical purposes. Owing to the war demand for acetone and acetic acid, a process was developed on a commercial scale for the manufacture of these products from acetylene. The first stage of this process consists of the manufacture of acetaldehyde from acetylene gas, the pure acetaldehyde then being oxidized to acetic acid, then decomposed to acetone. This latter stage of the process, however, is not a commercial proposition under normal market conditions because of the cost of production of acetone by this method. There are no manufacturers of these products from this process in the United States. This, therefore, also proves that neither aldol nor aldehyde ammonia, which are made from acetaldehyde, are produced in commercial quantities in the United States.

An investigation on the part of our various customers who had to obtain licenses covering the importation of acetaldehyde and commercial paraldehyde, under the existing emergency tariff, which prohibits the importation of synthetic chemicals except under license has proved that neither of these products can be obtained in commercial quantities in the United States. All imports of these materials have been received from Canada, where there is a large production made by the process above described at the plant of the Canadian Electro Products Co., Shawinigan Falls, Quebec. Through this plant having made available supplies of these products at reasonable prices a large field has been opened up in various industries where these products have been applied successfully in the development of new methods of production or the improvement of old methods.

The principal uses which have been developed during the past two or three years and which were entirely unknown in this country in a commercial way prior to the supply of acetaldehyde and paraldehyde being made available in commercial quantities and at reasonable prices by the Canadian Electro Products Co., are—

1. As an accelerator in the vulcanization of rubber.
2. In the manufacture of synthetic extracts.
3. In the manufacture of dyes.
4. In the manufacture of aldehyde ammonia.

5. In the manufacture of phenol condensation products or synthetic resins, lacquers, compounds, etc.

6. In the manufacture of synthetic perfumes.

7. In the manufacture of aldol.

8. In the manufacture of drugs. The U. S. P. grade paraldehyde is a well-known local anæsthetic or hypnotic drug.

In order to place before your honorable committee information to show the importance to many industries of reasonably priced supplies of these products we would like to point out recent developments in which acetaldehyde and commercial paraldehyde are being used.

#### RUBBER INDUSTRY.

Commercial paraldehyde or acetaldehyde have only recently been applied in this industry in the manufacture of tires, mechanical rubber goods, etc., through the combination of these products with some other chemical unknown to any but those connected with the rubber interests, who have successfully worked out this problem.

This development, those directly interested state, is a distinct scientific advance over the methods previously employed in the rubber industry of this country, and it is firmly believed that the application of these products to this industry will, no doubt, in time become common knowledge and be generally adopted.

Aldehyde ammonia has previously been used as a rubber accelerator and is a well-known product in this field. The use of this material in the United States as an accelerator in the vulcanization of rubber is covered by patent rights, so that all purchases have to be made through one channel in order to receive permission to use aldehyde ammonia for this purpose. Through the supply of acetaldehyde being made available from Canada a greatly increased market has been opened up in the rubber industry for aldehyde ammonia. The fact that during the past two years the interests who control the patent rights for aldehyde ammonia have bought considerable tonnage of acetaldehyde through us proves beyond doubt that this product is not available in a commercial way in the United States.

#### PHENOL CONDENSATION PRODUCTS INDUSTRY.

This industry covers the manufacture of condensite, bakelite, and other synthetic resins and impregnating compounds for insulating purposes. Both acetaldehyde and commercial paraldehyde have been successfully applied in the production of these compounds. It has been found that synthetic resins and compounds made from acetaldehyde or commercial paraldehyde for certain specific purposes have improved properties, especially as applied to the apparatus used in wireless telegraphy, lacquers, gramophones, records, printing blocks, etc. In this industry the readily available supply of acetaldehyde and commercial paraldehyde at reasonable prices is essential to the further development of the new methods of production, as the application of these products in the manufacture of synthetic resins, lacquers, compounds, etc., is as yet only in its infancy and greater results than have so far been achieved are confidently expected by those interested.

#### COPPER INDUSTRY.

Recent successful developments have been carried out by the largest copper producers in the United States, wherein aldol has been successfully used in the flotation process for concentrating the copper ores. This material is made from acetaldehyde basis, and unless cheap supplies of acetaldehyde are available and the final product aldol is allowed to enter this market free the successful application of aldol to the copper-mining industry can not be developed. The results so far obtained from aldol as applied to the concentration of copper ores have convinced the largest United States copper interests that there are considerable possibilities in the future development of this application. The results of experiments so far conducted prove that greater yields are obtained from ore treated by aldol. Development work, of course, in this

industry can not be conducted unless the interested companies are assured of continued supplies at reasonable prices and are further assured that there is no possibility of any monopoly being established in the United States on this product. A readily available and cheap supply of aldol will give the copper industry of the United States a twofold advantage—the increased yield from the ore treated and by the lower cost per ton of concentrates.

#### DYE AND CHEMICAL INDUSTRY.

Both acetaldehyde and paraldehyde have been applied in a small way to the dye, chemical, synthetic extracts, and perfumery industries, but as yet it is difficult to predict to what extent the development of these products in these various industries will amount to. One interesting possibility in connection with the dye industry is the possible production of synthetic indigo direct from acetaldehyde.

None of the products mentioned in this brief can be produced economically unless production is undertaken on a large scale and the plant of the Canadian Electro Products Co. has at present a production of 25 tons of acetaldehyde per day. No such quantity as this can be absorbed in the various industries interested in using these materials in either the United States or elsewhere, and a production on this scale is only possible owing to the fact that the Canadian Electro Products Co. also manufacture large quantities of acetic acid. As before stated, there are no actual producers in the United States in a commercial way at present. No supplies are therefore available to meet the present demand, nor is there a prospect in the near future of any source of supply coming into operation. Under these circumstances, we think you will agree that the duty as proposed is unreasonable, inasmuch as it would make the cost of these products to possible users prohibitive and would result in retarding experimental development work in which many companies in the industries mentioned have spent considerable time and money to date. This would result in these companies, who have made at considerable cost and sacrifice distinct advances in their own particular field, losing the benefit of the results so far achieved through having to curtail, if not stop entirely, the use of these materials through prohibitive costs. This will allow those other countries, who have available large and cheaper supplies of these products, a distinct advantage over United States producers in many lines of manufacture.

No brief was presented to the Tariff Commission at the time public hearings were held on the chemical schedule in support of these products, and to our certain knowledge there is only one corporation in the United States which is even at the present time actively engaged in an experimental way on the development of a process for the manufacture of these products. The corporation we refer to is the Union Carbide Co., whose subsidiary, the Carbide & Carbon Chemical Co., is at the present time working on the development of a process for the manufacture of chemicals similar to those manufactured in Canada. That this one corporation should receive such protection in this item of the tariff is beyond comprehension, as the duty proposed would give this company an absolute monopoly on these products, entirely exclude imports, and thereby prevent revenue. The cost of production in Canada of these and other commodities is practically the same as the cost of production in this country, so that Canadian manufacturers have no advantage owing to the distant location of their plants from the consuming markets in this country. No competition other than that offered by Canada need be expected in these materials, as neither acetaldehyde nor commercial paraldehyde can be transported for any great distance, especially in the hot periods of the years owing to the low boiling point of both these products.

We would suggest for the consideration of your honorable committee that if desired a certain duty be applied for revenue purposes on such pharmaceutical grade paraldehyde as enters this market packed in glass bottles of 5 pounds net weight and under, but that the commercial grade of paraldehyde, acetaldehyde, aldol, and aldehyde ammonia, for the reasons above mentioned, be allowed to enter the United States duty free.

The great possibilities in the application of these products in the various industries mentioned and future development of new uses in other industries is such that in this age of chemical development no obstruction should be placed in the way of the United States manufacturers being placed in a position to

improve and develop process which will keep the United States industries in a position to meet competition. We therefore trust that in view of the facts we have presented your honorable committee will recommend the placing of the above-mentioned products on the free list.

EXTRACTS OF THE TARIFF COMMISSION'S SURVEY OF THE WOOD CHEMICAL INDUSTRY.

**Capitalization and organization:** The census of manufactures, 1914, shows the number of establishments distilling wood to be 95 (includes 15 distilling pine wood). There have been several additional plants erected during the war, and it is estimated that at the present time there are about 100 wood-distillation plants in the United States, representing an investment of about \$50,000,000.

Acetate of lime has been sold by the manufacturers chiefly to a single firm of jobbers and exporters. There has been a tendency in recent years, however, for the wood-distillation plants to combine the manufacture of the crude products with that of the refined or finished products (acetic acid, refined wood alcohol, and acetone).

The War Industries Board has estimated the production of acetate of lime in 1917 to be 200,000,000 pounds. This is a 22 per cent increase over the production in 1914. This same increase would apply also to the production of the other products, wood alcohol and charcoal.

The productive capacity of the present plant is about 650 tons per month of 100 per cent acetic acid. This is roughly equivalent to about 1,300 tons of acetate of lime, or about 15 per cent of the productive capacity of acetate of lime in the United States.

**Acetic acid from calcium carbide:** This process was developed at Shawinigan Falls, Quebec, by the Canadian Electro Products Co. Calcium carbide, which is produced at Shawinigan Falls in large quantities, is first treated with water to form acetylene gas, which is then chemically combined with water in the presence of mercury salts as acetalyst to form acetaldehyde. The acetaldehyde is then oxidized to acetic acid. The acid produced is of high purity and concentration in contrast to that produced from acetate of lime, which requires several distillations to concentrate and purify it.

**Exports:** Acetic acid is not shown in the export tables of commerce and navigation. If acetic acid is exported the quantities have been small. It usually is the practice to export acetic acid in the form of acetate of lime and convert this into acetic acid at the point of consumption.

**Imports into the United States:** The first six months of the calendar year 1920 shows a marked increase in imports of acetic acid to 2,020,975 pounds, valued at \$259,927.

STATEMENT OF ELLWOOD B. SPEAR, REPRESENTING THE GOOD-YEAR RUBBER CO., AKRON, OHIO.

Mr. SPEAR. Mr. Chairman, I represent the Goodyear Tire & Rubber Co., of Akron, Ohio, and I have to say that we are users of acetaldehyde and paraldehyde, since we have been able to obtain it at a low price as an experimental proposition. It is very promising in our rubber industry. We obtain a quality in rubber that we have been unable to obtain by any other substances, and we would like to have acetaldehyde and paraldehyde come in free of duty, or at least at a very low duty. If the duty is made very high it will mean that we shall have to abandon its use in competition with other rubber companies in other substances.

Senator McCUMBER. For what do you use it?

Mr. SPEAR. For accelerators. They are substances that are put in rubber to increase the rate of cure—that is, the rate of vulcanization—and for giving better quality to the rubber. I thank you.

**STATEMENT OF MATTHEW ADGATE, NAUGATUCK CHEMICAL CO.,  
NAUGATUCK, CONN.**

The CHAIRMAN. Please state your full name, residence, and whom you represent.

Mr. ADGATE. My name is Matthew Adgate, Naugatuck, Conn. I represent and am vice president of the Naugatuck Chemical Co.

I am appearing here with reference to two articles named in paragraph 2 of Schedule 1, and to protest against the high rates of duty proposed on acetaldehyde and paracetaldehyde for the following reasons:

Neither acetaldehyde nor paracetaldehyde are now made in the United States in commercial quantities, as was proved by a recent investigation which we were compelled to make as to sources of supply in this country, which investigation revealed the fact that even so small a quantity as 1 ton per week could not be obtained.

Acetaldehyde and paracetaldehyde are made from acetylene, which in turn is made from calcium carbide. It is quite evident that the duty proposed in paragraph 2 would give a monopoly on these products to the concern which already has a monopoly on calcium carbide, and will probably result in such high prices as to throttle the uses of these materials which have to compete with other aldehydes such as formaldehyde.

There is no need of a high duty on acetaldehyde or paracetaldehyde to secure protection from German competition, as the nature of these substances is such as to make impracticable the transportation of same across the water.

Within the last 18 months we have invented new products useful in the manufacture of rubber goods, using acetaldehyde or paracetaldehyde as a starting point. These new products are just being introduced, so that our present consumption of paracetaldehyde is only a small part of what our ultimate consumption is likely to be, provided this material can be obtained at a reasonable price. If, however, the cost is increased by the figure indicated on the proposed duties, it will make the price of our product so high as to be without advantage for use in the rubber industry.

We believe that a rate of duty substantially as at present, namely 15 per cent ad valorem, will prove ample protection for any American industry which may wish to go into the manufacture of acetaldehyde or paracetaldehyde, as the entire foreign competition will be with Canada and not with Europe. This rate of duty will afford some revenue, whereas the proposed rate will yield none whatsoever.

Senator WALSH. There is none produced in this country?

Mr. ADGATE. There has been a small quantity of acetaldehyde produced in this country, experimentally. Paracetaldehyde has been produced only for medicinal purposes.

Senator WALSH. Why shouldn't they be allowed on the free list if none is produced in this country?

Mr. ADGATE. I assume we need revenue.

Senator WALSH. That is the only ground we should consider, and not the duty at all?

Mr. ADGATE. Yes.

Senator WALSH. How much is consumed in this country?

Mr. ADGATE. I am not up on those figures. Our own consumption, as I stated, is relatively small at the present time because we are introducing a new product.

Senator WATSON. Is this a by-product of calcium carbide manufacture?

Mr. ADGATE. No. It might be considered so, but—

Senator WATSON. You stated a while ago that somebody has a monopoly on calcium carbide.

Mr. ADGATE. It comes from the Canadian Electric Products Corporation.

Senator WALSH. Who asked that this be put in the bill?

Mr. ADGATE. I assume that they did. I do not know.

Senator McCUMBER. Did I understand you to say that we could not import this from abroad?

Mr. ADGATE. It would be impracticable, for this reason: Acetaldehyde is a body which has a boiling point of about 70 degrees Fahrenheit, and it is highly volatile, so that it is practically impossible to ship it now, except in solution form or in compressed gas tanks. Paracetaldehyde can be shipped for reasonable distances, provided it is not subjected to prolonged moderately high temperatures.

Senator WATSON. What is this acetaldehyde made of?

Mr. ADGATE. Acetaldehyde is made from acetylene.

Senator WATSON. Acetylene?

Mr. ADGATE. Yes.

Senator WATSON. And paracetaldehyde is the same except that—

Mr. ADGATE (interposing). It is the condensation product of acetaldehyde.

Senator WATSON. Yes. What are they using that for?

Mr. ADGATE. They are used for various things.

Senator WATSON. What do you use them for?

Mr. ADGATE. We use it in making certain condensation products with amines.

Senator WATSON. What do you use amines for?

Mr. ADGATE. It is used in the rubber industry.

Senator WATSON. You say that none of either of these products is made in this country?

Mr. ADGATE. Only in an experimental way or for medicinal purposes.

Senator McLEAN. Are they difficult to manufacture?

Mr. ADGATE. I do not know that they are particularly difficult to manufacture. It is a new industry.

Before the eighteenth amendment went into effect there was more or less acetaldehyde produced by the alcohol distilleries, but there was no market for the material at that time, and it was either allowed to escape or it was burned under the boilers.

Senator McLEAN. It is not a complex and complicated chemical process, but a rather simple one, is it not?

Mr. ADGATE. I should judge so, although I believe there are some features that are covered by patents.

Senator WALSH. If there is none of either of these products produced in this country, how can you fix a duty, considering the American valuation?

Mr. ADGATE. I do not know, except on the basis of the values that exist to-day.

Senator WALSH. You could not get any quantities in America?

Mr. ADGATE. We are buying the stuff from an American concern.

Senator WALSH. You are?

Mr. ADGATE. And they in turn import it from Canada.

Senator WATSON. I am told that the Union Carbide people have two factories, one in Ontario and one in Sault Ste. Marie. Perhaps you get yours from one or the other of these plants.

Mr. ADGATE. It comes from the Canadian Electrolytic Corporation.

Senator DILLINGHAM. What amount do you use in a year?

Mr. ADGATE. At present we are consuming at the rate of from 50 to 55 tons per year, but we hope to increase that quantity. We are figuring on at least doubling it.

Senator MCLEAN. Do you use it to manufacture footwear?

Mr. ADGATE. Not particularly footwear. I am not a rubber chemist, and I am not very well posted on that line, but I do know that this product which we make is made in compounding certain classes of rubber goods.

**STATEMENT OF L. H. DAVIS, REPRESENTING THE CARBIDE & CARBON CHEMICALS CORPORATION, NEW YORK CITY.**

In the hearings recently held before your committee on tariff bill H. R. 7456, Schedule 1, Chemicals, etc., statements were made and briefs filed on behalf of a Canadian producer asking for the elimination of certain duties provided in the bill as follows:

1. Paragraph 1, page 2, lines 2 to 5, glacial acetic acid, 2 cents per pound.

2. Paragraph 2, page 2, lines 24 and 25, and page 3, lines 3 and 4, acetaldehyde, aldol, or acetaldol, aldehyde ammonia, and paraldehyde (paracetaldehyde), 6 cents per pound and 30 per cent ad valorem.

In answer to those statements and briefs and in support of the above mentioned duties we submit this brief.

This company, with its associated companies, has been actively engaged in the development of synthetic processes for the commercial manufacture of many chemical derivatives of acetylene, including all those above given, since the year 1914. It has produced and sold substantial quantities of such products commercially and is prepared to engage more extensively in such business provided it receives protection in the new tariff law.

The industrial uses of these products are of both established and growing importance as bases for general chemicals, dyes, solvents, pharmaceuticals, synthetic resins, and for certain steps in rubber manufacture and copper-ore recovery, and plants for their production in this country are essential, since in time of war both the aeroplane industry and many branches of chemical gas warfare and of military explosives are dependent upon them.

Reference is made, in the brief referred to, to certain promising uses of aldol or acetaldol in the recovery of copper ores by the flotation process, and the plea is made that the copper companies can not obtain this product cheaply except through Canadian imports of acetaldehyde and aldol.

We wish to state that, so far as we know, this particular industrial use for aldol has been developed entirely by our company in cooperation with the largest copper producers of this country and that we have spent large sums of money in such development. So far as we are aware the Canadian company referred to has contributed nothing to this important industrial advance. We are prepared to produce whatever amount the American copper companies require of this product at reasonable prices, and we believe that our pioneer work in this direction entitles us to be enabled to compete on even terms for this business.

The statement was made in the same brief that the cost of production of all the products, acetaldehyde, aldol, aldehyde ammonia, and paraldehyde, referred to in paragraph 2 of the chemical schedule, is practically the same in Canada as in the United States. To this statement we take exception for the reasons, first, that, owing to lower costs for power in the particularly favorable situation of the Canadian plant,

calcium carbide, which is the source of the acetylene required for the chemical derivatives therefrom, is cheaper to manufacture: second, that the large scale plants built there under the stimulus of war requirements are cheaper to operate than necessarily smaller plants to supply the home market here, and third, that, as we are reliably informed, the Canadian plants were built under war time contracts, one of which plants, having a designed capacity of about 750 tons per month of acetaldehyde or acetic acid, including a calcium carbide plant of 1,700 tons per month capacity therefor, was built with funds furnished entirely by the United States Government, with provision for amortizing the entire capital cost in one year's output of product, so that the Canadian company has neither interest nor depreciation to include in its costs of production, whereas the American manufacturer will have both. These items require more than the amount of duty proposed in the House bill to enable the American producer to compete successfully.

The statement was further made that "No competition other than that offered by Canada need be expected in these materials as neither acetaldehyde nor commercial paraldehyde can be transported to any great distance, especially in the hot periods of the year owing to the low boiling point of both these products."

This last statement is misleading, since these products may and would be converted easily and very cheaply to paraldehyde, which boils at a temperature considerably higher than water, and in such form could be transported safely and without loss to any required distance and there, if necessary, reconverted to acetaldehyde at similar inconsiderable expense.

The foreign competition which the United States manufacturer must meet is not only that from Canada but also that from each of the other principal industrial foreign countries, notably, England, France, Germany, Switzerland, Italy, and Japan. All of these countries have, according to a review of the "Chemical industry from calcium carbide," by M. Maurice Deschiens, in recent authoritative articles in French scientific journals, well-developed plants for the production of chemical derivatives of acetylene. Three English works with total capacities of over 200 tons per month, four German works, one alone of which has a total capacity of over 1,700 tons per month, at least three plants in France and one in Switzerland are mentioned as producing these products. We understand that European producers of these materials have already seriously underbid the Canadian producer in the markets formerly supplied by the latter and that the Canadian plant is temporarily closed. This fact is conclusive proof that this industry requires generous protection in the United States for its successful development.

Factories for these products are not only important for the industries of peace, but they are vitally important for the production in time of war, by readily made conversions, of acetic acid and acetates for airplane "dopes" and varnishes, acetone for explosives, and gases and chemicals for poison gases, tear gases, smoke bombs, and other features of the chemical warfare service.

The plants for the manufacture of all these acetylene derivatives to the extent that this country requires their output should be in the United States and the duties proposed are only sufficient to enable those industries to become established in this country.

There is no danger of a monopoly of these products being created in this country through the duties proposed. The wood distillation industry already furnishes the crude material for the manufacture of over 5,000,000 pounds of glacial acetic acid per year, and any one of several independent carbide manufacturers produces sufficient carbide to build up a large synthetic chemical plant for the manufacture of acetaldehyde, aldol, aldehyde ammonia, paraldehyde, and other acetylene derivatives.

## CITRUS FRUITS AND BY-PRODUCTS.

[Paragraphs 1, 46, 54, and 16C.]

**STATEMENT OF G. HAROLD POWELL, LOS ANGELES, CALIF.,  
REPRESENTING THE CALIFORNIA CITRUS LEAGUE.**

The CHAIRMAN. Where do you reside, Mr. Powell?

Mr. POWELL. I reside in Los Angeles. I represent the California Citrus League.

The CHAIRMAN. What is your business?

Mr. POWELL. I am a director and vice president of the California Citrus League, and also general manager of the California Fruit Growers Exchange.

Senator LA FOLLETTE. What is your address in Los Angeles?

Mr. POWELL. Consolidated Realty Building, box 642, station 3, Los Angeles.

The CHAIRMAN. Are you here as a citrus producer?

Mr. POWELL. I am here representing the Citrus League in these industries, the league being an organization which represents the citrus interests in all matters except that of marketing.

The CHAIRMAN. Are you engaged yourself in the citrus industry?

Mr. POWELL. Yes, sir; I am.

The CHAIRMAN. That is your sole business?

Mr. POWELL. That is my sole business.

The CHAIRMAN. You are not here representing others who represent the industry?

Mr. POWELL. No; I represent the citrus industry exclusively.

The CHAIRMAN. Are you a wholesaler or a jobber?

Mr. POWELL. I am a grower and a representative of grower organizations. In addition to representing the California Citrus League, which has an authorized membership of about 90 per cent of the California citrus fruit producers, I also directly represent two of the manufacturers of citrus by-products in California, the Exchange By-products Co., and the United Chemical Co., the two of which manufacture about 80 per cent of the citrus by-products.

The citrus by-products which I desire to bring to your attention are, first, citric acid, under paragraph 1 of the Fordney bill; second, citrate of lime, under paragraph 46; third, lemon and orange oils, under paragraph 54; and fourth, lemon, lime, and sour orange juices, under paragraph 1604. They are all a part of the by-products question.

I desire, Mr. Chairman, to submit a brief, and I would like to take a few moments to speak to the committee on the matter contained in the brief.

The CHAIRMAN. Did you have a hearing before the Ways and Means Committee of the House?

Mr. POWELL. The industry had a hearing before the Ways and Means Committee. This citrus by-products industry is a new industry in California. At the time the Payne-Aldrich Act was passed there was no such industry. At the time the Underwood Act was passed it was in the experimental stage. The rates of duty written into both of those tariff acts were written from the revenue point of view. In this bill, for the first time, the industry presents to your committee its needs from a protective point of view. It is what is popularly known as an infant industry, having developed during the last few years. In this present year we are producing about one-third of the total quantity of citric acid consumed in the United States.

The rates of duty in the Fordney bill, which is before you, are 7 cents per pound on citrate of lime; 12 cents per pound on citric acid; 20 per cent ad valorem on lemon and orange oils; and the concentrated juices are in the free list.

These rates of duty, from a protective standpoint, are inadequate to protect the industry, as I shall endeavor in a very brief presentation of the matter to show the committee.

The industry is founded upon the utilization of waste fruit, the low-grade fruit that is grown along with the other fruit and which has to

be harvested and passed through the packing houses at a great deal of labor expense. The rates of duty which the league desires to present to you are based upon the difference in the cost of labor in the handling of these commodities in this country and in Italy, not including the production cost of the raw material. They take into consideration only the labor differences in the handling of these commodities from the time the fruit is harvested until it is processed through the plant. They do not take into consideration freight or the cost of producing the raw material.

The league requests this committee to give consideration to advancing the House rates to the following figures: Citrate of lime, from 7 to 12 cents per pound.

Senator WATSON. Where do you find that?

Mr. POWELL. That is in paragraph 46, Senator. Citric acid, from 12 to 20 cents per pound.

Senator WATSON. Why do you ask for that increase?

Mr. POWELL. I will develop that on the labor difference, Senator. Oils of lemon and orange, under paragraph 54, from 20 to 40 per cent ad valorem.

Senator LA FOLLETTE. What oils are those?

Mr. POWELL. The lemon and orange oils, Senator.

Senator SUTHERLAND. From 20 per cent to what?

Mr. POWELL. From 20 to 40 per cent ad valorem.

Senator LA FOLLETTE. To what use are those oils put?

Mr. POWELL. They are used in flavoring extracts. We also ask that the juices in paragraph 1604, which are in the free list, be taken out of the free list. They will automatically come under paragraph 806, which provides for a duty of 70 cents per gallon on fruit juices not specially provided for.

The imports of these commodities are practically all from Italy. In Italy these lines of industry are controlled by a Government monopoly, the Camera Agrumaria, an organization made up of producers and dealers from different provinces and of officials of the Government, with the president of the organization elected by the cabinet of ministers. This organization controls and regulates the marketing of these products, except the juices. It fixes the prices periodically; allots monthly deliveries through its agents to different countries, and guarantees a minimum price on the product to the producer when the product is deposited in the Government warehouses. It advances the producer 80 per cent of the value of the product when it is placed in the warehouse, and taxes all sales made in an unofficial way—that is, not through this official body. These facts are all contained in a report of the Tariff Commission.

In the past the citric acid imports into this country have been largely in the form of citrate of lime, which has been converted here into citric acid by American converters. During the war the direct importation of citric acid also developed considerable proportions, approximately a million and a half pounds in one year coming into this country. The amounts of citrate of lime run from five to twelve million pounds in a single year.

The lemon industry of California, from which these products are made, is growing very rapidly. California has reached a point where the production of fresh fruit is now more than equal to the normal consumption in America, including imports. There is an increase in

the next few years coming on of about 3,000,000 boxes. If that fruit can be sold as fresh fruit, it will naturally seek the fresh-fruit market. With conditions such as have existed during the last year and a half, with the exception of a period of about 60 days, a considerably larger proportion of the fruit is culled out, because it has not brought the cost of handling and freight. Therefore, as this industry increases we may expect a very much larger increase in the manufacture of these by-products. The present output of citric acid from California represents about one-third of the total American consumption.

Senator LA FOLLETTE. What is the total amount of your production?

Mr. POWELL. This year about a million and a quarter pounds of citric acid, and the consumption is estimated at from four to six million pounds. It was very erratic during the war period.

The basis on which we are asking for these increases represents the difference in the cost of labor between the United States and Italy in harvesting, delivery to the factory, and processing. It does not include the cost of producing the fruit. We have among our own members a considerable number of growers, and Mr. Hamilton, I think, will present their point of view to you, who feel that if the theory of protection were to be fairly applied to this industry much higher rates might be asked for including equalization of the differential as between Italy and America in the cost of producing the lemons in the field. The duties which the league is asking for places the by-products business with other chemical industries of a similar nature, and with which the citrus by-products must compete. These competing industries are developed from low grade or waste products. The league is making its requests upon the basis of saving labor costs that must enter into the handling of the low-grade fruit when it is harvested and handled through the lemon packing houses.

Senator WALSH. What percentage of the consumption in America is produced in America?

Mr. POWELL. About one-third at the present time.

To arrive at the difference in labor costs in America and Italy, the costs as determined by the Ways and Means Committee and published on the different classes of labor handling citrus products in Italy have been used. The costs in California are taken from the books of the different organizations producing citrus by-products; these can be fully substantiated. The ratio of labor cost of the by-product industry in Italy to that in the United States at the present time is approximately one to four. The ratio in the fresh fruit production is much greater.

The comparative domestic and foreign labor costs applied to citrate of lime are, respectively, 20.2 cents and 5.1 cents per pound. In the manufacture of citric acid the labor cost is 35.6 cents a pound, and 44 cents a pound for lemon oil in the United States, and 8.9 cents and 11 cents, respectively, in Italy. Using these figures, the difference in favor of Italy in labor cost alone, not including other costs of production, is 26.7 cents per pound on citric acid, 15.1 cents per pound on citrate of lime, and 33 cents per pound on oil.

The rate of 12 cents per pound on citric acid in the Fordney bill is only twelve-twenty-sixths of the difference in the cost of labor between the United States and Italy in the manufacture of the citric

acid; the rate of 7 cents per pound on citrate of lime is only seven-fifteenths of the difference in the cost of labor in the manufacture of citrate of lime; while the rate of 20 per cent ad valorem on lemon and orange oil represents only one-half the difference in the cost of labor in the manufacture of the oil. The league therefore requests that these rates be raised to 20 cents, to 12 cents, and to 40 per cent, respectively, which partially cover these differences in labor costs and put the American producer on a more nearly even competitive basis, but make no allowance for the differences in the cost of producing the fruit itself.

**Senator LA FOLLETTE.** In the investigations made by the Tariff Commission of this industry, which I have not examined, can you state whether they give the labor costs of the foreign production of citric acid?

**Mr. POWELL.** No; the Ways and Means Committee gives the labor rates.

**Senator LA FOLLETTE.** Yes; I understood that you based your computation upon the tables prepared by the Ways and Means Committee as to labor cost, but I was inquiring whether there was an investigation of that branch of the subject by the Tariff Commission.

**Mr. POWELL.** There is a very complete report, Senator, issued by the Tariff Commission, No. 13, 1920, on the acids.

**Senator LA FOLLETTE.** Do they go into labor costs?

**Mr. POWELL.** I do not think that report goes into the actual manufacturing costs abroad.

The league also requests that the citrus juices be removed from the free list, paragraph 1604, because they are brought in and converted into citric acid and citric acid will be imported in this form unless they are placed under a tariff rate. If duties were imposed upon citrate of lime and citric acid and none on these fruit juices, the result would be heavy importation of concentrated juices in which foreign citric acid would enter duty free. Thereby the American citrus industry would be deprived of the protection needed and the Government would lose the revenue which duties on citrate of lime and citric acid are expected to yield.

**Senator WATSON.** What were the imports in 1909 and 1920 of citric acid?

**Mr. POWELL.** As I recall, they run up to 1,600,000 pounds in those years. That is for the calendar year 1920. I have not seen the official figures.

**The CHAIRMAN.** The official figures for citric acid for the calendar year 1920 are 1,317,467 pounds, valued at \$1,142,842; for citrate of lime 12,490,196 pounds, valued at \$3,027,823; and for lemon and orange oil 855,240 pounds, valued at \$1,815,777.

**Mr. POWELL.** There are three or four large chemical factories in this country that convert citrate of lime into citric acid. The rates which the league requests and which represent only the differences in labor costs in the manufacture from the fresh fruit, do not afford protection to the labor employed by the American converters. If the committee desires to take into consideration the protection of American industries which convert imported products into citrate of lime, the league suggests that the protection be based upon the same labor ratio. It costs in California 4 cents a pound for the labor necessary to convert citrate of lime into citric acid. A 3 cents addi-

tion to the citric acid rate, or 23 cents a pound, will equalize this labor differential and protect the American converter on the difference in his labor costs. I think that is all, Mr. Chairman.

The CHAIRMAN. Have you a brief which you desire to submit to the committee?

Mr. POWELL. Yes, sir.

**BRIEF OF G. HAROLD POWELL, REPRESENTING THE CALIFORNIA CITRUS LEAGUE.**

The California Citrus League is the authorized representative of more than 90 per cent of the producers and shippers of California citrus fruits in handling of industry matters except those relating to marketing.

**MANUFACTURE OF CITRUS BY-PRODUCTS A NEW INDUSTRY.**

As a part of the citrus-fruit industry of California there has been developed in recent years the manufacture of so-called by-products, notably, citrate of lime, citric acid, and lemon and orange oils. The manufacture of these products direct from the fresh fruit is a new industry in this country; it is in fact what is often termed an infant industry.

At the time the Payne-Aldrich Act was passed in 1909 there was no such industry. In 1913, when the Underwood tariff bill was being considered, development of the industry had scarcely passed the experimental stage. Not until 1915 did the industry become of commercial importance.

The present tariff bill, therefore, offers the first opportunity for the establishment of duties on these articles which will afford protection to this new branch of the citrus industry. In comparing the rates of duties now requested with those in effect in previous tariff acts it must, then, be kept in mind that the rates now to be established will be for the purpose of the protection of a new industry that was not in existence when previous tariff laws were enacted.

The House of Representatives adopted a schedule of rates covering the chemical by-products of the citrus industry as follows: Citric acid, Schedule 1, paragraph 1, 12 cents per pound; citrate of lime, Schedule 1, paragraph 46, 7 cents per pound; oils of lemon and orange, Schedule 1, paragraph 54, 20 per cent ad valorem; lemon juice, lime juice, and sour orange juice, Schedule 15, paragraph 1604, free list.

The California Citrus League requested the committee to approve the following schedule of rates: Citric acid, 20 cents per pound; citrate of lime, 12 cents per pound; oils of lemon and orange, 40 per cent ad valorem.

The league now urges the Committee on Finance to change the rates adopted by the House of Representatives to those requested by the league in order that the domestic product may be placed on a more even competitive basis with the imported products and that the expense of handling the waste fruit which is converted into these products may be saved to the industry.

**BASIC FACTS RELATING TO THE BY-PRODUCTS INDUSTRY.**

In normal years 10 per cent of the lemon crop and 3 per cent of the orange crop is classed as "culls" and is not fit for shipment because of its physical condition. Under unfavorable conditions as much as 40 per cent of the fruit may be classed as "culls," because it can not be sold for enough to pay the cost of harvesting, shipping, and selling. It must, however, be harvested and sorted out in the packing house and the expense involved in this handling is a loss to the grower unless the fruit can be converted into by-products which will sell at a price that will at least cover these costs.

The conversion of this waste fruit in the United States into a useful product is necessary to the stability of the fresh-fruit industry.

**THE LEMON BY-PRODUCTS INDUSTRY IN ITALY.**

In Italy, the principal country producing lemons outside the United States, where the cultural conditions result in a higher proportion of unsalable fruit, from 30 to 50 per cent of the total crop of lemons is converted into citrate of lime, citric acid, and lemon oil. In order to insure the prosperity of the lemon industry abroad, the Italian Government has created a by-products monopoly through which a fair price is guaranteed to the grower and the market for these products is controlled and regulated.

The Tariff Commission has made an investigation of the by-products business in Italy. It has the following to say (Tariff Information Series, 1920, No. 13, p. 24) about its control by the Italian Government:

"An important feature of the industry is the Sicilian method of selling the citrus products. The Italian Government created a citrus chamber or Camera Agrumaria, to control and regulate the market for citrus products. This chamber is made up of a certain number of producers and exporters from each of the Provinces together with representatives from the ministries of commerce and agriculture and a president nominated by the council of ministers.

"Citrate of lime and citric acid are handled almost exclusively by the Camera which fixes the prices periodically and through its agents allots monthly deliveries to buyers all over the world. It guarantees the producer a certain minimum price for his product and the Italian Government levies an export duty amounting to 1 lire per quintal (0.087 cent per pound) on all sales not made through the Camera Agrumaria. The producers deposit their output with the Camera and they are advanced 80 per cent of the value of the citrate of lime, and the balance is adjusted when the sale is made."

Citric acid, citrate of lime and lemon and orange oils are articles of world trade. The United States offers the largest available market for them. Citric acid is imported into the United States chiefly in the form of citrate of lime and is here converted into citric acid, though in the last few years large quantities of citric acid have been imported direct. A large amount of citric acid is also imported in the form of concentrated lemon or lime juice, which, under the present tariff, is admitted duty-free.

#### FUTURE OF THE DOMESTIC BY-PRODUCTS INDUSTRY.

The American lemon industry is growing rapidly. California will produce 5,000,000 boxes of lemons in 1921, which is three-fourths of a million boxes in excess of the total normal consumption of lemons in the United States. There are 17,000 acres of nonbearing lemon trees in California, which, if the industry is maintained, will increase this surplus in the next few years to at least 3,000,000 boxes. This increase in production will increase the supply of cull lemons which should be converted into by-products.

California is now producing one-third of the citric acid used in the United States and will largely increase its production in the next few years.

Five factories, two of which are operated by cooperative growers' organizations, have already been established in California to handle orange and lemon by-products. These five factories are prepared to utilize the entire cull supply if a tariff is enacted that will make their continued operation and the expansion of the industry possible.

The United States Tariff Commission, which has recently investigated the domestic by-products industry, has the following to say about its future (Tariff Information Series, 1920, No. 13, p. 26):

"There is an opportunity for the growth of the by-product industry in California through the more complete utilization of the culls and through the growth of the lemon-growing industry. The acreage of young, nonbearing lemon groves in California is about 75 per cent of the acreage of bearing trees, and much of the latter is in young orchards which have not reached the full-bearing stage. It may, therefore, be predicted that within five or six years the total crop of lemons will be nearly double that produced during 1918. If the same proportion of the crop were treated as culls, and if all the culls were converted into by-products, the production of by-products would be about four times as great as at present (1918). Should it prove difficult to sell the double crop of lemons at profitable figures, the tendency will be to grade more strictly, and thereby to increase the proportion of culls. It is hardly to be expected, however, that the output of by-products will increase sufficiently to supply the entire American demand."

#### RATES OF DUTY REQUESTED BY THE LEAGUE.

The rates of duty requested by the league are the minimum required to place the domestic industry on a more nearly even competitive basis with the foreign industry whose products are manufactured by cheap labor and handled and controlled by government monopoly. A permanent by-products business can only be developed on fruit that is classed as culls. The league is, therefore, asking for rates that will only equalize the difference in the labor cost of harvesting and converting into by-products the fruit that is not marketable in its fresh state. The suggested rates of duty do not take into consideration the cost of producing the fruit and therefore would not encourage the conversion into by-products of any fruit that would otherwise be shipped in its fresh condition.

The rates of duty requested are based on a comparison of the wages paid for harvesting the fruit and manufacturing citric acid and lemon oil in Italy and in California. The Italian wages are taken from tables compiled by the clerk of the Ways and Means Committee. (Tariff Information, 1921, Wages in the United States and Foreign Countries, pp. 9 and 36.) The wages in California are taken from the records of those handling cull lemons and manufacturing these products.

The comparison of wages, including the ratio between the Italian and American rates, is set forth in the table following:

*Comparative wages in Italy and America.*

Class of labor.	Italian wage.	American wage.	Ratio.
Fruit gathering.....	\$0.52-\$0.62	\$2.50-\$3.00	1:4.8
Rough labor.....	.69-.78	2.75-3.25	1:4
Process men.....	.87-.90	3.20-3.60	1:3.8
Chemists and mechanics.....	.93-.95	3.60-4.80	1:4.4
General average ratio, taken as.....			1:4

THE COST PER TON OF HANDLING CULL LEMONS IN THE UNITED STATES.

The cost of converting cull lemons into citric acid and lemon oil in California is known from the records of the Exchange Lemon Products Co. and the United Chemical Works, which have converted 70,000 tons of lemons into these products since 1916. The present cost of harvesting the fruit, handling it to the central factory and of manufacturing, including the proportion of the cost represented by labor, is set forth in the table following:

*Cost of handling and processing low-grade lemons.*

	Cost per ton.	Per cent labor.	Labor cost per ton.
Gathering fruit.....	\$3.00	95	\$8.55
Transportation to central factory.....	5.79	60	3.47
Factory operation and maintenance.....	11.73	30	4.42
Total.....	29.52		16.44

Since both citric acid and oil of lemon are manufactured from the lemons, a proper division of the labor costs per ton as outlined in the preceding table is estimated to be \$14.24 for 40 pounds of acid and \$2.20 for five pounds of lemon oil produced from one ton of cull fruit. This represents 35.6 cents per pound of citric acid and 44 cents per pound of lemon oil.

All citric acid in the course of its manufacture passes through the citrate of lime stage. The labor required in the further processing, costs approximately 4 cents per pound of acid crystallized. The labor cost of acid in the citrate stage is therefore 31.6 cents per pound. A pound of citrate contains sixty-fourth one hundredths pound of pure acid, the labor represented in this citrate of lime costing therefore 20.2 cents per pound of American citrate.

COMPARATIVE LABOR COSTS OF HANDLING CULL LEMONS AND OF MANUFACTURING BY-PRODUCTS IN THE UNITED STATES AND ITALY.

Using the cost of labor on citric acid made in California as outlined above at 35.6 cents per pound, the comparative labor cost of Italian citric acid is 8.9 cents per pound, the labor ratio between the United States and Italy being 4 to 1. The comparative domestic and foreign labor costs applied to citrate of lime are, respectively, 20.2 cents and 5.1 cents per pound. The comparative labor costs of domestic and Italian oils are 44 cents and 11 cents per pound. The difference in labor costs in favor of Italy is 26.7 cents on citric acid, 15.1 cents per pound on citrate of lime, and 33 cents per pound on oil. The value of imported oil is approximately 80 cents per pound or 72 cents before payment of duty. An ad valorem rate of 40 per cent equals

28.8 cents per pound, or 4.2 cents per pound less than the difference in labor cost in favor of Italy.

The table following shows a comparison of the cost of labor per pound of citric acid, citrate of lime and lemon oil in the United States and Italy and the difference in favor of Italy:

*Comparative cost of labor per pound of citric acid, citrate of lime, and lemon oil in the United States and Italy.*

	United States.	Italy.	Difference in favor Italy.
	<i>Cents.</i>	<i>Cents.</i>	<i>Cents.</i>
Citric acid.....	35.6	8.9	26.7
Citrate of lime.....	20.2	5.1	15.1
Lemon oil.....	41.0	11.0	33.0

#### RELATION OF LABOR COSTS TO RATES OF DUTY REQUESTED.

The rates of duty requested by the league are conservative from every standpoint of tariff making. The rates adopted by the House of Representatives do not meet the theory of protection to an American industry. The former rates established by Congress were not protective rates, but were enacted from a revenue point of view before these industries began to be established in California.

The rate of 12 cents per pound on citric acid in the House bill is only twelve twenty-sixths of the difference in cost of labor between United States and Italy; the rate of 7 cents per pound on citrate of lime is only seven-fifteenths of the difference in the cost of labor; while the rate of 20 per cent ad valorem represents only one-half the difference in the cost of labor in the manufacture of oil. These rates are not sufficient to give reasonable protection to the domestic industry.

#### LEMON JUICE, LIME JUICE, AND SOUR-ORANGE JUICE.

The removal of lemon juice, lime juice, and sour-orange juice from the free list is also necessary in order to insure protection to the American industry. Imported concentrated juices are becoming increasingly important sources of citric acid. If duties were imposed upon citrate lime and citric acid and none of these fruit juices the result would be heavy importation of concentrated juices in which form citric acid would enter duty free. Thereby the American citrus industry would be deprived of the protection needed and the Government would lose the revenue which duties on citrate of lime and citric acid are expected to yield.

The league, therefore, can not urge too strongly the adoption of the rates recommended as the minimum rates required to place the American industry on a more nearly equal competitive basis with the foreign producers. It urges that the Senate Finance Committee recommend to the Senate a change in the rates in the bill now before it, increasing citric acid from 12 to 20 cents per pound, citrate of lime from 7 to 12 cents per pound, and oil of lemon and orange from 20 to 40 per cent ad valorem.

It is further recommended that lemon juice, lime juice, and sour orange juice (par. 1604) be eliminated from the free list. Upon such elimination, paragraph 806 will impose a duty on those juices that will afford some measure of protection and prevent the loss of revenue that the duties on citric acid and citrate of lime should yield.

#### CONSIDERATION OF AMERICAN CONVERTER.

In this brief are presented the facts which measure the minimum tariff needs of the primary industry, namely, the manufacture of citrus by-products direct from the fresh fruit. There are also in the United States two or three large chemical factories which number among their many chemical products citric acid extracted from imported citrate of lime. If special protection is to be accorded the American converter who uses imported citrate, the league suggests that such added protection should be based upon the difference between the American and Italian labor cost of this refining process. This labor cost is shown by the records of the Exchange By-Products Co. to be 4 cents per pound of citric acid. This is 3 cents higher than the corresponding labor cost in Italy. The addition of 3 cents to the citric acid duty would afford protection equivalent to 100 per cent of the labor differential against the American

converter and give him the same character and an even greater degree of protection than the primary industry asks for itself.

The duties requested by the league are the minimum necessary to afford reasonable protection to this primary industry, and if added protection is to be given to the American converter, that must be done by increasing the citric acid duty and not by decreasing the citrate of lime duty.

**STATEMENT OF GEORGE N. HAMILTON, CLAREMONT, CALIF.,  
REPRESENTING THE LEMON-GROWING INDUSTRY.**

The CHAIRMAN. Mr. Hamilton, will you kindly state for the record where you reside?

Mr. HAMILTON. I reside in Claremont, Calif.

The CHAIRMAN. What is your business?

Mr. HAMILTON. Growing oranges and lemons.

The CHAIRMAN. You are actually in the business as a grower?

Mr. HAMILTON. Very much so.

The CHAIRMAN. Will you proceed to submit your views to the committee on these articles?

Senator LA FOLLETTE. Mr. Hamilton, will you please give your post office address?

Mr. HAMILTON. Just Claremont, Calif.

I appear here at the request of the directors of three of our local lemon growers' associations, the Upland Lemon Growers' Association, the Mountain View Fruit Association of Upland, and the College Heights Orange and Lemon Association of Claremont. Those associations pay my expenses. I represent them and I feel that I represent the views and the needs of the majority of the lemon growers of California.

I think I am representing—I know I am—the pledges of the Republican Party that were made at the election last fall when the question of saving those lemon groves was the one that influenced, I am sure, the large majorities which were piled up in those hitherto Democratic districts. It was a landslide. In Claremont, the little town I represent, the vote was four to one. What we would like to know is whether this protection is a fact or whether it is camouflage.

Senator WALSH. I suppose it goes back to the Democratic Party if it is camouflage.

Mr. HAMILTON. The two Democratic Members in the House from California have joined with us in this matter.

The CHAIRMAN. Is that protest in favor of citric acid or against the League of Nations?

Mr. HAMILTON. We will not discuss the League of Nations unless you require it of us.

In 1909 there were 1,943,000 boxes of lemons shipped by California, in 1920 there were 3,615,000 boxes. In 1909 there were 1,853,000 boxes of lemons imported, in 1920 there were 1,532,000 boxes.

In 1909 there were 17,286 acres of lemons of bearing age in California, in 1920 there were 33,059 acres. Seven years old and over is what we call a bearing age. They increase after they are seven years old for five or six or seven years. In 1909 there were non-bearing 3,300 acres, in 1920 there were 17,495 acres. More than 50 per cent of our lemon acreage is nonbearing.

The production of lemons in 1920 in this country was 13,000 carloads of 400 boxes to the car. The consumption was 13,000 carloads. The importations of fresh lemons was 3,831 carloads, being substan-

tially the amount we were compelled to send to the products company and receive in returns not enough to pay for the cost of harvesting and manufacturing. A part, owing to the inability of our products plant to handle it, we hauled out and dumped and a part was left on the trees.

The CHAIRMAN. Why were those lemons destroyed?

Mr. HAMILTON. Large numbers of them were good lemons, but we were shipping our lemons and not getting the cost of shipping. We were losing money right along. They were good lemons, but they needed marketing at once. If they had been lemons that we could have held until the summer time we would have done so, but something had to be done with them, and we could not get out whole by shipping them, so we hauled them out and dumped them.

The CHAIRMAN. Do you remember the highest price that lemons brought in Chicago about the time that these lemons were destroyed?

Mr. HAMILTON. I do not remember the highest price. The average f. o. b. price, as I remember it, for our calendar year, up to about the time this hot weather came, was \$2.06 a box. That was the price we received in California packed and loaded on the cars.

Mr. POWELL. During a very short period in the spring the shipment of lemons from California would not pay the cost of harvesting and the freight. Every box handled under those conditions meant borrowing money to pay the actual handling cost. Every packing house was full to the limit. It cost the grower money to ship every box, and part of the goods got in such a condition that they could not be shipped. A very few lemons compared to the total crop, less than a thousand cars under those conditions, could not be shipped.

Senator WATSON. Did you try to ship them through the canal?

Mr. POWELL. All we could.

The CHAIRMAN. I realize those conditions, but I also recall a very widespread difference in the price of lemons in Chicago at that time.

Mr. POWELL. Not at that time. That was in the 70 days from May 21 to the last of July, when the price, on account of the extreme heat, went to a high point, but during the last two weeks the price has gone down as spectacularly as it went up, owing to the cool weather.

Senator LA FOLLETTE. What is the freight charge on a box of lemons?

Mr. HAMILTON. \$1.44 a box, freight and war tax.

Senator WATSON. To New York?

Mr. HAMILTON. To New York. It is a blanket rate over a large territory.

Senator McCUMBER. What was the cause of the slump in price at the time when so many carloads of lemons could not be shipped and were destroyed?

Mr. HAMILTON. It was due to the fact that we had so many lemons that we shipped more than the market would take. They did not want them; they would not take them. That was the cause.

The CHAIRMAN. It has been suggested that the eighteenth amendment may have hurt the lemon industry.

Mr. HAMILTON. I argue the other way. Some of our people say it does, but I think I can demonstrate that it does not. So there it goes.

Senator McCUMBER. Was that condition due to an overproduction in the United States?

Mr. HAMILTON. Which?

Senator McCUMBER. The fact that you could not dispose of your lemons because there was no demand for them. Did we have an overproduction that year?

Mr. HAMILTON. It was due in part to an overproduction.

Senator WATSON. What were the imports that year?

Mr. HAMILTON. The imports last year were 3,831 carloads.

Senator LA FOLLETTE. But you stated that the production in this country equaled the consumption in this country.

Mr. HAMILTON. Yes.

Senator LA FOLLETTE. And that the imports made the excess of production in the market.

Mr. HAMILTON. Yes; made an excess in the supply.

Senator McCUMBER. That is what I am trying to get at, whether the imports had anything to do with that slump in prices.

Mr. HAMILTON. Certainly; they were there, and they were sold, and when they were sold it knocked the market for us.

Senator WATSON. What does it cost to lay down in New York a box of lemons raised in any competing country?

Mr. HAMILTON. I can tell you better by what they have sold for. During the whole year of 1914 they sold at an average of \$2.20 a box, laid down in New York.

Senator WATSON. What did you lay yours down in New York for?

Mr. HAMILTON. We can lay ours down in New York at \$4.58 a box, which does not allow us any profit or interest on our investment.

Senator WATSON. From what country can they lay down a box of lemons in New York at \$2.20?

Mr. HAMILTON. Italy can lay them down at much less than that.

Senator WATSON. And did all those imports of 3,831 carloads come from Italy?

Mr. HAMILTON. I think they all came from Italy. Italy is the big lemon-producing country of the world.

Senator WALSH. Is not the production of lemons in Italy decreasing?

Mr. HAMILTON. It does not seem like it. I do not know. They are not sending as many here as they did, but those figures I have just read show how they are fluctuating.

Senator DILLINGHAM. As a general statement are we to understand that Italy and Sicily can lay down their lemons in New York at substantially one-half the price at which California can lay them down there for?

Mr. HAMILTON. I think less than one-half. Mr. Powell mentioned the fact that the labor charge was at the ratio of 1 to 4. That is a big element in growing lemons. We might as well throw up the sponge if you are not going to allow us to figure the growing of them. He said the ratio was 1 to 4, but when it comes to the growing of lemons my understanding is that the ratio is nearer 1 to 10. That is a large element, gentlemen. Then when it comes to freight our freight is \$1.44 a box, while their freight is not always known. It is not controlled by the Interstate Commerce Commission. It is open to all sorts of rebates and secret rates. I have heard of rates, where they shipped similar distances, at 14 and 15 cents a box.

Senator McCUMBER. On account of the cheaper product from Italy and Sicily, you have had no New York market for years in the lemon business, have you?

Mr. HAMILTON. We have shipped a good many lemons there. Our lemons are shipped by rail, and at times we can not get our costs out of them. We would lose money on them. At other times when the market is more promising we ship to New York. We start our cars, maybe the consignee will conclude he is overstocked and ask to be let off. Those cars go to New York and are sold in New York at auction. Last week we sold 13,765 boxes of lemons in New York at \$3.19 a box. The foreigners sold over 17,000 boxes at \$3.45 a box.

The CHAIRMAN. You can not object to competition with Florida, can you?

Mr. HAMILTON. Florida does not produce lemons.

The CHAIRMAN. I thought there were a considerable number of lemons coming from Florida.

Mr. HAMILTON. We do not realize it. It was the foreigners.

Senator CALDER. There are no lemons coming from Florida. The only source of lemons is Italy.

Senator DILLINGHAM. So that last week in your auction sales you sold as many lemons in New York as Italy did?

Mr. HAMILTON. No; they sold 17,000 boxes and we sold 13,000 boxes. We sold at \$3.19 a box, while the lemons cost us, f. o. b. New York, without interest or profit, \$4.58.

Senator DILLINGHAM. You lost over a dollar a box on those lemons?

Mr. HAMILTON. We did.

Senator SUTHERLAND. Do you mean to say that you have no information on the freight rates in the shipment of lemons from Italy to New York?

Mr. HAMILTON. Rates are given out, but I have no confidence in them.

Senator WATSON. What is the difference in the freight rates by rail and boat through the canal to New York?

Mr. HAMILTON. I think the rate is 60 cents by boat and \$1.44 by rail. There are disadvantages and difficulties about boat shipments. It is in its infancy, that part of the business. But that will not increase the market.

Senator SMOOT. The importations for the year ending June 30, 1921, were only \$1,520,062, and compared with the year 1920, it was not half of the amount.

Mr. HAMILTON. That would be affected both by the price and by the volume, maybe altogether by the price. I could not tell without analyzing it. You see up to the time this hot spell came, for nearly a year and a half, we have had the worst sledging you ever saw.

The production five years from now, if we maintain our groves, should, according to my estimate, amount to about 21,000 carloads. The consumption in five years, figuring on the usual rate of increase we have had in the past of 2 per cent per annum, would be about 14,300 carloads, making a surplus at the end of five years of 7,000 carloads. The excess lemon acreage which would be represented by this surplus would be from 15,000 to 20,000 acres. It is to avoid the destruction of these lemon groves and the homes that are on them—

we can not go on raising lemons unless we have a market that will pay for the cost of production—that is the reason I am here. There were 2,000 acres of lemons budded over and 1,000 acres pulled out by discouraged owners last spring. It is a real danger.

Mr. Teague, the president of the citrus league, in answer to my question, "If the league secures the duties that they asked for in their brief, which Mr. Powell has just stated, would it not be a fact that it will not furnish an outlet for our excess supply and would it not be necessary to destroy a large percentage of our lemon acreage?" replied, "That is true." It is something that can not be denied. We have to be protected in growing those lemons or destroy our groves.

Senator WATSON. Do the Pacific Islands produce many lemons?

Mr. HAMILTON. I do not know. We have not heard of it.

I have 5,000 lemon trees, over 4,000 of them being seven years old this year, just ending the eight years of famine which go with the development of a lemon grove. I debated seriously this last spring whether or not I should pull them out or bud over. I consulted experts on the subject. It takes just about as long to get them in bearing by budding over as to pull out and plant anew.

Senator LA FOLLETTE. What do you mean by "budding over"?

Mr. HAMILTON. Budding into oranges or grape-fruit. It was uncertain as to which was the best thing to do, to pull them out and plant anew or to bud over, and after debating it I finally concluded that I would wait another year. I considered eliminating 40 acres of mine this last year.

Senator WATSON. You are speaking about lemons?

Mr. HAMILTON. I am speaking about lemons only. That is all I am going to talk about. If it is a fact that we can not have some other outlet than the fresh-fruit market I would feel like saying "Make it snappy and get rid of it; make it short, this period of elimination."

Ten thousand carloads of lemons a year are required to supply the citric acid consumed in the United States. I speak in carloads because it is easier for me to see and it does not take so many figures. Citric acid is a nonperishable product. To that extent it has an advantage over the fresh lemon business. A lot of the risk and danger of decay is removed; all of it, in fact. It is almost equal in volume to the fresh fruit market and in freedom from risk is superior. Ten thousand carloads of one against 13,000 carloads of the other. If we could have a market for the two on a basis that would give us a chance to live, we could market all the lemons that we could produce on all the trees that are now planted in California and have an inducement to plant some more. That is the proposition exactly.

The league takes the position that citric acid is made out of a worthless product, but Italy does not treat it so. In large districts in Italy 80 per cent of the fruit or more goes into the products. Then, is it not a fact that they are growing their fruits for the product?

Senator McLEAN. But you do not get the large profits out of the lemons that you sell to the citric acid men?

Mr. HAMILTON. We have not gotten our costs.

Senator McLEAN. So it is of no advantage to you to raise lemons for that purpose under any conditions?

Mr. HAMILTON. Not unless we are protected against the cheap prices of Italy. I figure the growers of Italy get 4 cents per pound, in

their money, for the fruit processed over there on the basis of present prices of citric acid, while we are getting nothing. The whole problem is are we going to protect our American laborers in maintaining a position that is above the labor of Italy? If we do that you have to protect us, and I feel that 10,000 carloads of lemons marketed in this way is worthy of consideration and protection. The product is a good product. It is made out of lemons. They are just as good for that purpose as the best of lemons, and, in fact, during the eight or nine dull months of the year we make it a point to pile up our lemons, because at that time they will not take them when we ship them East, and we take good care of them and have them ready when the hot spell comes, as it did this summer. During that time there is more or less real good fruit that the trade will not take but which has reached a stage that requires some immediate disposition. You can not expect us to ship the fruit and lose money on it and maybe pay the freight in addition.

If we could put that class of lemons into citric acid and the other products in such manner that we could get nearly the cost of growing them, it would stabilize the industry. It would enable us to increase the supply so that when these times of keen demand do come we would be prepared to meet the demand. It is not possible to fortify ourselves and be in a position to supply such a demand as we had this summer. It would be just as reasonable to expect a bank to do a profitable business and be ready to pay every depositor in full every minute as to expect us to get lemons here to take care of the tremendous demand that existed this summer. We did the best we could to break the market. We shipped in the two months of June and July 4,130 carloads, whereas during the four years previous the average yearly shipments for the same period had been 2,155 carloads, and the highest shipments for the same period was 2,622 carloads.

The CHAIRMAN. Shipped where?

Mr. HAMILTON. To the markets here in the East. We increased our packing and shipping to the highest limit, but we could not supply the demand. A hot spell here in the East always causes a jump in the market. This hot spell surpassed anything in the history of the lemon business.

The CHAIRMAN. Have not the imports of foreign lemons gone down with wonderful rapidity?

Mr. HAMILTON. They have sprung up somewhat recently.

The CHAIRMAN. In 1914 there were only \$2,000,000 worth and in 1920 there were \$542,000 worth.

Mr. HAMILTON. To say a dollar's worth would not necessarily mean anything. A person has got to go into it and see how the price was. There was a shortage of supply from abroad this season. They did not have them piled up in the East ready for this hot spell. Whether it was a scheme to affect prices, or whether it was a fear of this 2-cent emergency tariff or what not, I do not know. There was not the usual amount of importations during the early months preparatory for a hot spell, and owing to the extreme depression last summer and the disappointment the speculators had they did not buy our lemons and store them up. When we sent them here they paid us prices that discouraged us from shipping any more.

Senator SUTHERLAND. Do you mean that in that active demand you lost on any shipments of those lemons?

Mr. HAMILTON. When that active demand came it was a life line to us. That has changed what was the most deplorable situation you can imagine into one for the time being that was very rosy. Mr. Powell, when we averaged our sales for the present fiscal year, from September 1, 1920, up to the present date, has not the average return been sufficient to paying our cost and 8 per cent on our investment, for that time?

Mr. POWELL. About 8 per cent.

Mr. HAMILTON. If we go back to the beginning of the depression, our return averages costs and 3 per cent on our investment in groves.

Senator SUTHERLAND. What fiscal year do you have reference to?

Mr. HAMILTON. Our fiscal year has reference to the 1st of September.

Mr. POWELL. During the period of the hot weather, from May 21 to the 31st of July, California shipped 90 per cent more lemons than the average shipments of the last four years. The total supply of this country during the hot weather was 60 per cent greater than the average of the last four years. But the demand for lemonade, etc., was so great in the hot weather that that total of 60 per cent increase resulted in a shortage. The rail freight rates per box on California lemons is \$1.44; the freight rate by boat is 60 cents; but the terminal charges on each end are such as to make comparable a rate of about 75 cents as against the rail rate of \$1.44.

The CHAIRMAN. Can you have printed, Mr. Hamilton, a portion of your brief and curtail your statement before the committee? It is true that your time has been largely consumed by the asking of questions. We want to give you all the time you desire, but please bear in mind that we are operating under this 15-minute rule.

Mr. HAMILTON. I appreciate that, Mr. Chairman.

Senator JOHNSON. May I suggest, Mr. Hamilton, that you state the rates that you think are appropriate and the reasons therefor.

Mr. HAMILTON. I wanted to lead up to the reasons before I stated them. I want to repeat that in large districts in Italy they grow fruit for these products. When a man year after year puts 80 per cent or more of his lemons in one line, is not that what he grows them for?

Senator WATSON. We are perfectly familiar with that.

Mr. HAMILTON. It is not a cull business. It should be treated as a business that is legitimate and has value in the stuff that we turn over to the products factory. To meet the situation we growers have put up a plant. It has a capacity now of about 1,200,000 pounds of citric acid a year. Other corporations in California have a capacity of about 800,000 pounds a year. The two together make about a third of the consumption of the United States at the present time. It is a new enterprise, to my mind, like the packing houses which we join together and build as a means of packing our fresh fruit and shipping it. This is just an instrument for marketing our lemons. Citric acid is not a by-product. It is misnamed. It is the whole thing. The lemon oil might be called a by-product, but the citric acid is the means we have adopted to market the lemons.

We have invested about \$200,000 in this plant; we have about \$125,000,000 invested in our groves and equipment, and the importance of the two is illustrated thereby. Those valuations of groves are my valuations. Some people make it less, but I have had some experience in the growing of a grove recently and I think I know what I am talking about.

The citric acid plant employs about 35 or 40 men. In our groves the owners work and they employ help and their boys. The estimate I got from the league is that there are 12,500 men and their families dependent upon the growing of the fruit.

Senator McLEAN. You said "fruit." You mean lemons, do you not?

Mr. HAMILTON. I mean lemons; yes, sir. As to the size of the groves and to illustrate how intensive the work is, in our association there are 215 members; they have 1,300 acres of lemons; and there are several of us that have maybe 40 acres or more and several more that have 20 acres or more. If those are included, the average would be a little over 6 acres to the owner. If they are excluded, I think it would be reduced below 5 acres.

To be worth while this business has to pay the grower something. It seems ridiculous to offer a proposition that does not take into consideration what the grower needs. It has been impossible for us to make anything out of the fruit sent to the products plant. It will be impossible in the future, unless you recognize the difference between the American and Italian cost of producing the fruit, harvesting it, and processing it. We have never been here before to ask for a protective duty on these products. We have never needed it.

Senator DILLINGHAM. What are you asking for now?

Mr. HAMILTON. Just wait a minute and I will give it to you. I want to get at it naturally.

The CHAIRMAN. Senator Johnson, Senator McCumber has an inquiry to suggest to you.

Senator McCUMBER. No; I was going to suggest that the witness might follow the advice given by Senator Johnson; that is, to give us the rates we ought to have and the reasons, so that we could get through.

Senator JOHNSON. I was trying to save the committee's time in making that suggestion.

The CHAIRMAN. Mr. Hamilton, you understand that the Senate meets at 12 o'clock and the committee usually takes a recess from 12 o'clock until half past 2. We want to help you in every way by permitting you to make a statement and let you print the balance.

Mr. HAMILTON. The rates that we ask are 70 cents per pound on citric acid, 40 cents per pound on citrate of lime, and 50 per cent ad valorem on oil of lemon. We also ask \$2.10 per gallon on lemon, lime, and sour orange juice; and dried lemon juice and all other products of the lemon not specifically provided for, 70 cents per pound on the citric acid content thereof.

Senator WATSON. How much do you want on lemons themselves. It is 2 cents per pound here. Is not that enough?

Mr. HAMILTON. It is not enough, but—

Senator WATSON. You are not asking any more?

Mr. HAMILTON. No; what I want is protection on the products. If you give us 4 cents on fresh fruit, it will not save our lemon acreage

unless we get this protection on the products. I am trying to save that excess acreage.

Senator WATSON. You and the last witness do not agree on the tariff you want on by-products?

Mr. HAMILTON. Not by any means. He just takes into consideration the costs of harvesting and processing our fruit.

Senator McLEAN. How many lemons are there in a box?

Mr. HAMILTON. The number of lemons in a box varies. The most popular and general sized box contains from 300 to 360. However, this year, some groves were not picked all winter. The men could not borrow money. Usually most of the packing houses finance the picking, but they got to the point where the packing houses could not borrow money.

Senator McLEAN. You get somewhere around a cent a piece?

Mr. HAMILTON. The price varies so that I could not, without a good deal of time, tell just what it is. When we were getting the highest prices it seems to me I figured it netted us about 25 cents a dozen. Is not that correct, Mr. Powell?

Mr. POWELL. I was not listening.

Mr. HAMILTON. The Senator was asking for the price we were getting for lemons. I said when we were getting the highest prices this last summer, did it not return to us about 25 cents a dozen?

Mr. POWELL. Something like that.

Senator WATSON. Are you interested in these factories that make the by-products?

Mr. HAMILTON. I am one of the owners. We growers contributed so much a box to establish and work out this thing.

Senator McLEAN. How much would your proposed increase in the tariff raise the price of lemons per dozen to you?

Mr. HAMILTON. I have not figured it that way. I will tell you what I am figuring. I am figuring this, and what I have asked is based on this: That there will at no time be a temptation for a grower to put his fruit through the products plant with the idea of making money on it; that it will not be possible for him to get out of the fruit that goes through the products plant a profit on the growing of the lemons; that it will not enable him to cover all costs of growing the lemons.

Senator CALDER. Did you ask for \$2.10 a gallon on lemon juice?

Mr. HAMILTON. Yes, sir. That is on the basis of the maximum concentration and is figured on the basis of the citric acid content at the same rate we are asking on citric acid.

Senator CALDER. It would be profitable to grow lemons under those circumstances, would it not?

Mr. HAMILTON. Not any more so than the other.

Senator CALDER. What duty do you have on this product now?

Mr. HAMILTON. Nothing; it is free.

Senator CALDER. And you do manufacture some?

Mr. HAMILTON. No; we are not manufacturing any juices. We want to prevent citric acid from being imported in the form of concentrated juices and thereby escape payment of duty. They can ship citric acid in the form of concentrated juice or citrate of lime or in the pure form of citric acid. It is competition and it is disastrous to us.

Senator LA FOLLETTE. It would be no good to put a duty on citric acid and allow the fruit juice to come in free?

Mr. HAMILTON. No, sir.

Senator WATSON. I can not see why Mr. Powell and you, coming here to represent the same industry, ask for entirely different rates.

Mr. HAMILTON. Well, I can not see it, either.

The CHAIRMAN. Neither can the committee.

Senator LA FOLLETTE. I thought they asked for the same rate on the acid.

Mr. HAMILTON. No. All Mr. Powell asks results in treating that fruit which goes to the factory as worthless. Mr. Teague, who is one of the directors of the league, says that the thing to do is to pull out some of our lemon groves. He said, "It is just like any other business. If there are too many banks in a town, some will have to get out." That is a serious proposition. This contest that will go on if we have to submit to it will be very painful and disastrous. It will be the most severe on those who can least afford it. Only those people who can gain a satisfaction from the thought that they are able and willing to stay with the game until the elimination is over can look with equanimity on this proposition.

Senator LA FOLLETTE. What does a box of lemons weigh?

Mr. HAMILTON. Eighty-four pounds.

Senator WATSON. How many pounds of lemons does it take to make a pound of citric acid?

Mr. HAMILTON. Fifty pounds. The 12 cents per pound on citric acid provided in the House bill is less than one-quarter of a cent a pound duty on the fruit consumed, to offset the differential in the costs of growing, harvesting, and processing as between America and Italy.

The CHAIRMAN. Mr. Hamilton, would it not be possible to prepare a statement containing the balance of your remarks and send it in to be printed in the record.

Mr. HAMILTON. Yes; I think I have said nearly all I wish to. I have prepared a statement and I planned to ask permission to file it as soon as I can have it printed.

Senator LA FOLLETTE. He can pass it to the reporter and have it printed as a part of his remarks.

The CHAIRMAN. Yes; you may do that.

**BRIEF OF GEORGE N. HAMILTON, CLAREMONT, CALIF., REPRESENTING THE LEMON-GROWING INDUSTRY.**

I am a lemon grower. I represent three lemon growers' association, two in Upland and one in Claremont, Calif. I also represent from personal assurance the views, needs, and wishes of many other lemon growers.

**LEMON PRODUCTS INDUSTRY.**

A new industry has but recently been developed in California, a growth of the lemon industry. This is the manufacture of citric acid and lemon oil direct from the fresh fruit grown in America. Until recently the American people depended upon foreign sources, principally Italy, for their supply of these products. This is an industry that has never before asked Congress for protection.

It is for this reason that the duties of the Payne-Aldrich bill can not be used as a yardstick in the determination of what duties should now be placed upon these products.

## RATES CONTAINED IN PRESENT BILL ARE INADEQUATE.

The rates contained in the bill as passed by the House are: Citric acid, 12 cents per pound; citrate of lime, 7 cents per pound; oil of lemon, 20 per cent ad valorem.

These rates are inadequate to meet the needs of the industry. The industry must have sufficient protection to enable it to realize from the sale of the principal product, citric acid, a sufficient amount to return not only the cost of manufacture but also, and of still greater importance, the cost of growing the fruit used in their manufacture.

Ignoring the differential in the cost of growing the fruit, it would require the following duties to equalize the difference in the labor cost of harvesting the fruit and manufacturing these products as between America and Italy: Citric acid, 24 cents per pound; citrate of lime, 12 cents per pound; lemon oil, 40 per cent ad valorem; citrus juices, removal from free list. But such duties make no provision for the differential in costs of growing the fruit as between America and Italy.

The duties which the entire California membership of the House requested the Ways and Means Committee to recommend are: Citric acid, 70 cents per pound; citrate of lime, 40 cents per pound; oil of lemon, 50 per cent ad valorem. (See Exhibit A.)

The minimum duties required for the purpose of adequate protection to the lemon grower are: Citric acid, 70 cents per pound; citrate of lime, 40 cents per pound; oil of lemon, 50 per cent ad valorem; lemon, lime, and sour orange juice, \$2.10 per gallon. Dried lemon juice and all other products of the lemon not specifically provided for, 70 cents per pound on the citric-acid content thereof.

## CITRIC ACID AS A PRIMARY PRODUCT.

Citric acid is not a by-product of the lemon industry; it is one of the two primary products of which fresh fruit is the other. To my mind citric acid is substantially the whole lemon put into shape to keep and use at a future time. Citric acid is the finished product for which lemons are the raw material.

Citrate of lime and concentrated citrus juices are intermediate products in the manufacture of citric acid. The duty upon citrate of lime should be about 60 per cent of the duty on citric acid as citrate of lime contains something over 60 per cent by weight of citric acid. The duty on concentrated juices as requested above is based upon the citric acid content of such juices at their approximate maximum concentration. Lemon oil may be considered a by-product in the manufacture of citric acid; it is produced by utilizing the peel, which would otherwise be wasted.

## INCREASING SURPLUS PRODUCTION MUST BE MARKETED AS LEMON PRODUCTS.

Citric acid must be produced by the American lemon industry as a primary product and must yield a sufficient return to pay the costs of growing the fruit, as well as the manufacture of the final product. Otherwise the American lemon industry can not survive. Our California production of lemons caught up with the consumption of fresh lemons in the United States last year. There are in addition 17,000 acres of non-bearing lemon groves, slightly over one-half of the present bearing acreage. If the groves now planted are maintained, the increase in production will outstrip the increase in consumption so rapidly that in a very few years, probably four or five years, production will be nearly 50 per cent greater than fresh fruit consumption in the United States. Unless this surplus is used in the manufacture of citric acid and other lemon products so as to return to the grower his costs of growing the fruit, the entire lemon industry must suffer.

I have 5,000 lemon trees, over 4,000 of them being 7 years old now. I am hoping that I have reached the end of the eight years of famine which goes with the development of a lemon grove. This grove represents most of the savings of my life and a heavy mortgage on the future, also eight years of my business career, and has just now arrived where it ought to begin to return something to me for the effort expended.

I feel I am speaking for thousands of other growers, many of whom are in a much more critical condition.

To save ourselves from this threatening disaster, we growers have joined and invested some \$200,000 in a plant at Corona for the manufacture of lemons into lemon products and lemon by-products.

## SIZE OF HOLDINGS.

Upland Lemon Growers' Association, 213 members, owning 1,300 acres: average holding, 6.1 acres. If we omit some of the large holdings it will reduce this average. We think that this is a fair illustration of the size of the holdings by individuals.

CULTURAL COST OF PRODUCING.

Based on conservative figures it costs 1.79 cents per pound to grow lemons in California without including interest on investment or profit nor costs of harvesting, hauling, packing and shipping.

Based on an investigation of the Royal Commission in Italy in 1911, it cost 20 to 32 cents per box, or at the latter figure 0.44 cents per pound to produce lemons in Italy.

Taking exchange into consideration labor in Italy costs less to-day than in 1911.

It requires 50 pounds of lemons to make 1 pound of citric acid. The cost of growing 50 pounds of lemons in the United States is \$9.5 cents and in Italy 22 cents. In addition to the citric acid, some lemon oil is produced. A proper division of the costs is 87 per cent to the citric acid and 13 per cent to the lemon oil. The cost of citrate of lime would be about 60 per cent of the citric acid cost.

*Cost of handling and processing lemons for lemon oil and citric acid.*

	Cost per ton.	Per cent labor.	Labor cost per ton.
Gathering fruit.....	\$9.00	95	\$8.55
Transportation to central factory.....	5.79	60	3.47
Factory operation and maintenance.....	14.73	30	4.42
	29.52		16.44

The following table shows the differentials in favor of Italy in the cost of growing sufficient lemons to produce one pound of each of the products named:

*Cultural costs of growing lemons.*

For manufacture of 1 pound of—	American cost.	Italian cost.	Differential in favor of Italy.
	<i>Cents.</i>	<i>Cents.</i>	<i>Cents.</i>
Citric acid.....	78.0	19.5	58.5
Citrate of lime.....	46.5	11.5	35.0
Lemon oil.....	77.0	19.0	58.0

MANUFACTURING COSTS.

The comparative cost of labor only in the harvesting and manufacture of lemon products is as follows:

*Labor costs of manufacture.*

For manufacture of 1 pound of—	American cost.	Italian cost.	Differential in favor of Italy.
	<i>Cents.</i>	<i>Cents.</i>	<i>Cents.</i>
Citric acid.....	35.6	8.9	26.7
Citrate of lime.....	20.2	5.1	15.1
Lemon oil.....	44.0	11.0	33.0

The combined growing and manufacturing costs as above and the differentials in favor of Italy are shown by the following table:

*Comparative costs of growing lemons and manufacturing products and differentials in favor of Italy.*

For manufacture of 1 pound of—	American cost.	Italian cost.	Differential in favor of Italy.
	<i>Cents.</i>	<i>Cents.</i>	<i>Cents.</i>
Citric acid.....	113.6	28.4	85.2
Citrate of lime.....	66.7	16.6	50.1
Lemon oil.....	121.0	30.0	91.0

The rates requested are much less than these differentials in favor of Italy.

## IMPORTANCE OF LEMON PRODUCTS BUSINESS.

To lemon growers the lemon products plant is very important but merely an instrument like our packing house in the marketing of our fruit and it is the returns to us for the fruit processed through it that counts. We probably have one hundred times as much invested in cooperative packing houses for packing our raw lemons for market as we have invested at Corona in products plant.

Our expectation is that this products plant, with additions, will enlarge the market for our lemons so as to take care of and furnish a demand for all the lemons we can grow on all the lemon trees now planted in California.

It takes 10,000 carloads of lemons a year to make the citric acid consumed in the United States, while the production and consumption of fresh lemons last year was about 13,000 carloads. The two outlets together will take care of all the fruit for all time from trees now planted and will encourage further planting. But it will be impractical to keep and care for these trees unless the returns therefrom from products plant as well as packing house are sufficient to at least pay the grower his expense of growing the fruit.

The duties here requested are the minimum necessary to enable the products plant to return the growers the cost of growing the fruit processed.

We lemon growers can not see how we can go on increasing production beyond fresh fruit consumption and have the increase all treated as culls, to be sent to the products plant on a basis that will return substantially nothing for growing the fruit but will only take care of harvesting and processing the fruit.

The growers have about \$200,000 invested in the products plant, as compared with approximately \$125,000,000 invested in groves and packing houses. Some 35 or 40 laborers and their families are dependent on the products plant. Some 12,500 owners and laborers and their families are dependent upon the growing of the fruit.

There is a dull period of about eight months during every year when the growers have more fruit that should be marketed to prevent decay than the fresh-fruit market will take. At such times as this if the fruit not wanted could go to the products plant at a price that would pay for growing it, it would equalize and stabilize the industry greatly and help to sustain large production and supply for the times of keen demand. The possible price for lemons converted into products under the tariff we ask would be so low as compared with the possible price on the fresh-fruit market that self-interest would lead the growers to take care of the fresh-fruit market first and always.

We have planted in California fifteen or twenty thousand acres of lemons worth thirty-five to fifty million dollars, in excess of the amount required to supply the fresh-fruit demand. As these trees are rapidly coming into bearing and production will increase about five times as fast as consumption of fresh fruit, we must find other outlet for the surplus at prices that will pay costs of growing or destroy our lemon trees. Some 2,000 acres were budded over to other fruit the past spring and about 1,000 acres were pulled out by discouraged owners. The writer consulted budders and seriously considered doing away with 40 acres of his lemons this last spring but finally concluded to try it another year. Budding over sounds easy, but to men of experience it is a question whether it is not better and just as quick to pull out and plant again.

A large part of this land that is planted to lemons is not suitable for raising any of the annual crops. On still more of it the scarcity of water and the expense of water enough for annual crops would be prohibitive.

The dangers of this situation are most serious to the people wholly dependent upon the lemon industry. The hardships of a failure to find a market for this surplus fruit and consequent destruction of a large part of the lemon acreage will fall upon all lemon growers but most disastrously upon those who can least afford it. The only ones who can view the situation with equanimity are those who can get satisfaction out of the thought that the worse the conditions are the sooner the elimination will take place and the more complete the elimination will be, and that they, being able and willing to stand this period of depression, will survive to reap the benefits of the higher prices that will follow.

There is another point to be considered. The Government is up against a serious problem of raising money. Any way it turns for that purpose it treads on some one's corns. Citric acid is used largely in soda fountain drinks, a luxury, and is consumed in very small quantities per drink. One pound of citric acid will produce 1,000 pints of fountain drinks. I presume 90 per cent of the people do not know that citric acid is made from lemons and probably are not aware that they ever consume any of it. In the form citric acid reaches the ultimate consumer it is in such small quantities that the duty would be unappreciable. The duty requested on citric acid would be only seven one-hundredths of 1 cent for each pint of soft drink.

Indorsed by the following: Upland Lemon Growers' Association; Mountain View Fruit Association, orange and lemon house; College Heights Orange & Lemon Association.

## EXHIBIT A.

MAY 9, 1921.

CHEMICAL SUBCOMMITTEE, WAYS AND MEANS COMMITTEE,  
House of Representatives, Washington, D. C.

GENTLEMEN: Realizing that you are now in the process of writing the tariff schedule on chemicals for incorporation into the permanent tariff bill, which will shortly be introduced in Congress, we, the undersigned, composing the entire California delegation in the House of Representatives, desire to bring to your attention the necessity of fixing the following schedule on the chemical products of the lemon industry: Seventy cents per pound on citric acid; 40 cents per pound on citrate of lime; 50 per cent ad valorem on lemon oil.

These rates are necessary in order to build up and protect the lemon-products industry.

With the entire lemon industry in California in a demoralized condition, and 17,000 acres, which will produce about 7,000 carloads annually, coming into bearing, all of which production will be a surplus over the present annual consumption of raw fruit, it is absolutely necessary that this surplus production be diverted into the products industry.

At the present time we are producing only about 1,200,000 pounds of citric acid, and our annual consumption is about 6,000,000 pounds, 4,800,000 pounds of which is supplied from abroad, almost entirely from Italy.

The protection asked for would serve the double purpose of enabling us to supply our own annual consumption of products and at the same time give an outlet for the increased production to which we have referred, which otherwise would become a waste and ultimately result in the destruction of approximately \$50,000,000 worth of lemon groves.

The rates recommended represent the sentiment of the growers, have been scientifically arrived at with due knowledge of practical agricultural conditions as they actually exist in California, and take into consideration the freight differential between California and eastern markets.

Respectfully, yours,

Clarence F. Lea, first district; John E. Raker, second district; Charles F. Curry, third district; Julius Kahn, fourth district; John I. Nolan, fifth district; John A. Elston, sixth district; Henry E. Barbour, seventh district; Arthur M. Free, eighth district; Walter F. Linberger, ninth district; Henry Z. Osborne, tenth district; Philip D. Swing, eleventh district.

## TANNIC ACID AND OPIUM.

[Paragraphs 1 and 55.]

STATEMENT OF DR. FREDERICK W. RUSSE, REPRESENTING MALLINCKRODT CHEMICAL WORKS, ST. LOUIS, MO.

Dr. RUSSE. My first statement will be on behalf of the Powers-Weightman-Rosengarten Co. and the Mallinckrodt Chemical Works, dealing with that part of paragraph 1, on acids:

Tannic acid, tannin, and extractions or decoctions of nutgalls containing by weight of tannic acid less than 50 per cent, 4 cents per pound; 50 per cent or more and less than 80 per cent, 10 cents per pound; and 80 per cent or more, 20 cents per pound.

We respectfully draw your attention to the specific percentage limits in the paragraph quoted above. After careful and thorough search we have been unable to find in the chemical literature a reliable method of analysis for tannic acid, nor have our research chemists been able to devise one. The method most generally used is that of the American Leather Chemists' Association, known as the A. L. C. A. method, and admittedly is inaccurate and gives low results.

Of five independent analyses made within the past month by this method on U. S. P. tannin, the highest grade manufactured and intended to come within the specification of "80 per cent and above," the results obtained were 70 per cent to 75 per cent tannic acid, namely, 70.06 per cent, 70.9 per cent, 72.05 per cent, 73.49 per cent, and 74.6 per cent. In this connection we respectfully refer you to the paper published in the Journal of Industrial and Engineering Chemistry, 1920, page 465, on the unreliability of tannin analytical methods. Moreover, the water content is important and it would not be difficult to incorporate in tannin 10 per cent of water additional to that usually found, thus lowering the results given above to 60 per cent to 65 per cent tannic acid.

We believe it hardly necessary to bring to your attention that the manufacture of medicinal or U. S. P. tannin requires large quantities of alcohol, ether, and other expensive solvents, as well as elaborate and expensive apparatus, and that a duty of 10 cents per pound is insufficient to properly protect and encourage the continuance of its manufacture in this country.

We therefore respectfully request that that part of paragraph 1 in question be amended to read:

Tannic acid, tannin, and extracts or decoctions of nutgalls, containing by weight of tannic acid less than 40 per cent, 4 cents per pound; 40 per cent or more and less than 60 per cent, 10 cents per pound; and 60 per cent or more, 20 cents per pound.

There is no difference in the duties of the bill as reported; the only difference is in the specific limitations of the percentages of 50 and 80. We request that it be reduced to 40 and 60 on the ground that we have not been able to find any method to test any tannin up to 80 per cent.

Senator McCUMBER. Is that all, Mr. Witness?

Dr. Russe. I have one other statement.

We respectfully refer to paragraph 55 of H. R. 7456, entitled "A bill to provide revenue, to regulate commerce with foreign countries, to encourage the industries of the United States, and for other purposes," as passed by the House of Representatives, July 21, 1921, which provides for—

Par. 55. Opium containing not less than 8.5 per cent of anhydrous morphine, crude or manufactured and not adulterated, \$3 per pound; powdered, or otherwise advanced beyond the conditions of crude or unmanufactured, and containing 15 per cent or less of moisture, \$4 per pound; morphine, morphine sulphate, and all opium alkaloids and salts, esters, and other derivatives thereof, \$3 per ounce; cocaine, ecgonine, and salts, esters, and other derivatives thereof, \$2 per ounce; tincture of opium, such as laudanum, and other liquid preparations of opium, not specifically provided for, 60 per cent ad valorem; opium containing less than 8.5 per cent of anhydrous morphine, \$3 per pound: *Provided*, That nothing herein contained shall be so construed as to repeal or in any manner impair or affect the provisions of an act entitled "An act to prohibit the importation and use of opium for other than medicinal purposes," approved February 9, 1909, as amended by an act approved January 17, 1914.

We desire that in your review of the rates of duties provided for in said paragraph to direct your attention to the "act of December 17, 1914, as amended by sections 1006 and 1007 of the revenue act of 1918 relating to the importation, manufacture, production, compounding, sale, dispensing, and giving away of opium or coca leaves, their salts, derivatives, or preparations thereof," and particularly the

assessment of an internal revenue tax of 1 cent per ounce on coca leaves as therein provided, as follows:

That there shall be levied, assessed, collected, and paid upon opium, coca leaves, any compound, salt, derivative, or preparation thereof, produced in or imported into the United States, and sold, or removed, for consumption or sale, an internal-revenue tax at the rate of 1 cent per ounce, and any fraction of an ounce in a package shall be taxed as an ounce, such tax to be paid by the importer, manufacturer, producer, or compounder thereof, and to be represented by appropriate stamps, to be provided by the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, and the stamps herein provided shall be so affixed to the bottle or other container as to securely seal the stopper, covering, or wrapper thereof.

We submit for your consideration that cocaine is manufactured entirely from coca leaves, none of which are grown in the United States. The Mallinckrodt Chemical Works were among the first to undertake the manufacture of cocaine in the United States, and continue at this time in its manufacture. According to our experience in the production of cocaine from coca leaves, it requires an average of 10 pounds of coca leaves to produce 1 ounce of cocaine muriate. Under the combined operation of the above paragraphs of the two acts there would be an assessment, therefore, of a duty of 10 cents per pound on 10 pounds of coca leaves of \$1; internal revenue tax of 1 cent per ounce on 160 ounces (10 pounds) coca leaves, \$1.60; internal-revenue tax of 1 cent per ounce on finished product, cocaine, \$0.01—a total of \$2.61.

This compares with the cost of importation of cocaine under the provisions of said paragraphs as follows: Duty on 1 ounce, \$2; internal-revenue stamp tax, 1 ounce cocaine, \$0.01; total, \$2.01.

A difference in favor of importer or foreign manufacturer of cocaine of 60 cents.

We consider the differential between the rate of duty on the raw material 10 cents per pound, used in the manufacture of cocaine, and the \$2 per ounce on the manufactured product is sufficient and should be maintained. We protest, however, against the assessment of an internal revenue tax on raw materials used in the manufacture of an article entering into world commerce which places upon American manufacturers a heavy burden not imposed by Governments of other nations, and which converts the protection to American makers provided for in the tariff legislation into a large differential in favor of the foreign manufacturer. If this situation is allowed to continue it will eliminate entirely the production of cocaine in this country and will mean a heavy loss in the investments of American makers in buildings, equipment, and material.

We believe the remedy in this instance would be to more clearly define the provisions of the paragraph in the internal revenue law regulating the importation, manufacture, etc., of opium, coca leaves, their salts, derivatives, by having it read as follows:

That there shall be levied, assessed, collected, and paid upon opium any compound, salt, derivative, or preparation thereof, and any compound, salt, derivative, or preparation of coca leaves produced in or imported into the United States and sold, or removed for consumption or sale, an internal-revenue tax at the rate of 1 cent per ounce, and any fraction of an ounce in a package shall be taxed as an ounce, such tax to be paid by the importer, manufacturer, producer, or compounder thereof, and to be represented by appropriate stamps, to be provided by the Commissioner of Internal Revenue, with the approval

of the Secretary of the Treasury, and the stamps herein provided shall be so affixed to the bottle or other container as to securely seal the stopper, covering, or wrapper thereof.

The change in the reading of the clause, as you will observe from the above, is in the elimination of the words "coca leaves" as crossed out after the word "opium," and adding the clause as shown in capitals, "And any compound, salt, derivative, or preparation of coca leaves." The change will not affect the operations of the act regulating the traffic on the active product obtained from coca leaves. Coca leaves, as such, are not sold at retail for narcotic purposes. As a matter of fact, their sole use is practically for the manufacture of cocaine, but in any event, the remaining provisions under the narcotic legislation will be sufficient protection against the obtaining of coca leaves without proper registration and the regulation Government narcotic orders for supplies in any quantities. The history of all narcotic legislation testifies that its purpose has been directed entirely to regulate and secure control of all transactions in these preparations and to confine their use entirely where their need is indicated medicinally in the treatment of the sick and suffering. The question of revenue was only a secondary consideration, as evidenced by what must be regarded as comparatively trifling fees fixed for licenses and order forms, and particularly the stamp tax assessed against the finished product. Every article involved is one of considerable value, and there is no instance in the revenue act where articles of like value are not assessed on a very much higher basis of stamp tax.

The adoption of the substitute as above quoted would eliminate the discrimination against the American manufacturer that now exists, and preserve the industry in a State that would permit, under the drawback provisions of the customs laws, of its further development and extension in the export trade.

If, however, in the consideration of the present tariff legislation, no such provision to amend the said internal revenue act can be included, then we submit that the rate of duty as fixed by the House of Representatives under paragraph 55 on cocaine be advanced to the rate of \$3.50 per ounce, which rate will maintain the differential rate between the duty on the raw material, of 10 cents per pound, used in the manufacture of cocaine, and the \$2 per ounce on the manufactured product as provided under paragraph 55 of H. R. 7456 now before you for consideration, and will require foreign manufacturers and importers to pay an additional import duty of \$1.50 to offset the internal revenue tax now required to be paid by the American manufacturers on the coca leaves.

We believe that the need and fairness of the provisions to equalize the taxes we have to pay by way of customs duty on raw material and under the internal revenue act by fixing a compensating duty on importation of the refined or finished product, as above set forth, will appeal to you, and ask that you relieve the American manufacturer of cocaine of what we believe to be an unintentional hardship and discrimination.

## ALCOHOLS.

[Paragraph 4.]

STATEMENT OF B. H. WARNER, JR., WASHINGTON, D. C., REPRESENTING THE COMMERCIAL SOLVENTS CORPORATION OF TERRE HAUTE, IND.

The CHAIRMAN. Are your principals here with you?

Mr. WARNER. The general manager and the chemists of the company are here.

The CHAIRMAN. Do they desire to be heard or will you speak for them?

Mr. WARNER. I will speak for them.

The CHAIRMAN. You represent them as their attorney?

Mr. WARNER. Yes, sir. A survey has been made of the articles to which I refer, which are under paragraph 4.

The CHAIRMAN. What is the article?

Mr. WARNER. Alcohols.

The CHAIRMAN. What do you want?

Mr. WARNER. The first section of paragraph 4 provides 6 cents per pound on amyl, butyl, isopropyl, and fusel oil. It is our desire to have 20 cents per pound.

In 1918 the Commercial Solvents Corporation was organized under the laws of the State of New York by the British and American Governments for the purpose of manufacturing butyl alcohol and acetone for war purposes. This plant continued in operation until after the armistice was signed, and in 1919, through the active persuasion of the Governments, a corporation was formed to take over this plant and manufacture as a private concern. They commenced in May, 1920. This product, butyl alcohol, or butanol, comes in active competition with fusel oil.

Prior to the war three-fourths of the fusel oil produced in the world was used in the United States. Of a total annual consumption of 7,000,000 pounds in the United States, 5,300,000 pounds were imported, the balance being produced in this country.

Owing to the fact that acetone was necessary for war purposes, this company was organized first by the Government and has since been taken over by private individuals, and the butyl alcohol is now used as a substitute for the fusel oil, which is a by-product of ethyl alcohol. The markets for fusel-oil alcohol are Germany, Austria, and Russia, and some will eventually come from Japan.

Senator SUTHERLAND. You mean those are the countries that supply this country?

Mr. WARNER. Those are the countries that supply this country. Those are the markets in which fusel oil is produced as a by-product. It has practically no value as a by-product in those countries, the value depending upon the market in this country.

The fusel oil is extracted from ethyl alcohol for the purpose of purifying the same, and whatever market has been created in this country means just so much profit to those people. We have established this substitute for the fusel alcohol. And I might state in this connection that the uses to which butyl alcohol are put at the

present day have been well illustrated by this chart prepared by the company.

The CHAIRMAN. Is this chart that you have handed me the only one you have?

Mr. WARNER. I have other copies.

The CHAIRMAN. You had better send them to the committee and we will distribute them.

Mr. WARNER. The purposes for which fusel oil and butyl alcohol are used are the manufacture of celluloid, in the nitro-cellulose industry, polishes, dyes, lacquers, enamels, special varnishes, liniments, artificial leather, photographic and motion-picture films, perfumes, flavoring extracts, war gases, and many others.

When this company started the manufacture of butyl alcohol as a substitute for fusel oil—and I might say that fusel oil is simply crude amyl alcohol—the price of fusel oil was 68 cents to 80 cents per pound for the crude. That was last April. Through establishing the price on a cost basis we reduced the price, by butyl alcohol competition, to the manufacturer in this country from 68 cents to 23 cents a pound, and that price is based upon the cost of manufacture of butyl alcohol (butanol). Imported fusel oil is now being offered at 17 cents a pound in an endeavor to put butyl alcohol out of business. Butyl alcohol can not be sold at so low a price, while fusel oil could be sold for 4 cents.

Now, gentlemen, we are just simply up against this proposition: Here is a product which is a substitute for refined fusel oil. It is to-day sold to perhaps 90 per cent of the former users of refined fusel oil in this country. Here is a product which will come in competition with the fusel oil of Germany, Austria, and Russia. We submit that we should have a protection equivalent to the cost of manufacture in this country plus the freight, so as to hold this market which we have established in this country. There is no cost basis for the fusel oil used abroad. Their lacquer industries are in no way comparable, and the other industries in which fusel oil may be utilized in those countries use other solvents.

We submit that under the circumstances 20 cents a pound is reasonable. I might say that the cost of transportation, the cost of freight, including assembling of the fusel oil and the containers, amount to from 3½ to 4 cents per pound delivered from the principal fusel-oil markets on the other side to New York. Now, whatever they get for it, plus the duty, is clear profit to them.

Prior to the war, before we began manufacturing butyl alcohol, the price of fusel oil in this country would fluctuate a hundred per cent within 12 months; the highest price depending upon when the demand was greatest in this country.

Prior to the war, when conditions were normal, the average price of fusel oil in this country was 21 cents per pound, and to-day we are able to put butyl alcohol on the market and will continue to sell it at the rate of 23 cents per pound.

The CHAIRMAN. Have you a brief that you desire to have printed?

Mr. WARNER. I will add some statistics and tables to file, Mr. Chairman.

**BRIEF OF B. H. WARNER, JR., REPRESENTING THE COMMERCIAL SOLVENTS CORPORATION OF TERRE HAUTE, IND.**

The Commercial Solvents Corporation took over from the United States and British Governments in 1920 the plants at Terre Haute, Ind., which had been operated jointly by them during the war. The products manufactured by the Governments were acetone and butanol (butyl alcohol). The former material was badly needed for war purposes, especially in the manufacture of the high explosive cordite and in airplane dopes. Butanol was used in war gases (butyl mercaptan and butyl chlorarsine) and also in the industrial arts as a substitute for fusel oil. These solvents were made by the Weizmann (patented) process of corn fermentation which yields approximately 5 parts of butanol to 3 parts of acetone to part of butyl alcohol.

The Commercial Solvents Corporation now operates the Terre Haute plants for the purpose of supplying butanol to the trade. The industry is an infant one, as butanol was never made in commercial quantities before the war but was merely a laboratory curiosity.

Butanol is used in the manufacture of celluloid, introcellulose products, polishes, dyes, lacquers, enamels, special varnishes, liniments, artificial leather, photographic and motion picture films, perfumes, flavoring extracts, war gases, and other products noted in the attached chart.

Butanol comes into direct competition with fusel oil in practically all of its uses. Both materials are higher alcohols, butanol being pure butyl alcohol while fusel oil is made up of several alcohols, the largest constituent being amyl alcohol. Both materials possess about the same physical properties which render them suitable for use in the lacquer, celluloid, film, and other pyroxylin industries. Each material has a boiling point considerably above that of water; each is but slightly soluble in water and nonhydroscopic; both are miscible to the same extent with other solvents and nonsolvents used in the lacquers, etc. When treated with acetic acid, butanol and fusel oil are converted into butyl acetate and amyl acetate, respectively. These acetates are both excellent solvents for nitrocellulose, boil within a few degrees of each other, mix equally well with nonsolvents, as benzol, wood and ethyl alcohol, etc., and in general can be used with equal effectiveness. The Board of General Appraisers held that butanol was substantially the same as fusel oil and dutiable as such. (T. D. 37577 of 1918 and 38144 of 1919; abstract of 1920.)

The attached Table A shows the imports of fusel oil into the United States from 1910 to 1920. Table B shows the butanol and fusel oil (both imported and domestic) used in this country from 1918 to 1920. Table C is a synopsis of Tables A and B. They show that more than 75 per cent of the fusel oil formerly used had been replaced by butanol. During this period (1918-1920) practically no foreign fusel oil was available, yet the industries which used this material did not slow down, for butanol replaced fusel oil with equally good results. Since 1920 one of the largest consumers of fusel oil has gone over to butanol. Twenty per cent of the fusel oil formerly used here was domestic material, so that any domestic manufacturers desiring fusel oil for any special purpose will find an ample supply for their needs in this country. The 1921 edition of Thomas's Directory shows a list of 26 domestic makers of fusel oil. In addition, even with a duty of 20 cents per pound, fusel oil can be imported at a price but a few cents higher than the 14-year prewar average figure.

The Terre Haute plants have an annual capacity of 5,000,000 gallons of combined solvents, about 3,000,000 of which is butanol. This capacity is equal to more than three times the amount of fusel oil used annually in normal times.

It takes but a few words to show why the butanol industry in this country can not survive unless it is afforded ample protection. Butanol is a manufactured article while fusel oil is a by-product from the manufacture of ethyl alcohol, whisky, gin, brandy, vodka, and other alcoholic beverages.

For this reason fusel oil can be imported and sold here at the cost of handling, freight, and containers, which is approximately 4 cents per pound. To this must be added the duty.

Attached is a chart showing the average yearly fusel-oil prices from 1900 to 1920. (Omitted in printing.) The lowest annual prewar average price was 11½ cents per pound in 1900, the highest 36½ cents in 1912. The average price for the 14-year period from 1900 to 1914 was 21 cents per pound. The price often varied as much as 100 per cent in a single year. In general, the more that was imported into this country the higher went the price per pound. The attached chart clearly illustrates this.

The postwar prices of fusel oil averages 68 cents per pound in 1918, 37 cents in 1919, and 58 cents in 1920. Butanol competition has forced this price down to offerings at 17 cents per pound to-day.

On the other hand, the selling price of butanol is based on actual manufacturing costs in this country. It is being sold to-day at 23 cents per pound, which price is based on the following cost per pound of combined solvents (butanol acetone and ethyl alcohol).

June, 1921 (running at one-fourth capacity):	Cents.
Cost of corn per pound of solvents.....	5.50
Other manufacturing costs, including labor, coal, etc.....	7.45
Cost of sales.....	.83
Cost of administration.....	1.85
Taxes and maintenance of unused portion of plant.....	.99
<b>Total.....</b>	<b>16.62</b>

Against this cost we have the following average selling price of 17.12 cents per pound of combined solvents:

	Cents.
Butanol 0.56 part, at 23 cents.....	12.88
Acetone 0.32 part, at 11 cents.....	3.52
Ethyl alcohol 0.12 part, at 6 cents.....	.72
<b>Total selling price.....</b>	<b>17.12</b>

Running at 1,000,000 pounds per month (twice the output on which the above cost figures are based), which we estimate to be the normal requirements of our present customers, and without foreign fusel-oil competition, our manufacturing costs are about 1 cent per pound less than above and our various overhead expenses are cut in half, to 1.8 cents per pound. This would give a total profit of 3.3 cents per pound. (It should be mentioned here that this profit has never been made, because when we were last running at a million pounds monthly output corn cost a great deal more than it does at present and our sales were restricted by the necessity of disposing of large war stocks of butanol.) Since the company was organized in 1920 it has never paid a dividend on its \$2,000,000 of preferred stock and its 40,000 shares of common stock of no par value. Its deficit from operation for 1920 was \$58,056.12, and for the first six months of 1921, \$35,087.52. These figures do not include dividend payments accumulated nor depreciation on permanent assets in 1920, nor can it be claimed that the company's overhead is high, for, though we have a full complement of officers, only one receives a salary. He is actively engaged as general manager.

We must compete with fusel oil which can be imported at 4 cents per pound plus duty, as against our selling price of 23 cents per pound for butanol.

What will prevent the foreign fusel-oil interests from selling fusel oil here at 4 cents per pound if they know that such a proceeding will destroy the butanol industry in this country and that they could then sell fusel oil here at practically any price they desired? The only answer to this question is ample protection, and in view of the foregoing figures it appears that 20 cents per pound duty is necessary to protect. Foreign fusel oil is being offered here to-day at 17 cents per pound—a lower figure than the average 14-year prewar price of 21 cents per pound and a price of 36½ cents in 1912. Practically all the fusel oil imported is of German, Austrian, Russian, or English origin. Butanol is manufactured in France, India, and the United States.

This company feels that it is entitled to special consideration in view of the fact that its plants were constructed by the American and British Governments to produce an adequate supply of these solvents, then so urgently needed for the manufacture of explosives and airplane dopes, as well as to supply a substitute for fusel oil in the industrial arts. The industry is one which must have adequate protection during the early stages of its development if it is to survive.

Canada has placed an import duty of \$3.50 per gallon (more than 50 cents per pound) on both fusel oil and butanol.

Though a duty of 20 cents per pound was requested on butanol, amyl alcohol, and fusel oil, the Fordney bill provides for a duty of only 6 cents per pound (schedule 1, par. 4). This is absolutely inadequate. It is respectfully requested that in view of the foregoing facts this duty be increased to 20 cents per pound, so that this industry, so important both in war and the industrial arts, may survive in this country.

TABLE A.—*Importation of fusel oil.*

Fiscal year.	Pounds.	Gallons.	Fiscal year.	Pounds.	Gallons.
1910.....	4,953,952	733,918	1916.....	2,162,617	320,387
1911.....	5,211,252	1,755,000	1917.....	1,614,507	239,196
1912.....	5,462,637	800,927	1918.....	1,706,528	252,518
1913.....	5,116,660	958,023	1919.....	1,464,500	216,982
1914.....	5,679,501	841,452	1920.....	1,812,079	271,345
1915.....	3,289,228	487,293			

<sup>1</sup> Average 1910-1914, 521,893 gallons.  
<sup>2</sup> Importations of fusel oil interfered with by war conditions and no butanol.  
<sup>3</sup> Total gallons imported, 1918, 1919, and 1920, 1,387,125; less butanol imported from Canada, 1,145,706 gallons; total fusel oil imports, 1918-1920, 241,419 gallons.

TABLE B.—*Fusel oil and butanol (butyl alcohol) manufactured in and imported into the United States.*

Fiscal year.	Fusel oil and butanol imports <sup>1</sup> .	Fusel oil manufactured in United States.	Butanol manufactured in United States.	Total fusel oil and butanol.
	Gallons.	Gallons.	Gallons.	Gallons.
1918.....	252,518	119,590		
1919.....	216,982	78,627	512,344	1,658,040
1920.....	917,345	72,331		
<b>Total.....</b>	<b>1,387,125</b>	<b>270,548</b>	<b>512,344</b>	<b>1,658,040</b>

Total fusel oil and butanol imports 1918-1920, inclusive..... 1,387,125  
 Butanol manufactured in Canada and imported into United States, 1918-1920..... 1,145,706  
 Total fusel oil imported into United States, 1918-1920..... 241,419  
 Total fusel oil manufactured United States, 1918-1920..... 270,548  
 Total fusel oil marketed in United States, 1918-1920..... 511,967  
 Yearly average fusel oil marketed in United States, 1918-1920..... 170,656  
 Total butanol imported 1918-1920, inclusive..... 1,145,706  
 Total butanol manufactured 1918-1920, inclusive..... 512,344  
 Total butanol marketed in United States 1918-1920, inclusive..... 1,658,049  
 Yearly average butanol marketed in United States, 1918-1920, inclusive..... 552,681

TABLE C.

	Imports.	Made in United States.
	Gallons.	Gallons.
Average per year, 1910-1918, fusel oil.....	641,523	159,162
Average per year, 1910-1920:		
Butanol.....		1,652,683
Fusel oil.....	80,473	90,182

<sup>1</sup> Includes war stocks brought in from British Government's Toronto plant.  
 Note.—Figures compiled from the 1920 yearbook of the Oil, Paint, and Drug Reporter and from Government reports from 1910 to 1920, inclusive.

## MEDICINAL COMPOUNDS.

[Paragraph 5.]

## STATEMENT OF JOHN H. KUESEL, REPRESENTING MEADOWS OIL &amp; CHEMICAL CO., TENAFLY, N. J.

The CHAIRMAN. What is your business?

Mr. KUESEL. Certified public accountant. I am president of the Meadows Oil & Chemical Co.

The CHAIRMAN. Do you participate in the management of that company?

Mr. KUESEL. Yes, sir.

The CHAIRMAN. How many men are employed?

Mr. KUESEL. There are about eight or nine men, all told.

The CHAIRMAN. What do you produce?

Mr. KUESEL. We produce ammonium sulphoichthyolate from fossiliferous marine deposits.

The CHAIRMAN. Are there any other concerns producing this product?

Mr. KUESEL. Not that I know of; not in this country.

The CHAIRMAN. You are the only one in the United States?

Mr. KUESEL. I believe we are. I am not positive of that.

The CHAIRMAN. It looks like an infant industry.

Senator SIMMONS. In what section of the bill are you interested?

Mr. KUESEL. Paragraph 5. It is not covered specifically in that paragraph. We have been trying to get a specific duty on this chemical.

Senator WATSON. Is it in the present law?

Mr. KUESEL. No. This testimony is given in behalf of the Meadows Oil & Chemical Corporation, which manufactures ammonium sulphoichthyolate from fossiliferous marine deposits located in Texas.

Senator WATSON. Does ichthyolate come from a fish?

Mr. KUESEL. Not from a fish directly, but from fossiliferous marine deposits.

The CHAIRMAN. For what is this material used?

Mr. KUESEL. It is used as a medicine. It is quite extensively imported and used extensively in this country.

The CHAIRMAN. What sort of complaint is it guaranteed to be a cure for?

Mr. KUESEL. It is mostly for infectious skin diseases, lupus and other diseases of the skin.

Senator LA FOLLETTE. Is it applied externally?

Mr. KUESEL. It is applied externally and internally provided that it is sufficiently pure to be taken internally.

Senator SIMMONS. How much of it is imported?

Mr. KUESEL. Approximately 100,000 pounds.

Senator SIMMONS. How much do you make?

Mr. KUESEL. We have only made about 10,000 pounds, so far. We have only been two years in business.

Senator SIMMONS. You mean 100,000 pounds imported every year?

Mr. KUESEL. Approximately; yes, sir.

Senator SIMMONS. You make 10,000 pounds a year?

Mr. KUESEL. Yes, sir.

Senator WALSH. Is there a duty on it?

Mr. KUESEL. There is a duty on it.

Senator WALSH. How much?

Mr. KUESEL. Fifteen per cent; but it also varies. There are similar products that carry 25 per cent duty.

The CHAIRMAN. What is this medicine called?

Mr. KUESEL. It goes under various trade names, Senator. The best known is probably ichthyol, manufactured in Germany and imported here and sold by their agents in New York.

Senator SIMMONS. For what trouble did you say it was a remedy?

Mr. KUESEL. Skin diseases, mostly. It also forms an ingredient used in hair tonics and ointment. I have a sample of a skin ointment made up which contains about 25 per cent ichthyol.

Senator SIMMONS. Where does it come from?

Mr. KUESEL. I have it in my brief. If you will wait a few minutes until I have a chance to read my brief—

The CHAIRMAN. Are you going to read the brief?

Mr. KUESEL. Yes, sir; it is only a 2-page brief.

The CHAIRMAN. You have stated practically what is in it. You want a specific duty on this special product?

Mr. KUESEL. I have something in this brief that I know will come up for discussion after I read it.

Ammonium sulphoichthyolate, sometimes known as ammonium ichthyolate, and by various trade names, is used extensively as a medicinal chemical, its chief property being that of a powerful germicide. Approximately 100,000 pounds of it are consumed annually in this country. It is the chief ingredient of many prescriptions and medicines, such as salves and ointments.

Before the formation of the Meadows Co. practically all of the ammonium sulphoichthyolate used in this country was obtained from a company operating in Hamburg. This company used the marine deposits located at Seefeld, in Austrian Tyrol, as a source of a supply.

The CHAIRMAN. This product has always been free, has it not?

Mr. KUESEL. Not the ammonium. I have here just what is covered. This is taken from Tariff Information Service, paragraph 46:

The classification for ichthyolate in 561 of the free list of the act of 1913 has been held to include only one of the ichthyol preparations, although a number of others are articles of commerce. There is no reason to believe that Congress originally intended that one compound of ichthyol should be admitted free while the others should be declared dutiable. Consideration should be given, therefore, to the advisability of including it either on the free or dutiable list of preparations of ichthyolate.

The CHAIRMAN. All I know about it is that ichthyolate is put down on the free list in the statistics of imports and duties that are before me, prepared by the Ways and Means Committee.

Mr. KUESEL. I have one particular point to make in regard to the protection that we ask on ammonium sulphoichthyolate. One particular reason that we ask for it is that there are a lot of substitute compounds which are not derived, I believe, from fossiliferous marine deposits, and, as far as we have been able to ascertain, have not the medicinal qualities that the original product has.

Recently, because of the high price of this valuable chemical, many chemists sought to produce a satisfactory substitute. As a result, the market is to-day glutted with synthetics resembling the original product in appearance only, most of them having only minor medicinal qualities. It must be understood that these rank substitutes are concocted in foreign countries and dumped on the market at so low a price as to tempt many pharmacists to substitute these in place of the genuine product. It is needless to make further comment about this practice than to state that the public is being cheated shockingly in many instances. Most of these synthetics are manufactured from other sources than marine deposits and in consequence lack not only the penetrating quality but the germicidal action, both of which are vitally necessary to make the chemical in question of any value whatsoever. Some, however, have such a violent penetrating quality as to inflame the wound and the tissues where it has been applied and aggravate it.

These synthetics all pass under the name of ammonium sulpho-ichthyolate or some trade name, and it is next to impossible to prove that it is not such, as there is no standard formula with which they should comply. Even if there were such a formula, it would be equally difficult to prove fraud in view of the fact that this chemical is a colloid. I am firmly convinced that no satisfactory substitute for ammonium ichthyolate has been manufactured if marine deposits were not used as a source.

When marine deposits are used it makes a very expensive manufacturing process in that the rock must be crushed in order to obtain the first crude distillate, which under the most satisfactory operation yields less than 4 per cent by volume. The manufacturing cost of the Meadows Co. has been carefully calculated, covering a period of a year and a half and was found to be greater than \$2.70 per pound. Needless to state, we can not compete with synthetics which are being dumped on the market at a price as low as 35 cents per pound, as has been the case. Therefore we feel that a specific duty of \$2 per pound is the very least that would be required to place the American ammonium sulphoichthyolate on a competitive basis with the foreign substitutes, which not only would have the effect of protecting this infant industry but at the same time would protect the American public against such a fraud as is being practiced.

We therefore ask the Senate Finance Committee to take our product out of the category of chemicals which are protected by a 25 per cent ad valorem duty as covered in paragraph 5 of H. R. 7456 and place it under a separate paragraph which would grant us a specific duty of \$2 per pound.

We suggest the following wording:

Ammonium sulphoichthyolate, ammonium ichthyolate, their substitutes and their salts, and preparations containing the same, a specific duty of \$2 per pound.

Senator SUTHERLAND. Where do you get your raw material?

Mr. KUESEL. We have property located in Texas, in Burnot County, which covers an area of about 600 acres, and there is a supply there which will last probably 600 years.

Senator SUTHERLAND. Fossiliferous marine deposits?

Mr. KUESEL. Yes, sir.

The CHAIRMAN. For how much do you sell this article per pound?

Mr. KUESEL. We have been trying to sell it at \$2 to \$3 a pound.

The CHAIRMAN. Then you want 100 per cent duty?

Mr. KUESEL. We have to quote a price of \$3 a pound if our manufacturing cost is \$2.70; and we can not compete with synthetics and we can not prove that they are not as good; at least, it will take a lot of time and money to do so.

Senator McCUMBER. You are not asking for a duty as against the ichthyolate at all, but are simply asking to protect yourself against something that some physician claims is a substitute for it?

Mr. KUESEL. I would be perfectly well satisfied if I could get a duty of \$2 a pound on ichthyolate substitute, something that had an origin outside of marine deposits, to let the original German ichthyolate come in free if necessary. We meet competition entirely from the substitutes.

Senator McLEAN. Are these synthetics made from coal-tar products?

Mr. KUESEL. No, sir; it has nothing to do with coal-tar products—oh, the synthetics. I beg your pardon.

Senator McCUMBER. They are not made from this crude ichthyolate at all, are they?

Mr. KUESEL. Not so far as I know.

I will read a little passage which is also taken from Tariff Information Service. This covers essential oils, which also should cover ichthyolate, although that is not really an essential oil. Yet this particular paragraph could very easily be applied.

In many instances a product must be judged solely by its odor or the knowledge of its origin and preparation.

The first thing that a chemist does when he sees an ichthyolate product is to open up the bottle and smell it, and if it has a peculiar petroleic odor to it he can be safely assured that it is made from petroleum and not from a real marine deposit.

Senator McCUMBER. If it smells like decayed fish, then he knows it is the true article?

Mr. KUESEL. Yes, sir.

Senator WATSON. It is used by specialists in the treatment of intestinal indigestion, is it not?

Mr. KUESEL. Yes, sir; the pure article is.

Senator SIMMONS. You can get along without any duty on your product at all, but you want a duty put on anything that is sold as a substitute?

Mr. KUESEL. That is it exactly.

Senator SIMMONS. That is a new principle entirely. I had not heard of that principle before.

Mr. KUESEL. In view of the fact that this tariff bill is headed, "To provide revenue, to regulate commerce with foreign countries, to encourage the industries of the United States, and for other purposes," this would be a very good way of introducing a pure food and drug law.

The CHAIRMAN. We will give it very careful consideration, Mr. Kuesel.

## SULPHATE OF AMMONIA.

[Paragraph 7.]

## STATEMENT OF C. G. ATWATER, REPRESENTING COMMITTEE OF BY-PRODUCTS COKE PRODUCERS AND GAS MANUFACTURERS, NEW YORK, N. Y.

Mr. ATWATER. I appear on behalf of the by-products coke producers, who wish the House duty on sulphate of ammonia retained at \$12 a net ton.

The CHAIRMAN. You got your duty fixed in the House?

Mr. ATWATER. The duty is included in the present tariff bill.

The CHAIRMAN. It is hardly necessary to argue to us on that. You are satisfied with the present duty?

Mr. ATWATER. Yes.

The CHAIRMAN. You had a hearing before the House committee?

Mr. ATWATER. Yes.

The CHAIRMAN. You represent these associated operators as an attorney?

Mr. ATWATER. No; as an expert on production and consumption of sulphate of ammonia in the United States.

The CHAIRMAN. You are satisfied and have had your hearing?

Mr. ATWATER. Entirely.

The CHAIRMAN. And if you can keep that you will be satisfied?

Mr. ATWATER. We will be happy.

The CHAIRMAN. Do you desire permission to file an argument?

Mr. ATWATER. Yes.

The CHAIRMAN. You may do so.

## BRIEF OF C. G. ATWATER, REPRESENTING COMMITTEE OF BY-PRODUCTS COKE PRODUCERS AND GAS MANUFACTURERS, NEW YORK, N. Y.

Pursuant to the request of this committee that one person present all the arguments of a particular industry regarding a single item, the committee of by-product coke producers and gas manufacturers have requested me to appear before you and present facts in support of their requested tariff on sulphate of ammonia.

A list of the organizations represented by this committee is as follows:

Indiana Coke & Gas Co., Terre Haute, Ind.; Laclede Gas Co., St. Louis, Mo.; Rainey-Wood Coke Co., New York City; The Koppers Co., Pittsburgh, Pa.; New York Consolidated Gas Co., New York City; Midvale Steel & Ordnance Co., Philadelphia, Pa.; Seaboard By-Product Coke Co., Jersey City, N. J.; Mianesota By-Product Coke Co., St. Paul, Minn.; New England Fuel & Transportation Co., Boston, Mass.; Chicago By-Product Coke Co., Chicago, Ill.

I first desire to impress upon the committee that no association exists in the by-product coke-oven trade; free and unrestricted competition exists in the sale of by-product coke. Besides, by-product coke competes with the coke made by the wasteful beehive method, and sulphate of ammonia, the principal by-product, competes with Chile nitrate or sodium nitrate, another fertilizer product and war material which is on the free list in this bill and on which no duty has been requested. Likewise it competes with cyanamide, a nitrogenous fertilizer also on the free list.

There are three classes of nitrogenous products that can be considered as fertilizers:

1. The organic ammoniates: Under this head come cottonseed meal, slaughter-house tankage, garbage tankage, dried blood, fish scrap, and similar materials.

2. The inorganic ammoniates: This includes sulphate of ammonia and the other ammonia salts that may be used for fertilizer purposes. Calcium cyanamide also comes under this head.

3. Nitrates: This class is represented by Chilean nitrate of soda.

The organic ammoniates are produced in this country in considerable quantities and are extensively used as fertilizers. A certain portion of these products is used for cattle feeding and other higher class purposes, but a large part of the total product is

still used for fertilizer purposes, including many products that are otherwise wasted. This supply is not affected by the proposed legislation.

Under the head of nitrates the only product to be considered is Chilean nitrate of soda. This is all imported from Chile, the normal amount brought into the country before the war being about 600,000 tons per year, of which 49 per cent is used for fertilizer; 40 per cent for explosives; and 20 per cent in the manufactures and in the arts.

Under the head of inorganic ammoniates is sulphate of ammonia, a product with which we are particularly concerned. This heading also covers calcium cyanamide, which is not produced in the country, but is made in a plant in Niagara Falls, just over the line, practically all of its output coming into this country duty free. Sulphate of ammonia is extensively used in the manufacture of mixed fertilizers, in fact forms a part of nearly all the commercial mixtures on the market, and is also used by itself as a separate application in increasing quantities.

Practically all of the fixed nitrogen artificially produced in the United States is manufactured by the by-product coke oven industry and the gas industry, in the form of ammonium compounds, but principally in the form of sulphate of ammonia.

The protection desired is not protection against the importation of all fertilizer products containing fixed nitrogen. It is not protection against natural competition as no protection is requested against Chilean niter. Our domestic ammonia industries have steadily grown in spite of this sort of competition. Neither are we concerned with other competing products, such as calcium cyanimide. We are principally interested in sulphate of ammonia, which is our most important commercial compound of ammonia and our most important artificial nitrogenous product. It is recognized that the by-product coke and gas industries may properly face home competition with the sulphate of ammonia that they manufacture—competition from the fixation of atmospheric nitrogen and from ammonia produced by other industries. Such competition, if normal, legitimate and not subsidized, is not feared. It is even welcomed as part of the industrial progress in making America independent in its resources of nitrogen compounds. It is recognized that home competition and the normal development of competing industries are likely to bring about a gradual reduction in the price of sulphate of ammonia and other compounds of ammonia. We do not ask for artificial protection against what is normal economic progress.

What we do fear is an abrupt and demoralizing fall of prices due to the flooding of our markets with unnaturally cheap material manufactured in German subsidized, syndicate-controlled, war-built munitions plants and that the American product will be displaced on the American market by unnaturally cheap material made by low-priced labor in these plants built during the war to manufacture munitions.

We submit Diagram I, showing the relative prices of ammonium sulphate and sodium nitrate. (Omitted in printing.)

Shortly after the European war broke out Germany was cut off from the Chilean nitrate fields. You no doubt recall the naval battles fought off the coast of Chile between the Germans and the British for their control. Even in peace times Germany was dependent upon Chile for about one-half the fixed nitrogen she consumed. Being cut off from this supply, she was therefore dependent on her home production for nitrogen for both munition and agricultural uses. She had displaced every wasteful beehive coke oven by by-product coke ovens long before the war, and was necessarily limited in increasing her nitrogen production through the building of additional coke ovens. She had, however, through years of experimentation, preparation, and large expenditures, developed the necessary technical and chemical organization to immediately build plants for the fixation of atmospheric nitrogen by the Haber and cyanamid processes. These plants were built with a capacity for the production of sulphate of ammonia or comparable products three times as great as her prewar capacity from by-product coke ovens. Germany's present capacity for the production of sulphate of ammonia is more than four times as great as the production capacity of the United States and nearly twice the production of the entire world before the war. Her maximum home demand is less than one-half her production capacity and she is now independent of Chile nitrate. She will have a surplus of such products equivalent to 1,500,000 tons of sulphate of ammonia over her home demand if she operates to full capacity.

The capacity of the United States is more than equal to the home demand for ammonium sulphate and the future production here will be greater than the demand; provided, however, that the expansion of the by-product coke-oven industry is not interfered with by competition with German war-built plants, which are at present selling sulphate of ammonia at one-half the normal prewar price.

I submit Table I, being a comparison of production and consumption of sulphate of ammonia and equivalent materials in Germany and the United States for 1913 and the present time (checked by Tariff Commission).

The by-product coke producers have stocks of sulphate of ammonia now on hand in excess of 100,000 tons. There is little demand for sulphate of ammonia. Present prices range as low as \$2 per 100 pounds delivered.

I submit Table II, showing average prices for sulphate of ammonia since 1913. In only one year, 1914, did the price drop below \$3 per 100 pounds. The fair price fixed by the Government during the war was \$4.50 per 100 pounds.

TABLE I.—Comparison of production and consumption of sulphate of ammonia and equivalent materials in Germany and the United States.

GERMANY, 1913.	
<b>Production:</b>	Net tons.
Sulphate of ammonia.....	530,000
Cyanamide, 28,000 tons (sulphate of ammonia equivalent).....	25,000
Haber nitrogen, 7,000 tons (sulphate of ammonia equivalent).....	35,000
<b>Total production (terms of sulphate of ammonia).....</b>	<b>590,000</b>
<b>Consumption:</b>	
Sulphate of ammonia.....	500,000
Imported Chilean nitrate (sulphate of ammonia equivalent).....	500,000
Cyanamide, 28,000 tons (sulphate of ammonia equivalent).....	25,000
Haber nitrogen, 7,000 tons (sulphate of ammonia equivalent).....	35,000
<b>Total consumption (terms of sulphate of ammonia).....</b>	<b>1,060,000</b>
GERMANY, PRESENT.	
<b>Present production capacity, sulphate of ammonia equivalent:</b>	
Haber-Bosch process, sulphate of ammonia.....	1,250,000
Coke ovens, sulphate of ammonia.....	700,000
Calcium cyanamide process, cyanamide.....	600,000
<b>Total capacity production.....</b>	<b>2,550,000</b>
<b>Present probable consumption (disregard that Germany's present territory and population are smaller and assume present home requirements are the same as 1913 and that they will be supplied entirely from domestic plants, without importation):</b>	
Present production capacity.....	2,550,000
Present demand, based on 1913 consumption.....	1,060,000
<b>Surplus available for export (terms of sulphate of ammonia).....</b>	<b>1,490,000</b>
UNITED STATES, 1913.	
<b>Production:</b>	
By-product coke industry, sulphate of ammonia.....	153,000
Gas industry and other sources.....	42,000
<b>Total.....</b>	<b>195,000</b>
<b>Consumption:</b>	
Sulphate of ammonia produced as above.....	195,000
Exports.....	112
<b>Difference.....</b>	<b>194,888</b>
Imports.....	61,000
<b>Total consumption.....</b>	<b>255,888</b>

## UNITED STATES, 1920.

Production:	Net tons.
By-product coke industry.....	400,000
Gas industry and other sources.....	50,000
Total production.....	450,000
Consumption.....	390,000
Excess production.....	60,000

Imports 1920 amounted to less than 2,000 tons.

TABLE II.—Sulphate of ammonia imports, United States.

[Figures to 1920 from Oil, Paint, and Drug Reporter.]

Year.	Net tons.	Average price per 100 pounds.	Year.	Net tons.	Average price per 100 pounds.
1913.....	61,000	\$3.14	1918.....	9,000	\$7.80
1914.....	83,000	2.71	1919.....	2,500	4.25
1915.....	63,000	3.30	1920.....	2,000	4.50
1916.....	21,000	3.68	1921.....		3.00
1917.....	9,000	6.00			

Note.—Present sales price in Germany is \$33 per net ton, as against \$60 in the United States, or \$1.65 per 100 pounds, as against \$3 per 100 pounds.

## GERMAN PREPARATION FOR CONTROL OF NITROGEN INDUSTRY.

We have ample grounds for stating that at least three of the German cyanamide plants and the great Haber plant at Merseburg were built with Government funds. A special organization, capitalized at 500,000,000 Marks, holds the Haber plant, the control of which is vested in the German Dye Kartell. The fixing of prices and of export quotas is handled by the German Stickstoff Syndikat, which controls over 90 per cent of the German nitrogen producing capacity and numbers representatives of various Government ministries on its board of directors. The threat of such a Government subsidized industry is not an idle one, as can be gathered from the following incident (from the Gas World, Coking Section, Apr. 2, 1921, p. 41):

"An important general meeting of members of the British Sulphate of Ammonia Federation was held on the 17th of March, at which certain proposals were put forward by the German nitrogen syndicate with regard to the quantities of nitrogen available for export from the various producing countries for the season 1921-22.

"The German proposals included the suggestion that the federation and other groups of nitrogen producers should pay Germany a large sum of money in cash, in consideration for which Germany would agree greatly to reduce her exports of nitrogen for next season. The members of the federation unanimously rejected the German offer, and have decided under no circumstances to be parties to any payment to Germany."

The German Government is, of course, vitally interested in maintaining the Haber plants in operating condition, and it would appear logical that the fixed charges due Government investment be minimized, or even omitted altogether in order to make operation possible.

The plants making ammonia by what is known as the Haber Bosch process have put upon the market entirely new nitrogen products which are said to combine the advantages of nitrate of soda and sulphate of ammonia. These products are known in the German trades as kaliammonsalpeter and amonsulfatsalpeter. The latter contains 27 per cent as compared with 20 per cent nitrogen in sulphate of ammonia. It is, therefore, especially adapted for the export trade.

It is important to note in this connection that protection on ammonium sulphate alone will not meet the necessities of the coke and gas industries. Germany can send us cheap ammonia in the new forms above mentioned, or as ammonium chloride, ammonium nitrate, ammonium phosphate, ammonium carbonate, aqua ammonia, or anhydrous ammonia.

The price of sulphate of ammonia in Germany to-day is equivalent to \$27.20 per net ton at the present rate of exchange. As the exchange rate advances the cost of manufacture will undoubtedly decline, so that Germany will always be in a position to dump large quantities of cheap ammonia compounds on the American market.

## ANALOGY TO POSITION OF AMERICAN DYE INDUSTRY.

The situation faced by the ammonia-producing industry is, in fact, similar to that faced by the American dye industry, and the arguments in favor of special protection are almost identical. The ammonia industry, the dye industry, and affiliated industries are economically valuable in peace and indispensable in war. The by-product coke and gas industries are the bases of both the dye industry and the ammonia industries. All are threatened with the common evil of abnormal and destructive competition with the subsidized munition industries in Germany.

## WHY PROTECTION BY LEGISLATION IS NECESSARY.

The information regarding the resources and plans of the German Nitrogen Syndicate is confirmed by advices from several sources. It shows the necessity of taking action as soon as possible to avert serious injury to American industry. The situation consequent upon the successful execution of the plans of the German syndicate may be summed up as follows:

1. German plants, including those for nitrogen fixation, most of which have been built under Government subsidies, have capacity to produce about 2,500,000 tons sulphate of ammonia equivalent per annum—nearly twice the production of the entire world before the war.

2. The cost of operating these plants is relatively low, so that even to-day sulphate of ammonia is being sold in Germany at half the normal prewar price in the United States, based on the present rate of exchange.

3. The home consumption of sulphate of ammonia in Germany in 1913 was about 500,000 tons. In addition to this, she consumed the equivalent of 500,000 tons in the form of imported nitrate of soda and nitrate of lime and 50,000 tons as cyanamid and Haber ammonia. If now, we disregard entirely the fact that her present territory and population are smaller, and assume that her present home requirements are the same as in 1913, and that they will be supplied entirely from her own plants without importation, there will be left capacity to produce a surplus of 1,500,000 tons sulphate of ammonia equivalent per year. This is a little more than the world's production in 1913, and is three times the present production in the United States.

4. In 1920 there was made in the United States about 500,000 tons sulphate of ammonia equivalent, of which the by-product coke industry produced about 465,000 tons. This amount is considerably more than our normal domestic requirements. As the American industry develops in a normal way, it is expected that the demand will grow sufficiently to absorb this, but it can not do so at present.

5. The prices obtained by existing producers for their coke, gas, and by-products are adjusted in such a way as to obtain a fair return upon their investments. A lower price for sulphate of ammonia will have to be compensated by increased prices for coke, gas, tar, and benzola, which the ultimate consumer will pay. Coke and gas, constituting the bulk of the business will be principally affected.

6. Thus every dollar of the difference between the normal price of American sulphate and that of cheap German sulphate would be paid by American consumers of gas, tar, iron, and steel. American consumers would in effect be paying a heavy tax on every ton of German sulphate imported.

7. The shifting of values to other products could not be accomplished suddenly in the face of heavy importations. Existing contracts must be met, and in the transition period American producers would suffer further heavy losses.

8. Any increase necessary in the price of steel to meet the decrease in value of sulphate would undoubtedly have a bad effect on our own foreign trade in steel products.

9. Gradual lowering of the price of sulphate may be expected under normal conditions of home competition. Technical improvements may also have the same effect. The change of price due to such a healthy development is not necessarily passed on to the consumer of other products. Industrial improvements naturally find their own compensation. But forced competition with a cheap foreign product will discourage the development of competing industries in America and will seriously handicap our technical improvements.

10. The ultimate result will be that America will come to depend upon Germany for a proportion of her nitrogen consumption that ought to come from home production, a most unsatisfactory condition from the standpoint of national defense.

11. Every dollar paid for cheap German sulphate will go to Germany to contribute to the maintenance and growth of her huge nitrogen industry—and on that side it will be equivalent to many more dollars than here. Every such dollar will subtract from what ought to go toward the development of an equivalent American enterprise.

12. So far, we have spoken chiefly of the effect on existing American business. What of the effect on new business in this country? The most immediate effect will be to discourage the development of the by-product coke industry and to foster the continuance of wasteful methods of coal treatment.

By coking raw bituminous coal we are now wasting \$900,000,000 per year. Of this \$100,000,000 is wasted annually in the beehive ovens still existing.

13. The conditions governing the installation and profitable operation of by-product coke ovens and the recovery of sulphate of ammonia from such operation must be understood in this connection. The by-product coke plant is very expensive in comparison with the wasteful beehive coke plant that it displaces. Some inducement must be offered in the way of returns from the recovery of by-products, in order that investors may be willing to furnish the money necessary for the erection of these expensive plants.

If sulphate of ammonia must be sold at abnormally low prices to meet foreign competition, and the difference between these prices and normal prices is thrown onto the price of coke, then a point is reached where beehive coke can underbid by-product coke. Prospective builders of by-product coke ovens would under such conditions find it very difficult to finance their propositions.

As stated, sulphate of ammonia is the principal by-product obtained in the manufacture of coke in by-product ovens. The mistake is sometimes made of supposing that the by-product coke industry produces directly the hundreds of dyes, drugs, perfumes, disinfectants and other chemicals that are so well known as coal-tar products. On this mistaken supposition, the serious error is made of assuming that injury to the market value of a single by-product like sulphate of ammonia will not be noticed by the industry because it has so many other by-products as sources of revenue.

As a matter of fact, the by-product coke industry produces only five or six by-products besides coke and gas. These consist of tar, one or two ammonia products, and three or four benzol products. These are sold to other industries and are worked up into various intermediate and secondary products, which are sources of the chemicals that are finally marketed. The by-product coke industry depends on sulphate of ammonia for the principal proportion of its by-product revenue. At normal prices, the sulphate of ammonia produced from one ton of coal is worth 75 cents; the benzol products are worth about 60 cents, while the tar is worth a little less than 40 cents.

The present selling price of ammonium sulphate in Germany is about 240 marks per 100 kilos, including profit. Taking the mark at 1.25 cents, this is \$30 per metric ton. Adding \$7.50 for transportation and handling costs, it can be placed at our ports for \$37.50 per metric ton, or about \$34.10 per net ton.

A duty of \$12 per net ton has been placed on it by H. R. 7456, so that German sulphate can be placed on our market at \$46 per ton. Since this figure was considered by the House subcommittee the American price has fallen to \$40 a ton, a figure which represents a loss to the producers and indicates a demoralized market, due to over-production and business stagnation.

#### RELATION TO THE FARMER.

Objections against protection by legislation might be raised by representatives of agricultural interests on the ground that the farmer may be prevented thereby from buying ammonia fertilizers at the lowest possible price. It is felt, however, that if the situation be carefully and impartially studied, it will be recognized that the interests of the American producer and the American consumer of sulphate of ammonia are essentially identical. The following points should be considered in this connection.

Testifying before the United States Senate, Col. J. W. Joyce, of the Ordnance Department, United States Army, has said (hearing before the Committee on Agriculture and Forestry, United States Senate, 66th Cong., 2d sess., on S. 3390, p. 53):

"Beyond question, anyone outside of Germany producing or desiring to produce nitrogenous fertilizers or similar compounds will have to deal with a single organization, essentially a branch of the German Government which will have absolute monopolistic control of all such products produced in Germany or whatever surplus there may be for export."

1. Every dollar paid by the American farmer for German ammonia fertilizer will go to the support of the German nitrogen industry and will aid in German preparedness.

2. Every dollar paid by the American farmer for German ammonia fertilizer will contribute to the discouragement of the American nitrogen industry and to deficiency in American conservation and preparedness.

3. Anything that the farmer may save by buying German ammonia fertilizer will be, to a considerable extent, offset by increases in the prices of steel products and other material forced by such competition. The reasons for this have already been given.

4. The farmer is interested in the development of home competition in ammonia production. The proposed protection will encourage such competition, while the success of the German program would discourage it.

5. Having stifled the development of the American nitrogen industries, Germany will be in a position to take advantage of periods of increased demand for ammonia products and will force prices up as much as the market will bear. This has been her policy in the past and there is every reason to believe that she will continue it, unless prevented by protective legislation.

6. Sulphate of ammonia, as regularly sold in the American market, is already the cheapest form of high quality nitrogen that American fertilizer manufacturers and farmers can buy. The home production is greater than the demand, and protection could not possibly raise the price.

7. Protection will not prevent the normal lowering of prices due to home competition.

8. It is the farmer's interest to encourage the development of the by-product coke industry, not only from the standpoint of conserving our fertilizer resources, but for the sake of the other materials—disinfectants and spraying compounds, medicines, dyes, and flavors, preservatives, solvents, roofing and road materials, etc.—that are made from its products and which he uses in large amounts. Without protection against German competition with its principal by-product—sulphate of ammonia—the by-product coke industry will be greatly handicapped in its future development.

9. The farmer is especially interested in fuel conservation and has been impressed with its necessity during the recent periods of fuel shortage. The by-product coke industry is the most potent means of fuel conservation. It is now saving 10,000,000 tons of high grade coal per year, and this saving could soon be doubled if its natural development were properly protected. Importation of cheap German sulphate will result in the prolongation of wasteful methods of coking.

10. The money expended by farmers for sulphate of ammonia is about 9 per cent of their total fertilizer expenditure. The question is: Does the American farmer want to assist in the maintenance of the German nitrogen industry at the expense of American industries for the sake of the possibility of saving a very small percentage of this 9 per cent.

11. Recognizing the importance of the by-product coke industry, one representative of agricultural interests, J. W. Turrentine, United States Bureau of Soils (Journal of Industrial and Engineering Chemistry, 1916, p. 583), has said:

"That the nation is best prepared for any emergency whose people are united and are working together to obtain the best possible returns from their common natural resources and labors."

*Nitrogen consumption in mixed fertilizers.*

	Tons of product.	Tons of nitrogen.	Per cent of total nitrogen.
Cottonseed meal.....	300,000	18,000	14
Other organics.....	917,000	55,000	43
	1,217,000	73,000	57
Nitrate of soda.....	140,000	22,000	17
Sulphate of ammonia.....	135,000	28,000	22
Cyanamide.....	25,000	4,600	4
	300,000	54,600	43
Total in mixed fertilizers.....	1,517,000	127,600	100

Reference: Federal Trade Commission Report on Fertilizer Industry; Fertilizer Control Survey of Fertilizer Industry; American Fertilizer Handbooks; United States Census of Manufactures, 1917

*Nitrogen consumption as fertilizer, average 1912-1917.*

[This table summarizes the consumption of nitrogen compounds for fertilizer purposes. The average for three peace years is 10 on the assumption that it represents the present conditions better than either the prewar statistics or those of the war period alone.]

	Tons of product.	Tons of nitrogen.	Per cent of total nitrogen.
<b>Inorganic:</b>			
Nitrate of soda.....	225,000	35,000	21.4
Sulphate of ammonia.....	135,000	28,000	17.1
Cyanamide.....	25,000	4,600	2.8
<b>Total.....</b>	<b>385,000</b>	<b>67,600</b>	<b>41.3</b>
<b>Organic:</b>			
<b>Cottonseed meal—</b>			
Outside fertilizer industry.....	500,000	29,000	17.8
Inside fertilizer industry.....	300,000	18,000	11.0
<b>Tankage.....</b>	<b>240,000</b>	<b>18,700</b>	<b>11.5</b>
Dried blood.....	27,000	3,000	1.8
Fish.....	44,000	2,700	1.7
Garbage tankage.....	110,000	3,100	1.9
Guano.....	60,000	3,900	2.4
Castor pomace.....	28,000	1,600	1.0
Leather scrap.....	16,000	1,700	1.0
Hair and wool waste.....	10,000	1,300	.8
Hoof meal.....	6,000	400	.3
Base goods, miscellaneous.....	555,000	12,300	7.5
<b>Total.....</b>	<b>1,896,000</b>	<b>95,700</b>	<b>58.6</b>
<b>Grand total.....</b>	<b>2,281,000</b>	<b>163,300</b>	<b>100.0</b>

**STATEMENT OF R. F. BOWER, REPRESENTING THE AMERICAN FARM BUREAU FEDERATION.**

Senator McCUMBER. Please state your name for the record.

Mr. BOWER. R. F. Bower, employed in the American Farm Bureau Federation.

Senator McCUMBER. You speak to paragraph 7?

Mr. BOWER. Yes, sir; on ammonium sulphate.

Senator McCUMBER. You may proceed.

Mr. BOWER. Paragraph 7 places a protective duty of three-fifths of 1 cent a pound upon ammonium sulphate, which figures out \$12 a ton.

It was a great surprise to us to find this duty imposed in the Fordney tariff bill. Ammonium sulphate has been on the free list in the Underwood tariff and in the Payne-Aldrich tariff. Ammonium sulphate is one of the two chief sources of nitrogen fertilizer in the United States. The other is sodium nitrate from Chile. The domestic production of ammonium sulphate competing with sodium nitrate from Chile is protected by a duty of \$11.85 a ton, which, unfortunately, is not paid into the American Treasury but into the Chilean treasury. There is an export duty of \$11.85 a ton on Chilean nitrate and it is the chief competitor of ammonium sulphate in the fertilizer market.

The next point that I desire to make is that ammonium sulphate is entirely a by-product production, and no industry in this country depends for its existence upon the production of ammonium sulphate as a by-product.

The testimony before the committee has been that the domestic consumption would not absorb the production of ammonium sulphate

in this country. With that statement we see no reason for protection on the ammonium sulphate industry.

However, we want to call your attention to the fact that the consumption of ammonium sulphate or any other fertilizer ingredient depends solely upon price; and to show what the needs of the country are for nitrogen products for fertilizer, some time previously, on a similar subject, I figured out that in 1909, taking those figures from the last census prior to this one, the corn, wheat, and oats crop alone took out of the soil in this country 3,965,000,000 pounds of nitrogen, which would require 9,912,500 tons of ammonium sulphate to replace.

The total production claimed for ammonium sulphate is 500,000 tons a year.

When the American farms are going down at that rate in nitrogen, conserving the soil is getting to be a serious problem in this country. We must replace these fertilizer elements into our soils or we can not produce crops; and it is only a short time, gentlemen, before we are going to use fertilizer in the Mississippi Valley and the Western Plains States as we do in the East. We have got to come to it, and cheaper fertilizer will be one of the greatest aids to agriculture.

Ammonium sulphate has been on the free list in the Underwood tariff and in the Payne-Aldrich tariff. There was no public hearing at which this duty was requested in the House, and it rather caught us unawares.

Another point is this: During the war, because of the use of nitrogen in explosives, there was a tremendous expansion of nitrogen production all over the world, in Germany, France, England, and this country. We increased our by-product coke oven capacity and built fixation plants. Germany did the same thing. The natural hope of the farmers resulting from that increased production was cheaper nitrogen fertilizer. We have fought strongly to continue the air fixation processes which we built in this country which, as you all know, was blocked by the defeat of the Muscle Shoals bill, and now, again, it seems as though this cheap nitrogen is going to be blocked out by the tariff.

An interesting feature in connection with that right now is that Chile, faced with the cheaper nitrogen that the rest of the world is going to get, is in serious financial difficulties to replace the income that she has been receiving from her \$11.85 export duty on Chile nitrate.

If, however, we place \$12 a ton duty on ammonium sulphate Chile will have the same protection in this country that the ammonium sulphate people have, because there is no duty on Chile nitrate. They can ship it in here and be under the protection of the \$12 a ton granted ammonium sulphate.

Another interesting thing to the farmers is that these same people who are here represented by Mr. Atwater, who testified on July 30, asking for protection on ammonium sulphate, have gotten out arguments against the construction of the Wilson Dam for the operation of Nitrate Dam No. 2. This propaganda—showing title, Arguments Against the Construction of the Wilson Dam for the Operation of Nitrate Plant No. 2—has been prepared since March, and in preparation, as they state in their letter accompanying it going to the by-product industry, for a renewal of the fight in December, as they

see it. The propaganda sent out has 16 signatures, with a little notation that additional signatures will appear in a later edition. Among these signatures are the Indiana Coke & Gas Co., the Minnesota By-Product Coke Co., New England Fuel & Transportation Co., Seaboard By-Product Coke Co., and the Koppers Co. of Pittsburgh.

I want to call your attention to the fact that Mr. Atwater, when arguing for protection on ammonium sulphate, stated that he represented, among others, these same gentlemen whose names I have read as attached to the propaganda in opposition to Muscle Shoals.

There is no real competition in ammonium sulphate production in America.

Senator SIMMONS. The producers of ammonium sulphate in this country have their main product protected?

Mr. BOWER. Their main product is coke used in the manufacture of steel; also all the coal-tar products. Specifically oil for road treatments, tarvia, toluol, and a multitude of by-products that result from the treatment of coal in the by-product coke ovens.

I would like to read one statement:

I first desire to impress upon the committee that no association exists in the by-product coke-oven trade. Free and unrestricted competition exists in the sale of by-product coke—

Senator DILLINGHAM. From whom are you quoting?

Mr. BOWER. The testimony of C. G. Atwater before this committee on July 30.

I wish to call your attention to the fact that there is competition in the sale of coke, but in the by-products there is no competition, especially in the sale of ammonium sulphate. The way they arrange that is that the Barrett Co. is the sales agent for all the large by-product coke-oven industries. That is, they contract with the Barrett Co. to sell their by-products on a commission basis and they sell for all of them; and when the Barrett Co. sells they do not compete with anybody. They sell their own product, selling strictly on commission.

A strange thing is that in testifying before the House Committee Mr. Atwater—

Senator SIMMONS. Is not the same thing true with a great many industries that are asking for protection on the ground that domestic competition will reduce prices?

Mr. BOWER. I can not say. I know it exists as to the Barrett Co.

Senator SIMMONS. As a business man you ought to have some knowledge about that.

Mr. BOWER. In testifying before the Committee of the House on War Expenditures, the committee of which Mr. Graham of Illinois was chairman, Mr. Graham asked Mr. Atwater whether any companies were engaged in the ammonium sulphate business except his company, and he replied that there were none of great importance.

I just pointed out the fact that there was no competition in the ammonium sulphate sales in this country, as they are practically all sold through one selling agency—the Barrett Co.—and that the cost of ammonium sulphate production, as stated by their representative, Mr. Atwater—who was the same gentleman who presented the brief before your committee on July 30—testifying before the Graham

investigating committee on Muscle Shoals, "is a matter of book-keeping, and one man would divide it one way and another man another."

When questioned by Mr. Graham, on page 3454 of the same hearing:

Mr. GRAHAM. In order to build up this industry, will it be necessary or would it be advisable to protect domestic producers by customs duties or import duties, or will any protection of that kind be needed?

Mr. ATWATER. I do not think there is any chance of that protection being granted, and the development of the industry would not depend upon it. The industry was protected years ago by a small duty—

Mr. GRAHAM (interposing). What law was that under? Was that under the McKinley bill?

Mr. ATWATER. The McKinley bill gave them 11 per cent protection. At the time the law was threatened to be taken off it was argued that that was only a moderate protection, as compared to the prevailing rates of protection, but the protection was taken off, and still the industry went ahead. I do not think that the industry itself expects any protection.

And these same gentlemen, now having opposed the proposed development of Muscle Shoals shutting off competition of fixed nitrogen with their production in this country, are now asking protection against the air-fixed nitrogen of Germany.

The brief as presented by Mr. Atwater states that they do not fear competition:

It is recognized that the by-product coke and gas industries may properly face home competition with the sulphate of ammonia that they manufacture—competition from the fixation of atmospheric nitrogen and from ammonia produced by other industries.

I would first like to make a few comments on that statement. I think I have clearly demonstrated that there is no competition in the sulphate of ammonium sales, as they are sold almost exclusively by one company on a commission basis. Of course, that is not a combination in restraint of trade, and I am not criticizing that method; it is strictly a sales proposition, and all these by-product producers sell their by-products to the Barrett Co. to be disposed of on a commission basis. But there is no competition.

They say that they are willing to meet the competition from the fixation of atmospheric nitrogen—so far they have successfully protected themselves against any competition of home, American air-fixed nitrogen. Although they claim that the Haber process may be developed in this country and furnish competition, I would like to call attention to the fact that this Barrett Co. has joined with the General Chemical Co., the Semet-Solvey Co. and others to form this new chemical combination which has bought and owns the Haber process, so they are going to be very careful not to have any air-fixed nitrogen competition.

And then they proceed to say that—

What we do fear is an abrupt and demoralizing fall of prices due to the flooding of our markets with unnaturally cheap material manufactured in German subsidized, syndicate-controlled, war-built munitions plants and that the American product will be displaced on the American market by unnaturally cheap material made by low-priced labor in these plants built during the war to manufacture munitions.

It is very significant to the farmers who have been seeking the development of Muscle Shoals that the domestic by-product ammonia producers are now fearing German air-fixed nitrogen production, although it is thousands of miles away. I can not understand how

anyone would claim Germany in her present economic situation can gain anything by governmentally subsidizing the shipment of nitrogen compounds to this country, and I think it must be evident if they come over here they must come over at a profit to the German manufacturer or they would not come under the present German situation.

A peculiar thing about this that I can not help but call your attention to is that while the domestic producers are afraid of German fixation nitrogen production, the German fixation nitrogen producer is afraid of the Muscle Shoals plant, and I would like to put in the testimony here with reference to this, a statement of Dr. Caro, who was one of the inventors and prime movers in the establishment of the cyanamid industry, in fact he invented the process for the fixation of nitrogen, and Dr. Caro states, as follows in that article, that appeared in *Chemistry Industry*, numbers 13 and 14, July, 1919, and translated by Dr. Lamb who was connected with the Nitrogen Research Laboratory of the Government.

After reviewing the development of the German industry and what it need fear, he states it does not need to fear Chile, and—

Far more dangerous appears to be the possibility of competition with artificially fixed nitrogenous fertilizers produced in foreign countries.

The largest of these (foreign lime nitrogen) plants is located in the United States in Alabama. Its situation is most excellent.

It is connected with the ocean by means of the (Tennessee) river which has been made navigable. It is situated at a source of almost constant water power amounting to 400,000 horsepower and is right in the midst of a locality where all the raw materials of the lime-nitrogen (cyanamid) industry are present in the highest purity and at the very lowest prices.

It is a very peculiar situation. We have had the Muscle Shoals plant defeated by the by-products coke oven interests principally on the argument that it could not produce ammonium sulphate in competition with them. Having secured that result so far, they are preparing their arguments against the construction of the Wilson Dam for the operation of that great plant No. 2, this brief being prepared since the defeat of the appropriation in March and accompanying this brief, which was sent to the by-product coke oven interests for their signatures, was a letter explaining that this matter would come up again in December and they would undertake to get the influence to defeat it a second time.

Senator SMOOT. Your statement that the coke oven interest-defeated the Muscle Shoals plant is not so.

Mr. BOWER. They were very active in it—I will state it that way, Senator.

Senator SMOOT. That is better.

Mr. BOWER. I am willing to accept that amendment.

Senator SMOOT. I am one who was actively engaged in its defeat, and it did not have any influence on my position at all.

Mr. BOWER. We ask simply that ammonium sulphate, being the one big source of domestic nitrogen on which we have to depend, outside of Chile nitrate, from which it is protected, as I pointed out, by an export duty from Chile, which acts as protection to the domestic producers in this country—although we do not get that protection in the Treasury—we ask that ammonium sulphate be left on the free list. There were only 2,000 tons of ammonium sulphate imported into this country in 1920, and we consumed practically the entire product

of the by-product coke ovens. But it being on the free list is protection against unjust prices being charged for that product to the American consumer.

Senator SMOOT. It has always been on the free list for years and years back.

Mr. BOWER. Yes, sir.

Senator LA FOLLETTE. What is done with it in this bill?

Mr. BOWER. Three-fifths of 1 cent per pound, or \$12 a ton, in the Fordney bill.

### ANTIMONY OXIDE AND REGULUS.

[Paragraphs 8 and 376.]

#### STATEMENT OF R. L. HOGUET, PRESIDENT ANTIMONY & COMPOUNDS CO. OF AMERICA.

Senator McCUMBER. For whom do you appear?

Mr. HOGUET. I am president of the Antimony & Compounds Co. of America.

Senator McCUMBER. What is the address?

Mr. HOGUET. No. 27 William Street. Our plant is at Piscataway, near New Brunswick, N. J.

I appear on behalf of this company and wish to ask for an increase in the duty as formulated by the Fordney bill on two articles. One is antimony oxide, paragraph 8 of the bill.

If you will permit me, I wish to discuss closely similar substances, though they may not all be mentioned in the bill itself.

Antimony is taken care of in paragraph 376 of the bill. May I say at this point that regulus and metal mean the same thing. They are pure metallic antimony.

If the committee please, this is an infant industry which, after years of perseverance and effort, has been unable, because of the inadequate tariff protection, to gain any foothold in the country.

The company which I represent is outfitted to produce about 1,200 tons per annum.

Senator WALSH. Of oxide?

Mr. HOGUET. Of oxide and antimony.

Under the Payne-Aldrich bill regulus or metal was taxable at the rate of  $1\frac{1}{2}$  cents per pound. In addition, there was a rate of 25 per cent ad valorem.

The Fordney bill proposes to reenact the rate of  $1\frac{1}{2}$  cents on regulus and gives 2 cents per pound on oxide of antimony.

It is respectfully submitted that these duties are not sufficient, and in order to protect the industry and to enable it to function each of these articles in question should receive the benefits of a duty of 4 cents per pound specific.

I will say here that this is an essential article. Antimony itself is conceded to be an absolutely essential constituent element in the manufacture of shrapnel and shrapnel shells and is therefore an essential war material. It is also of tremendous importance in the arts of peace as a hardener or as an alloy with other metals. It is an important constituent element in britannia metal and in Babbitt bearings and other similar hardened metal substances.

The oxide is sold extensively as a basis for the manufacture of dyes and for mordants; that is, the substances which are put in goods in order to form something upon which the dyestuff will bite.

Senator SIMMONS. How much did you use before the war?

Mr. HOGUET. The total production was about 10,000 tons per annum of the two articles before the war, of which the American manufacturer produced about 2,500 or 2,000 tons.

Senator SIMMONS. What did it sell for a ton?

Mr. HOGUET. There are few articles in trade that have had a more unstable price. The price has varied from 7, 8, and 9 cents, which might be called prices, to something like 25 cents per pound. It varied even before the war, and in the opening years of the present century ran up to something like 25 cents. During the war it went higher. That instability is to be explained by the fact that a great part of the minerals from which these two substances are derived comes from China, and the large fluctuations in price are due to the fluctuations in silver, which is the basis of currency in the country from which the ore is derived. The price fluctuates with the price of metallic silver.

Senator SIMMONS. The Fordney duty is what?

Mr. HOGUET. One and one-half cents on the metal and 2 cents on the oxide. We are asking for 4 cents on each.

Senator SIMMONS. That is \$80 a ton?

Mr. HOGUET. Yes, sir.

The basis of our request is entirely attributable to the difference in the cost of labor in this country and in the Orient. As the matter stands at the present time—and it has been more so in the last two or three years—this is entirely in the hands of the Chinese. For many years the mineral has been coming out of the Orient, and until the last three or four years the smelting operations took place in Europe, principally in England; that is to say, the mineral was mined in China and brought to England and from there brought to the United States. Now the smelting operations are carried on in China, and the total price would be affected by reductions in the cost of labor.

Senator SIMMONS. What is the labor cost per ton?

Mr. HOGUET. We figure that the American cost is about 8 cents for the oxide and 9½ cents for the metallic antimony.

Senator WATSON. Per pound?

Mr. HOGUET. Yes. The Chinese cost of production, as nearly as we can figure it, is 2.5 cents.

Senator SIMMONS. And what is the English cost?

Mr. HOGUET. I haven't the figures available on the English cost.

Senator SIMMONS. But that is the important point. You have given the Chinese figures, but we need the English figures.

Mr. HOGUET. There are no English importations at the present time. There has not been any since 1914. When the war broke out in 1914 antimony went on the embargo list. It has never resumed its place.

Senator SIMMONS. You said it was struggling before the war. What was the English cost before the war?

Mr. HOGUET. I am afraid I haven't those figures, Senator. I should be glad to provide them.

Senator SIMMONS. I do not see that the Chinese cost would have much to do with it, except as it would affect the English cost. You say that it is imported from England to the United States.

Mr. HOGUET. Let me correct what is perhaps a misapprehension. I said that was so years ago. It has wholly ceased to be so. Within the last three or four years the character of the industry has been entirely altered and the smelting operations which, prior to 1914, took place in England now take place in China.

Senator LA FOLLETTE. Is that conducted by Chinese?

Mr. HOGUET. Yes; and I believe to some extent by Japanese. No one seems to know to what extent the Japanese are interested.

Senator LA FOLLETTE. Where in China is that located?

Mr. HOGUET. I believe in the Province of Hong Kong.

If you will permit me, I will read from the report of the Geological Survey. As to antimony, the report shows that the most productive district was Hunan.

Senator McLEAN. Do you get your raw material from China?

Mr. HOGUET. No; we do not buy in China. When we were buying, before we were obliged to close down, we got it all over the world—Bolivia, Mexico, and other countries. Antimony ore will be found in a great many different places. The largest deposits are, however, in China.

Senator McLEAN. Are there none in the United States?

Mr. HOGUET. Yes. There are some in the United States. There are some in Arkansas, and, I believe, some in California. There are such deposits, but apparently they have never been profitably worked.

Senator McLEAN. What is the percentage of antimony in the raw material?

Mr. HOGUET. Do you mean the percentage of antimony in the ore?

Senator McLEAN. Yes. What per cent of antimony product do you get from a ton of the ore?

Mr. HOGUET. That varies a great deal, according to the ore. Some of the ores are very much richer than others.

Senator McLEAN. Is it a small or a large percentage?

Mr. HOGUET. I should say a fair average might be 30 per cent—25 to 30 per cent.

Senator McLEAN. There would seem to be a considerable loss in transporting it. What about the other part of it?

Mr. HOGUET. It is gangue. It is waste material.

Senator McLEAN. It seems to me that it would be cheaper to make it where the ore is and have the finished product brought into this country.

Mr. HOGUET. That might do under the old freight rates, but not at the present time.

Senator SIMMONS. The freight rates are higher.

Mr. HOGUET. But they are coming down considerably.

Senator WATSON. He refers to ocean rates.

Mr. HOGUET. Yes; I am speaking of ocean freight rates.

Senator SIMMONS. I want to ask you another question. You spoke of the Chinese cost. Do you mean the cost of the finished product in China?

Mr. HOGUET. Yes; f. o. b. Shanghai.

Senator SIMMONS. In getting at the labor cost, do you calculate that it takes the same number of laborers in China to produce a given quantity as it would here?

Mr. HOGUET. No; we figure that one American is about as efficient as two Chinamen.

Senator LA FOLLETTE. Are they not better than that?

Mr. HOGUET. I am relying for that on the Tariff Commission. That is based on an estimate contained in their summary of the situation. They figured that.

Senator SIMMONS. How long have the Chinese been manufacturing that?

Mr. HOGUET. About three or four years.

Senator SIMMONS. You think they have gotten to the point now where two Chinamen can make as much as one American?

Mr. HOGUET. I am figuring on what the Tariff Commission has said as to the relative efficiency of those kinds of labor.

Senator WATSON. The Tariff Commission said that prior to the war over 60 per cent of our antimony supply came from Great Britain, whereas in 1918-19 it came almost wholly from the Far East. Imports of antimony metal (including also a very little needle antimony) amounted to 25,178,967 pounds, valued at \$3,115,780 in 1918, as compared with 14,678,251 pounds, valued at \$861,761 in 1914.

Senator SIMMONS. I have heard somewhere of certain cotton mills established over there, and they find that the labor cost of production here was less than it was there because of the fact that it took so many Chinese to do the work of one American.

Mr. HOGUET. That would be more true, I suppose, of the cotton industry where the element of machinery would have to be taken into consideration than would be the case in the extraction of ore.

Senator McLEAN. One Chinaman will raise more vegetables in this country than three Americans.

The CHAIRMAN. Are you pretty nearly through?

Mr. HOGUET. Yes.

The CHAIRMAN. Your 15 minutes have expired. Of course, we are glad to listen. We do not want to curtail you too much.

Mr. HOGUET. I can conclude in just one or two sentences.

We are asking for 4 cents per pound on each of these, and we urge that the duties requested will not materially diminish revenue nor will they harm anyone. It is our experience that the duties under the Payne-Aldrich Act have not been sufficient, and we respectfully ask that they be increased.

May I file a brief?

Senator WALSH. These duties are increased materially over the Payne-Aldrich bill by reason of the American valuation.

Mr. HOGUET. The duty on antimony is the same.

Senator WALSH. But the American valuation has to be applied.

Mr. HOGUET. That has no relation to the specific duty.

Senator WALSH. That is true.

Mr. HOGUET. On the oxide the proposed duty is 2 cents per pound. Under the Payne-Aldrich bill it was  $1\frac{1}{2}$  cents per pound, plus 25 per cent ad valorem. It depends upon whether the ad valorem rate is applied. We are figuring on the cost of production and the market

price. At the present time the article is selling below the cost of production.

Senator WATSON. What is meant by needle antimony?

Mr. HOGUET. It is the equivalent of antimony crude. It is obtained by subjecting the ore to a melting process. It is not one of the articles discussed here. After a long war in the customs courts it has now found itself on the free list, and we are not asking for any alteration in its status.

Senator SIMMONS. May I make a suggestion, Mr. Chairman?

The CHAIRMAN. Yes.

Senator SIMMONS. It seems to me if we could have a table made which would show the House rate, the Payne-Aldrich rate, and the Underwood rate, and have that table before us while we are cross-examining witnesses, it would be very helpful to us.

Senator McCUMBER. That would be impossible now because we have got to get the American values.

The CHAIRMAN. Senator Simmons is referring to the other tariff bills. I will state, for your information, Senator, that the gentlemen attached to this committee were instructed several weeks ago to prepare such a table, and it will be ready by tomorrow.

Senator SIMMONS. That will be very valuable.

**BRIEF OF R. L. HOGUET, PRESIDENT ANTIMONY & COMPOUNDS CO. OF AMERICA, NEW BRUNSWICK, N. J.**

The Antimony & Compounds Co. of America is engaged at Piscataway, near New Brunswick, N. J., in the smelting and refining of antimony ores and the production of regulus or metallic antimony, and of antimony oxide.

Metallic antimony or antimony regulus is one of the most important of the alloy metals. It is used for type metal, Babbitt metal, and antifriction or bearing metal, in combination with tin and copper. In combination with tin, copper, and zinc, it is used in the manufacture of Britannia metal for the making of cheap table ware. It is also useful for the manufacture of "hard lead." Antimonial lead, carrying 12 per cent to 13 per cent of antimony is an absolute essential in the manufacture of shrapnel, and the indispensable character of antimony for war munitions is recognized by all the authorities.

Antimony oxide is used for making opaque white enamel and other sanitary ware. Antimony oxide is also used as a coloring agent in the manufacture of glass and paint pigments.

Imports of metal or regulus in tons of 2,000 pounds, according to the United States Geological Survey, have been as follows:

1913	6,240	1917	17,825
1914	6,555	1918	13,874
1915	8,742	1919	7,125
1916	9,875	1920	12,000

The domestic output has varied considerably, its maximum having been about 2,100 tons per annum.

Exact figures for imports of antimony oxide are not readily obtainable for the reason that the Court of Customs Appeals (T. D. 36254) relegated antimony oxide to paragraph 5 of the Underwood bill and imposed a duty on it of 15 per cent ad valorem, in spite of the apparent intention of Congress that it should pay 25 per cent ad valorem under paragraph 144 of that law. It is estimated that the domestic output of antimony oxide is about 2,000 tons per annum.

Antimony ores from which both metallic antimony and antimony oxide are derived are found in many parts of the world, including the United States. The principal source of supply for long years has been China. There are also, however, important deposits in Mexico, Bolivia, Algeria, and the Transvaal.

For many years prior to the World War the New York price of the ordinary grades of metallic antimony ranged from 6 to 8 cents a pound, antimony oxide being quoted at a fraction of a cent cheaper. Prices rose in 1915 and 1916 and went down again in 1918. At present the Chinese houses are offering antimony oxide in New

York City, duty paid, at 6½ cents and, due probably to temporary overproduction, metallic or regulus antimony at about 4½ cents.

The provisions of the Fordney bill with respect to these two articles are as follows:

"PAR. 8. Antimony oxide, 2 cents per pound; \* \* \*

"PAR. 376. Antimony, as regulus or metal, 1½ cents per pound.

A table showing the duties on these articles under preceding tariffs, and the duties requested in this memorandum, are as follows:

	Payne-Aldrich.	Underwood.	Fordney.	Duties requested.
Metal or regulus.....	1½ cents.....	10 per cent ad valorem.	1½ cents.....	4 cents.
Antimony oxide.....	1½ cents plus 25 per cent ad valorem.	15 per cent ad valorem.	2 cents.....	4 cents.

Tariff history, and particularly the Payne-Aldrich bill, is not of any particular significance with respect to antimony, for the reason that within the last four or five years a substantial alteration has taken place in competitive conditions.

Prior to the World War, most of the antimony consumed in the United States was mined in China, but was smelted in England, and was produced under competitive conditions not radically different from those obtaining in the United States.

According to the United States Geological Survey, Mineral Resources of the United States, 1919, Part I, page 303:

"Prior to the World War, however, England was the chief smelting center of the world, several brands of British antimony, such as Cookson's and Hallet's, having a world-wide reputation. \* \* \*

"Until 1914 the Chinese Eastern Antimony Co., a subsidiary of Cookson & Co., held contracts for the output of the Wah Chang Mining & Smelting Co., the most important antimony producer in China, since, in addition to the mining of antimony ore, it controls the local smelting industry. In 1914 the Wah Chang Co. established an independent selling agency in the United States."

Page 307:

"The Wah Chang Mining & Smelting Co. largely controls the production of antimony ore, regulus, and crude in the province of Hunan. This company operates smelters in Changsha and owns certain mines of low-grade ore. It possesses a complete monopoly, granted by the Peking Government, for the manufacture of regulus in Hunan and owns the patent rights in China for the Herrenschmidt furnace, the most successful means of reducing low-grade antimony ores. \* \* \* In recent years there has been a tendency to smelt the ore at the mines, a procedure which promises to lower the cost of production.

"Prior to the war exports of Chinese antimony were chiefly in the hands of English, French, and a few German firms. The New Chinese Antimony Co. (also known as the Chinese Eastern Antimony Co.), a subsidiary of Cookson & Co. of England, held a contract for the entire output of the Wah Chang Co. This contract was broken shortly after the war began, although the Wah Chang Co. paid a percentage on all sales to the New Chinese Antimony Co. for a year thereafter. The Wah Chang Trading Co. was organized as a direct selling agency in New York and has established a large business in this country. \* \* \*

"Chinese antimony, which suffered from lack of advertising before the war, being largely excluded by the British metal in this country, has now become firmly established in our markets."

The Wah Chang Mining & Smelting Co., in fact, advertises: "The world's largest antimony producers and largest importers in the United States of America."

It is therefore evident that the smelter of antimony in the United States is now confronted with Chinese competition, which did not exist at the time the Payne-Aldrich bill was in effect.

In framing the relevant sections of the tariff bill, conditions as they exist in Europe are of no importance for the reason that the production of antimony is now firmly in the hands of the Chinese, China being unquestionably the cheapest source of production and one which is bound to maintain a monopoly unless tariff barriers permit the creation of an independent smelting industry in other countries of the world.

According to the United States Tariff Commission (A review of the Antimony Industry, Apr. 15, 1918), prewar costs of production in China were from 3 to 3½ cents per pound, f. o. b. Shanghai. Even in 1918, however, the United States Tariff Commission predicted that the Wah Chang Mining & Smelting Co., "the world's largest

producer of antimony" would "register a further improvement when a 21-mile railroad now under construction is finished (probably 1919), replacing coolie transportation between the mines and the river."

The same article states:

"There is much scope for further savings in cost of Chinese smelting, and sweeping changes are possible in the adoption of mechanical roasting furnaces, especially designed reverberatory furnaces for the liquidaion process, gas-firing for reduction furnaces, and the Cottrell electrical precipitation process, all of which have been suggested to the antimony people by Chinese experts."

Trade advices confirm the adoption by the Chinese of practically all of these suggestions, and it may now safely be assumed that in spite of a certain increase in the cost of labor in China, the cost of metallic antimony or regulus, f. o. b. Shanghai does not exceed 4 cents, while oxide of antimony can probably be laid down in Shanghai at a cost of not to exceed 2½ cents per pound.

Chinese wages, the Tariff Commission states, "run from 5 cents to 40 cents per day, the efficiency of the Chinese 12-hour coolies being approximately 35 to 50 per cent of the American laborer, whose wages are \$3 to \$4 for eight hours' work."

The experience of the Antimony & Compounds Co. is to the effect that on the present basis of labor costs in the United States, oxide of antimony can not be produced for less than 8 cents per pound, and metallic antimony or regulus for less than 9½ cents.

It is estimated that the cost of transporting Chinese antimony from Shanghai to America, and of marketing the same in the United States, is about 1½ cents per pound, bringing the cost of Chinese antimony oxide in New York, plus the Underwood duty, to between 4 and 4½ cents per pound, and the cost of metallic antimony or regulus, to between 5½ and 6 cents.

It is apparent from the foregoing that the imposition of a specific duty of 4 cents per pound would about make the cost of Chinese antimony equal to that of American antimony in the markets of the United States.

The rates of duty in the proposed Fordney bill are substantially the equivalent of the rates in the Payne-Aldrich bill, except that the rate of duty proposed for oxide of antimony (2 cents specific) is probably slightly under the specific plus ad valorem rates of the Payne-Aldrich bill, always assuming that for the present provision for American valuation will be retained. As above pointed out, however, a return to the Payne-Aldrich rate is quite insufficient, for the reason that since the Payne-Aldrich bill was repealed wholly new, different, and very much cheaper competitive conditions have arisen, which necessitate a much larger degree of protection if the American industry is to survive.

The American industry has never been sufficiently protected and has never been able to earn an adequate return on its investment. The fact that antimony is an essential metal for war purposes brings the article clearly within the principle that adequate protection should be afforded to articles which are indispensable for the military establishment in time of war, and which in such an emergency the United States might find itself deprived of in the absence of an American output. It is confidently believed that with adequate protection antimony and antimony oxide can be produced in substantial quantities in the United States, and that if a smelting industry is once firmly established American antimony ores will also come into their own.

The duties herein requested will not entail any hardship to the consumer. Antimony and antimony oxide are essential constituents in the manufacture of many articles, but only a proportionately very slight quantity thereof is used in such manufacture. An increase in duty on antimony and antimony oxide will therefore not be reflected to any material extent in the price of the finished product.

Moreover, the duties requested are in no sense prohibitive and merely equalize the cost of production in the United States and China. Even with the duties requested, it is contemplated that large amounts of antimony and antimony oxide will continue to be imported from China and that the Treasury will derive as large a revenue on such importations as would be derived under the rates proposed in the Fordney bill.

Finally, the duties requested would tend to stabilize the price and prevent the extraordinary high prices for the article which obtained during the war, during which the United States was obliged to pay exorbitant prices for the article to Chinese manufacturers and Japanese merchants.

It is therefore suggested that paragraphs 8 and 376 of the Fordney bill be amended to read as follows:

"PARAGRAPH 8. Antimony: Oxide, 4 cents per pound; etc.

"PARAGRAPH 376. Antimony, as regulus or metal, 4 cents per pound."

**STATEMENT OF G. C. RIDDELL, REPRESENTING THE WAH CHANG TRADING CORPORATION.**

Senator McCUMBER. Please give your name and business address and tell whom you represent.

Mr. RIDDELL. My name is G. C. Riddell. I am a consulting engineer, located in the Woolworth Building, New York City. I appear on behalf of the Wah Chang Trading Corporation, producers and shippers of Chinese antimony to the United States and all parts of the world and exporters to the Orient of all American products, such as industrial machinery, textile mills, automobiles, iron and steel, etc.

Senator McCUMBER. You represent a commission house?

Mr. RIDDELL. No; I represent the Wah Chang Trading Corporation, producers, importers, and exporters.

Gentlemen, I wish to say that among the relatively few commodities that must be imported into the United States is the metal known as antimony. In this respect it is not unlike silk, coffee, tin, etc. For many years—in fact, ever since 1884, except for three years following the tariff of 1894—antimony metal had been dutiable at various rates. In the act of 1913 the three principal antimony products were dutiable—antimony oxide, antimony crude, and antimony metal. In H. R. 7456 two of these, antimony metal and antimony oxide, have increased duties, while the third, antimony crude, which is very similar in degree of advancement to the other two, is removed to the free list; and therein is a loophole, a veritable joker, which negatives and neutralizes the entire effect of the duties on the other two antimony products.

Senator McCUMBER. Why was this done?

Mr. RIDDELL. I have this boiled down in a written statement which I think is very clear, and I should like to refer to that if it is agreeable to the committee. I had a number of copies made in the hope that they might be distributed among the members of the committee.

Needle or liquated antimony, placed on the free list in paragraph 1509, is a smelted product carrying 71 per cent antimony, and is quite similar to the 99 per cent antimony regulus or metal of paragraph 376 on which a duty of 1½ cents per pound is proposed. The direct result of allowing the free entry of this liquated or needle antimony (now dutiable at 10 per cent) will be the elimination of antimony regulus or metal from our import commerce, and the entire loss of the 1½ cent duty which Congress desires and intends to collect on the 7,000 to 12,000 tons of antimony metal imported annually into this country.

Similarly, the duty contemplated on antimony oxide, 2 cents per pound, paragraph 8, H. R. 7456, will be rendered also ineffective, and a position created whereby one or two firms alone will reap a monopoly benefit in the oxide trade. Antimony crude (trade name for liquated or needle antimony) will be imported free of duty and manufactured in this country into the oxide form. A single German firm is associated in a selling arrangement with the present sole manufacturers of antimony oxide, and will be correspondingly benefited.

Antimony crude, a commodity that can very easily be made into either antimony metal or oxide, will become the article of commerce, will be shipped here from China, and will be converted into 99 per cent metal, or into the oxide form, at the three or four plants in this country that are in the antimony refining business. There will be no revenue whatever on this importation of crude antimony unless paragraph 1509 is eliminated and this crude antimony restored to its place in the dutiable list.

There have never been more than four plants, and perhaps 50 to 100 laborers, concerned at any one time in the American antimony smelting industry. These few smelters of antimony will thus receive monopoly protection at the expense of the rest of the country, quite defeating the intent of the new tariff legislation, as not a cent of tariff revenue will be derived from the subsequent antimony business of the United States.

Turning to another phase of the situation, it is an established fact that the antimony of the world will come for many years, probably for generations, from China, where the deposits are economically far superior to those of all other countries. The industry is long established there, and is equipped for the production of the finished form of antimony known as regulus or metal. If paragraph 1509 becomes effective, the entire Chinese industrial position on antimony must take an abrupt turnabout face, and the plants of China be rearranged to a basis of producing crude instead of metal.

This means great loss of investment and hardship to the large number of Chinese producers—all without benefit to the United States, except to the three or four refiners who will be interested in the conversion of crude or needle into metal. May I repeat—the Treasury, and the taxpayer, will lose all revenue from antimony importations—a striking situation when it is recalled that antimony is one of those comparatively few commodities (such as coffee, silk, tin, etc.) which this country must import. We have, it is true, deposits of antimony ore in this country, but they are low grade and scattered, and antimony can not, and will not, be mined here unless the price is maintained in the neighborhood of 15 to 20 cents per pound instead of 5 to 6 cents as at present.

In the Summary of Tariff Information, page 235, is the following statement:

Liquated antimony is obtained from antimony sulphide ore by the process known as liquation. After an extended investigation and consideration of divergent views of authorities, the Treasury Department held liquated antimony dutiable under this paragraph (144, act of 1913) as a matter containing antimony (T. D. 37360 of 1917). According to some authorities, liquated or needle antimony is, strictly speaking, a concentrated form of antimony ore, the concentrating agency being, however, fire instead of water. \* \* \* A specific provision for liquated or needle antimony would settle the question.

The specific provision indicated as desirable in the Summary of Tariff Information has been made in paragraph 1509, but this specific provision has placed antimony crude in the wrong category. This commodity is not to be classed as a raw material comparable to ore; it is much nearer in degree of advancement to the finished product, antimony regulus or metal.

I am in the unique position of an importer favoring a tariff duty. My argument is prompted by two considerations:

1. The injustice and discrimination, in the event that antimony crude is not given its proper tariff relation to regulus, against an existing foreign industry that is now operating under conditions and prices which are most advantageous to the United States.

2. The absolute ineffectiveness of the intended duty and revenue from antimony metal, unless the closely similar product (crude) is also made dutiable. The compensatory differential between antimony metal and crude would be one-half cent per pound. If metal is to be dutiable at  $1\frac{1}{2}$  cents per pound, crude should carry 1 cent per pound.

I plead guilty to a somewhat special acquaintance with the antimony and the tariff question, having been metallurgical adviser for two years to the United States Tariff Commission, in charge of the metals section of the commission's staff, and more recently consulting engineer since 1920 to the Wah Chang Trading Corporation, producers and shippers of Chinese antimony to all parts of the world, and exporters of American machinery and manufactured engineering products to China and Australasia. The Summary of Tariff Information, 1920 (Schedule C), was prepared under my personal direction, and I also conducted while in the service of the Tariff Commission a national conference of antimony producers, importers, and consumers at San Francisco, in 1918, for the assembly of information from all interested parties for the use of Congress in its consideration of tariff legislation.

It is not improbable in the future that if antimony crude is to be placed on the free list the Chinese industry will get together, and in order to protect its existing plants for the production of metal raise the price of crude to such a point that the crude can not be imported in competition with the regulus or metal, and in that case every vestige of advantage to the United States would disappear. Even the few American refiners of metal and oxide, who are now hoping to be benefited by an opportunity to convert duty-free crude under the new act into metal and oxide, might be forced out of the refining business by the strength of the Chinese position.

In closing, may I emphasize once again the point we wish to make. The United States Government will be deliberately cheated out of the revenue it thinks it is to obtain on antimony importations if the product known as regulus, liquated, or crude is placed, as in paragraph 1509, on the free list. If all duties were to be removed on antimony products, we, as importers, would naturally be pleased, but we desire to vigorously protest against the removal of one duty—on antimony crude—without the simultaneous removal or proper adjustment of the other on antimony metal. We have no protest, however, to offer on the increase of duty on the metal; this is accepted cheerfully in recognition of the fact that the duty of  $1\frac{1}{2}$  cents per pound on regulus or metal may be desirable as a revenue measure. We would simply point out that a compensatory duty must also be placed on crude or the intent of the bill is absolutely defeated.

Senator SMOOT. Let me find out just what you want. You mean to leave antimony, as regulus or metal, the same as paragraph 376?

Mr. RIDDELL. Yes.

Senator SMOOT. Would that be satisfactory to you?

Mr. RIDDELL. Yes.

Senator SMOOT. Antimony oxide, 2 cents a pound. Is that satisfactory?

Mr. RIDDELL. Yes.

Senator SMOOT. Then, on the free list, antimony or needle or liquated antimony is free. That you want to transfer to paragraph 376?

Mr. RIDDELL. Yes; but you would, no doubt, want to make the duty compensatory.

Senator SMOOT. We can make the same differential, or allow the same differential, as was made in the Payne-Aldrich bill?

Mr. RIDDELL. Probably. I do not know offhand what the differential is. I have a suggestion here in my paper, having figured out the differential.

Senator McLEAN. You want 1 cent a pound on crude?

Mr. RIDDELL. Yes; 1½ cents is the rate on the metal, and a proper differential would make the duty on crude about 1 cent per pound.

As H. R. 7456 stands now there is a wide-open loophole in the antimony schedules which requires attention before the bill becomes a law, for the reasons I have given you:

### BARIUM AND BARYTES.

[Paragraphs 11, 64, and 74.]

#### STATEMENT OF J. G. TIMOLAT, REPRESENTING OAKLAND CHEMICAL CO., NEW YORK, N. Y.

The CHAIRMAN. Will you please state your address?

Mr. TIMOLAT. New York City.

The CHAIRMAN. What business are you in?

Mr. TIMOLAT. I am a manufacturer of barium chemicals and the president of the Oakland Chemical Co.

The CHAIRMAN. Where is that located?

Mr. TIMOLAT. New York City.

The CHAIRMAN. What is their product?

Mr. TIMOLAT. They manufacture barium chemicals and peroxide of hydrogen.

The CHAIRMAN. Will you please state to the committee your views as briefly as possible?

Senator WATSON. What is the paragraph of the bill?

Mr. TIMOLAT. Paragraphs 11 and 64.

In 1890 the Oakland Chemical Co. began the manufacture of barium chemicals in this country—

The CHAIRMAN. Are there many other concerns manufacturing these products?

Mr. TIMOLAT. There were two others, and I am not sure but what there is only one now. I think one has had trouble.

The CHAIRMAN. Yours and one other?

Mr. TIMOLAT. Yes, sir.

The CHAIRMAN. How many men are employed all together in the two concerns?

Mr. TIMOLAT. I do not know how many in the other; in ours, 150.

The CHAIRMAN. Where is the other concern located?

Mr. TIMOLAT. In Ohio. In 1890 this company began the manufacture of barium peroxide and barium nitrate, and continued manu-

facturing until 1898. At that time foreign barium peroxide was sold in this country, duty paid, at a price less than it could be produced for, and the manufacture ceased.

In 1915, when the foreign supply was shut off, we again started to manufacture these products. During the period from 1898 to 1914, when the duty averaged about 25 per cent, which, translated into money, was equivalent to from 1½ to 2 cents per pound on barium peroxide, it was not able to compete—

Senator LA FOLLETTE. What does this product sell for by the pound?

Mr. TIMOLAT. In 1890 to 1898 it cost to make it from 12 to 14 cents a pound. In 1898 imported English barium cost 10 cents per pound. I am speaking of barium peroxide, now. In 1918 the imported German barium had come down to a price of 6½ cents a pound.

Senator WATSON. What is it used for?

Mr. TIMOLAT. For the manufacture of peroxide of hydrogen and also used in war industries.

Senator WATSON. That is, the nitrate?

Mr. TIMOLAT. No, sir; the peroxide. The nitrate is also used in pyrotechnics. The 1921 costs are very difficult to get at. We are liquidating material and labor and I can not give you a definite cost, but the costs are rapidly going down.

In the winter of 1912-13 I made a trip to Germany to investigate the state of the art. I found there that labor in the chemical industry on the Rhine was receiving 3 marks a day—72 cents—for 10 hours' work. We had been paying \$2 a day at the same time for 9 hours' work. In the manufacture of barium peroxide labor represents about one-fourth of the direct manufacturing costs and, according to the Tariff Commission's figures, the cost of barium peroxide in 1919 was 19.7 cents a pound. This would bring the labor cost to about 5 cents, or one-quarter of the total cost.

If we use that as a basis we find that the sole difference here is really a question of the difference in cost of labor and the cost of crude material. All of these materials are made from what is known as a crude material, spar barytes. The spar is mined in the South and in the West. It is also mined in Germany.

Senator SIMMONS. Is there any duty on barytes?

Mr. TIMOLAT. Yes, sir; 15 per cent now.

Senator SIMMONS. What is it in the Fordney bill?

Mr. TIMOLAT. Four dollars per ton, it is proposed. This company did not appear in the hearings before the Ways and Means Committee and would ask for a duty of \$2 per ton.

If there is a high duty or any duty of any account placed on crude barytes there should, of course, be a correspondingly high duty on the others.

We come to the question of freight. We have foreign freights so much lower than our domestic freights that it puts the manufacturer at a decided disadvantage.

Before the war the German barytes was landed each year for about what the freight rate is from the mines to this market; and this is a question, again, of localizing an industry due to freights. If a higher duty is imposed on the crude barytes it imposed a burden on the

eastern manufacturer. If there is no duty on it, then the miner feels aggrieved. But it is largely a question of the localizing of industries due to high freight costs.

I have prepared a brief in which I have gone into the history of the matter. I have given statistics, and so forth. Most of my information is compiled from the tariff reports combined with my own particular knowledge. I do not think there is any standard that we can go by now except one of comparison. I think matters will soon readjust themselves. War conditions will reach prewar conditions, and we will find practically the same conditions existing here in a short time that existed then.

The CHAIRMAN. All right. Your statement will be printed in the record.

**BRIEF OF J. G. TIMOLAT, REPRESENTING OAKLAND CHEMICAL CO., NEW YORK, N. Y.**

In 1890 this company began the manufacture of barium peroxide and barium nitrate, an intermediate, and continued manufacturing until 1898. At that date foreign barium peroxide was sold in this country, duty paid, at a price less than it could be produced for and the manufacture ceased.

In 1915, when the foreign supply was shut off, this company again started to make these products and has since been and now is making barium peroxide and other barium chemicals; its continuation in this business will depend upon its ability to compete with the foreign products which are now appearing in this market.

During the period from 1898 to 1914, when the duty averaged about 25 per cent, which translated into money was equivalent to from 1½ to 2 cents per pound on barium peroxide, it was not able to compete; what it will be able to do in the future remains to be seen. World conditions are very unsettled, coal and labor costs fluctuate violently, and no definite knowledge of present foreign costs is obtainable.

It is highly probable that the same relative conditions exist now as existed before the war and will continue to exist when industrial relations become normal.

In 1913, from personal investigation in the Rhine district of Germany, labor in the chemical industry received 3 marks or 72 cents per day of 10 hours; near New York during the same period the rate was \$2 per day of 9 hours.

In the manufacture of barium peroxide labor represents about one-fourth of the direct manufacturing cost, and where in the United States in 1919 the total cost was \$0.197 per pound the actual labor cost was about 5 cents per pound, while in Germany where the labor cost is only one-third the American cost it would be only 1½ cents per pound.

This difference runs through all the barium chemicals; in the simpler products the labor cost is not so great, but in the more complex products it is increasingly important.

In the case of barium peroxide the crude barytes is first reduced to barium sulphide, which is then converted into barium carbonate, from which it is converted into barium oxide and then into barium peroxide, each step in this process involving labor as part of the direct manufacturing cost, as well as the indirect labor charge due to higher priced machinery and supplies which all carry this difference between American and foreign labor in their cost. Obviously in any manufacturing operation the advantage, so far as manufacturing costs are concerned, lies with that country where the labor cost is low.

If American standards of pay and American opportunities to work are to be maintained these products where labor is an important element of cost must receive protection; trade inevitably and always seeks the cheapest markets. If foreign barium chemicals can be laid down in the United States cheaper than they can be manufactured in the United States then the foreign article will control the market.

If a high duty is placed on crude barytes, the raw material from which barium chemicals are made, then a correspondingly high duty should be placed on barium chemicals.

It would seem, however, in view of the peculiar conditions due to long haul and high freight charges on crude barytes, which so vitally affect this industry in this country, that its interests could be best conserved by a low or no duty on the raw material (crude barytes) and a rate on the other articles according to their finished value and the labor involved in their production.

It is suggested that the duty on crude barytes should not exceed \$2 per ton; on barium peroxide, 4 cents per pound; barium carbonate, 1 cent per pound; barium chloride, 1½ cents per pound; blanc fixe, 1 cent per pound; barium sulphide, 1 cent per pound; barium nitrate, 2 cents per pound.

This protection will enable barium chemical manufacturers to continue in business, and afford an opportunity to develop and prove whether this industry can be permanently maintained in America.

*History.*—In the United States there are two main sources of supply of crude barytes, one known as the "southern field," located chiefly in Tennessee and Georgia, the other known as the "western field," located in Missouri.

There are two kinds of barytes mined, one quite white or slightly discolored, which is ground or powdered and used in the manufacture of paints; the other, more or less discolored, used for manufacturing barium chemicals, though both may be used for barium chemicals.

There are also two general markets, one on the Atlantic seaboard extending from Baltimore to New York, the other in the Middle West centering about Chicago and St. Louis.

	Western barytes.		Southern barytes.	
	1916	1919	1916	1919
Cost of production.....	\$4.82	\$9.40	\$4.25	\$7.35
Freight to Atlantic seaboard.....	5.70	5.70	4.47	4.47
Eastern market price (net ton).....	10.52	15.10	8.72	11.82

Prior to the war about 35 to 40 per cent of the consumption of barytes came from Europe (Germany chiefly), and 60 to 65 per cent from domestic sources.

Prewar cost of German barytes f. o. b. mines per short ton..... \$1.75  
Freight from mines to shipping port plus freight to New York or Philadelphia. 2.95

Cost exclusive of duty..... 4.70  
1913 duty 15 per cent and charges..... .50

Total cost..... 5.20

From the above statement it will be seen that western or southern barytes did not compete with foreign barytes on the Atlantic seaboard because of railroad freights, and foreign barytes did not compete with domestic barytes in the central west for the same reason.

In 1919 the total consumption of crude barytes for all purposes was 194,715 tons.

Thirty-two per cent was ground and used in the paint industry of a value of \$19.25 per ton, total, \$1,213,731.75, the labor cost of which was slightly under 13 per cent.

Fifty-four per cent was used in the manufacture of lithopone of which there was produced in 1919 145,000,000 pounds costing \$0.0602 per pound of a total value of \$8,729,000, the barytes representing 14 per cent of this sum or \$1,222,060.

Fourteen per cent was used in the manufacture of barium chemicals; the principal four of which are barium peroxide, barium carbonate, barium chloride and blanc fixe. No quantities or values of these products are given for 1919, but in 1918, 38,041 short tons of crude barytes were used in the production of 46,372,000 pounds of these various chemicals.

The barium chemical industry, while consuming the smallest amount of crude barytes, represents the largest finished value and by far the largest labor cost.

In 1914, when practically all barium chemicals were imported and when world prices and costs were very much lower than now, there was imported into this country 19,299,702 pounds of barium chemicals, exclusive of blanc fixe and lithopone, with a value of \$526,824. Of this quantity there were 6,085,909 pounds of barium peroxide, with a value of \$330,142.

	Per cent.
In 1919 barium peroxide, with a cost value of \$0.197 per pound, carried a raw-material cost of.....	44.7
Overhead (coal, power, and expenses).....	32.0
Labor.....	23.3
	100.0
Barium carbonate, with a cost value of \$0.0316 per pound, carried a raw-material cost of.....	52.9
Overhead.....	35.1
Labor.....	12.0
	100.0
Barium chloride, with a cost value of \$0.0539 per pound, carried a raw-material cost of.....	40.5
Overhead.....	39.3
Labor.....	20.2
	100.0
Blanc fixe, with a cost value of \$0.0294 per pound, carried a raw-material cost of.....	54.4
Overhead.....	36.1
Labor.....	9.5
	100.0

The barium chemical industry is progressively important; barium peroxide is used in the manufacture of peroxide of hydrogen, an almost indispensable bleaching agent for the bleaching of silk, fine wools, fine cottons, hair, ivory, and many other products; besides its employment in medicine, the United States Government using annually many thousands of pounds in its various hospital and health services.

Barium peroxide is also used in chemical warfare in the production of gun fire and tracer bullets.

The other barium chemicals enter into the paint, ceramic, glass, color, automobile tire, rubber, and other industries; as a better knowledge of their properties and value become known they are finding a constantly broader field of usefulness.

This industry presents a peculiar situation: The producing centers of the crude materials are distant from the consumers who are located near their markets; distances in this country are great, freight hauls are long and while rates per ton-mile are lower than in Europe, still distances are so much greater that freight rates are very important elements of cost.

The crude barytes producers of the South and West in the past have not been able to compete in the East with European producers because of the freight rate, which almost equaled the entire delivered cost of foreign barytes at Atlantic ports, whereas the foreign seller could not compete in the western market because of these same freight charges.

A tariff on crude barytes can only add to the costs of the consumers without helping the producers unless it is placed high enough to overcome the freight on the southern and western product. In such an event it would penalize consumers so heavily that no prediction can be made of the effect.

The freight calculations in this statement are based on the 1916 rates; present rates are much higher and would penalize eastern consumers of crude barytes just that much more. The other quotations of costs and prices are taken from the United States Tariff Commission report "Tariff Information, Series F-18," to which this company contributed information.

#### STATEMENT OF HON. M. E. RHODES, REPRESENTATIVE IN CONGRESS FROM MISSOURI.

The CHAIRMAN. Do you desire to speak on barytes and barium?

Mr. RHODES. I do.

The CHAIRMAN. What have you to say in connection with them?

Mr. RHODES. I desire to call attention to paragraph 64, relating to the subject of barytes ore, and ask that a specific duty of one-half of 1 cent per pound be provided instead of the duty of \$4 per ton.

The CHAIRMAN. What duty do you recommend?

Mr. RHODES. Barytes miners of my State and in the United States want one-half of 1 cent per pound on the crude ore in order to enable the producers of barytes ore to compete with the German importers.

Senator SMOOT. That is, \$10 instead of \$4?

Mr. RHODES. Yes. We want a per pound duty of one-half of 1 cent per pound.

The CHAIRMAN. Where does the foreign barytes come from?

Mr. RHODES. It has always come from Germany. It is now coming in from Germany. Between January 1 and July 1 of this year it came in, both in the form of crude ore and in the form of barium chemicals, to the extent of 16,000,000 pounds, and yet every mine and every mill in the United States is closed to-day and has been during all this period of time. The barytes manufacturers want the duty increased from \$7.50 per ton on the manufactured or ground barytes to at least three-quarters of 1 cent per pound.

Senator SMOOT. \$15 a ton?

Mr. RHODES. Yes; in order to enable the American manufacturer to compete with the German importer.

In support of my statement, I wish to call your attention to the following facts: I first refer you to the statement and brief of Dr. Maximilian Toch, of New York, a manufacturing chemist, found at pages 122 to 130, inclusive, part 1 of the tariff hearings before the House Ways and Means Committee, 1921; also a statement and brief by Mr. M. J. Rentschler, representing the J. H. R. Products Co., of Willoughby, Ohio, at pages 130 to 133, inclusive, same document; and the statements of Messrs. A. E. Stocking and C. P. DeLore, representing the Missouri Barytes Association, and W. S. Peebles, of Georgia, representing the Barytes Miners and Manufacturers of Georgia, at pages 284 to 289 of the same document.

To be more specific, crude barytes ore is being imported and sold in New York to-day for \$9 per ton. The cost of producing this ore and loading it on the car in Missouri, Tennessee, North Carolina, South Carolina, Georgia, Illinois, and other shipping points runs all the way from \$8 to \$11 per ton. At these prices the ore is mined only within a very restricted area; that is to say, near the railroads, for the reason that at these prices miners can not mine the product at a profit and deliver it beyond a distance, I should say, of 10 to 20 miles from the railroad. I make this statement because I live in that district and know the situation. In fact, the district I have the honor to represent has produced the past 50 years, except 2 years, more than 50 per cent of all the barytes produced in the United States. In that section of Missouri the ore has never been mined and delivered to shipping points on railroads from points more than 20 miles distant. The freight rate on this ore from Missouri, Tennessee, Georgia, and other shipping points to the Atlantic seaboard market runs all the way from \$8 to \$10 a ton. The Missouri rate is \$10 per ton. In other words, a Missouri producer can not deliver his ore to the Atlantic seaboard market for less than \$20 or \$21 per ton.

The German importer is selling it to-day for \$9 or less per ton in New York. It is, therefore, quite apparent that unless we have as much as one-half of 1 cent per pound we have not a chance to compete with the German importer.

Senator WALSH. Why do you want it by the pound instead of the ton?

Mr. RHODES. For the reason that lead and zinc and, so far as I know, all minerals bear a per pound duty. There is no reason for fixing a per ton duty on barytes ore any more than there would be to fix a per ton duty on zinc or lead.

With regard to manufactured barytes, I want to give you the figures on that product. The duty proposed in the Fordney bill is \$7.50 per ton on the ground ore, and the manufacturers of this product must have at least \$15 per ton duty or they have no chance at all to compete with the German importer. The German importers are offering for sale, delivered in New York, Boston, and Philadelphia, the ground ore for less than \$20 per ton. According to the testimony before the House Ways and Means Committee, the f. o. b. price of this product at all shipping points in the United States at which it is produced is around \$27 per ton. To that you must add the freight rate of \$10, which would make it cost about \$37 per ton for the Missouri producer to deliver his product to the Atlantic seaboard market, as against a price of \$17 or \$18 per ton for which the same product is sold by the German importer.

Senator WALSH. What is the consumption of this ore in this country, and what is the percentage of production to consumption?

Mr. RHODES. Prior to the war the American production was 60 per cent of the total consumption. When the war broke out in Europe in 1914 our importations that year were about 30,000 tons. The importations diminished to such a marvelous extent that in 1918, according to a table shown in a bulletin entitled "Barytes and Barium Products in 1919," by George W. Stose, who does scientific research work for the Geological Survey, the importations are nothing. In other words, the importations fell off from about 30,000 tons in 1914 to nothing in 1918; and in proportion as the importations fell off, domestic production increased from about 60,000 tons per year to over 200,000 tons in 1917.

Senator WALSH. How much was the price raised during that time—from 1914 to 1919?

Mr. RHODES. The price, according to the table shown in this document to which I have referred, was just about doubled.

Senator WALSH. What were the figures in 1914 and in 1919?

Mr. RHODES. In 1919 the average price, as shown by this document which I have here, was \$8.91 per ton. This table does not give the price of the average production, but I would say that in the document prepared by the Tariff Commission entitled "Tariff Information Surveys on Barytes, Barium Chemicals, and Lithopone," the figures are as I have already indicated. The price has just about doubled. I am speaking now of the crude ore.

Senator WALSH. And you say the mines are shut down at the present time?

Mr. RHODES. Yes; every mine. We have 58 in my State, and all are closed.

Senator WALSH. That is because imports have begun to come into the country, is it?

Mr. RHODES. It is, Senator.

Let me say one further word upon that proposition. According to the Paint, Oil, and Drug Reporter, a reputable trade journal pub-

lished in the city of New York, during the first week of July of this year there were imported into the United States through the New York port of entry alone—and I have no way of knowing what the importations were through other ports—235,000 pounds of crude ore and barium chemicals.

I regret to say that, on my desk in the House Office Building, I have a letter which was received yesterday from a reputable constituent of mine telling me that the miners are at the very mercy of the people; that the farmers in the adjacent country can now obtain all the farm labor they desire at the low cost of \$1 per day. That is because the mines are shut down. That condition is not only true with regard to the mining of crude ore, but in my State we have four plants manufacturing ground ore and all of these plants are closed.

The CHAIRMAN. That does not apply alone to your State. It is universal in Pennsylvania.

Mr. RHODES. That is true, Senator, and will continue so long as the American manufacturer is permitted to obtain his raw material from abroad. It is further certain that every American producer and manufacturer who obtains his raw materials from the United States wants a protective tariff on the American product. I can see, of course, that the importer who obtains his product from abroad would perhaps object to it.

In conclusion, I desire to call your attention to blanc fixe, which appears in paragraph 64. I wish to submit, with all deference to my distinguished colleagues on the House Ways and Means Committee, who asserted that they proposed to construct a scientifically prepared tariff law, that blanc fixe, a highly chemically refined commercial product, has no business under paragraph 64. I would suggest, therefore, that blanc fixe be removed from paragraph 64 and placed under paragraph 11, where other barium chemicals appear, and the duty be fixed at 2 cents per pound. I do not know why that was done.

I also wish to call your attention to lithopone, which appears under paragraph 74, and then I shall be through.

Lithopone is classified under zinc products and should be under paragraph 11. According to the same document to which I have already called attention, lithopone is a barium chemical composed of 70 per cent barium and 30 per cent of zinc.

I want to show you the inequalities existing between the proposed duties that these two products bear, which to my mind is absolutely conclusive proof of the necessity for a higher per pound duty on crude barytes ore.

As I have said, lithopone is a product composed of approximately 70 per cent barium and 30 per cent of zinc. The duty on zinc is 1½ cents per pound. That is not too much. But I want to show you that 70 per cent of this commodity called lithopone is made up of barium, dutiable at the rate of \$4 per ton in this bill, which is only one-fifth of 1 cent per pound, with 30 per cent of zinc dutiable at 1½ cents per pound. I say that if barytes can stand up side by side with zinc and do seven-tenths of the work in lithopone, there is too great an inequality between the duty of 1½ cents a pound on zinc, which I again insist is not too high, and the low rate of one-fifth of 1 cent per pound provided for in this bill on crude barytes ore. However, I have no serious complaint about lithopone being under paragraph

74, as I may not have perceived the reason, from a scientific standpoint, for its having been placed under paragraph 74.

The CHAIRMAN. Did you have an opportunity to confer with the members of the Ways and Means Committee who framed this paragraph?

Mr. RHODES. I had an opportunity to confer with Mr. Nicholas Longworth.

The CHAIRMAN. I am curious to know why blanc fixe, which appears separately in the Payne bill, is now put in with other articles, and therefore merits your just criticism.

Mr. RHODES. I have never been able to understand why the act of 1913 and the Payne-Aldrich Act contained the classifications they do in certain cases, either. Without intending in the least to be disrespectful to anybody, the plain truth of the matter is the authors of the barium schedules in the Fordney bill did not know, because they did not have time to study the matter.

For instance, under the Underwood Act and the Payne-Aldrich Act, in paragraph 64, barytes ore was carried under the designation "barytes earth," and I astonished the distinguished chairman of the Ways and Means Committee a few weeks ago when I insisted that barytes earth was an improper designation. He asked, "How does it happen? It has always been designated so."

The CHAIRMAN. I do not think the nomenclature and the classification of preceding tariff laws ought to be lightly thrust aside, myself.

Senator SMOOT. There is a reason for putting it under barytes; it is because it is sulphide of barytes. That is the reason, I suppose, why they do it.

Mr. RHODES. Let me give you a visual demonstration. The chemical symbol for barytes ore or barium sulphate which I hold in my hand is  $BaSO_4$ . Yet somebody failed to see the difference between this ore and earth. There is no more reason for calling barytes ore earth than there is for calling lead or zinc earth. This is the finest grade in the world. As I say, evidently sufficient attention was not paid to this important industry.

The barium chemical industry sprang up after the war. Before the war it was considered unimportant, but out of 43 different war materials named in the original war minerals act, barytes was one that was able to meet every requirement during the war.

We must, gentlemen, have the duty increased as I have indicated or we will not have a chance to compete with the German importers because of the low wages in that country as compared with those paid in the United States, and because of the low ocean freight rates as compared with our high rail rates.

Senator Smoot appreciates the rate situation perhaps more fully than any other member of this committee. His State last year stood third in the production of lead. Yet they are importing lead from Australia to-day at 50 cents per hundred, ocean rate to New York, whereas the States of Idaho and Utah have to pay \$1.15 per hundred to New York. It is evident, therefore, that these elements are to be reckoned with if a protective tariff is to be established.

With your permission I would like to insert in the record a recent speech I made on the subject of barytes in the House. I thank you very much.

The CHAIRMAN. Permission is granted.

**SPEECH OF HON. MARION E. RHODES, OF MISSOURI, IN THE HOUSE OF REPRESENTATIVES, THURSDAY, JULY 14, 1921.**

Barytes ore or barium sulphate, the chemical formula of which is BaSO<sub>4</sub>, is composed of barium monoxide (baryta BaO) 65.7 per cent; sulphur trioxide (SO<sub>3</sub>) 34.3 per cent. The specific gravity of barytes is 4.3 to 4.6. Barytes is usually white in color and crystalline in composition, and about as hard as calcite. It is rarely pure, containing small quantities of silica, lime, magnesia, and iron. The barium content of the ore produced in Missouri and Georgia runs from 92 to 98 per cent.

Paragraph 10, in the tariff act of October 3, 1913 (the Underwood law), provides for a duty of one-fourth of 1 cent per pound on barium chloride; 1½ cents per pound on dioxide; and an ad valorem duty of 15 per cent on barium carbonate.

Paragraph 51, of the same act, provides for an ad valorem duty of 15 per cent on barium sulphate and crude barytes ores; and an ad valorem duty of 20 per cent on certain other products. This amounts to three-fourths of 1 mill per pound or less on the crude ore at present, and many of the more important chemicals are entirely omitted.

Paragraph 61, of the same act, provides for an ad valorem duty of 15 per cent on certain barium compounds.

The rates provided in the Underwood law are wholly insufficient to protect the American barytes industry. German importers are now offering to deliver crude barytes ore to Atlantic seaboard markets for less than the freight rates from shipping points in Missouri and Georgia barytes-producing territories. The American miners and manufacturers of barytes and barium products are unanimously agreed upon the rates of duty provided for in the bill H. R. 10101, which I introduced some time ago. The only objections come from eastern manufacturers who depend solely upon foreign ore for their supply of raw material. However, they only object to a duty on the raw material and are as enthusiastic as anybody else for a duty on the manufactured article.

We should have a duty of one-half of 1 per cent per pound on the crude ore; a duty of 1 cent per pound on ground barytes or barium sulphate; a duty of 1½ cents per pound on all sodium sulphide crystals; a duty of 1½ cents per pound on all barium sulphide; a duty of 2 cents per pound on barium carbonate; a duty of 2 cents on precipitated barium sulphate; a duty of 2½ cents per pound on barium hydrate; a duty of 2½ cents per pound on barium chloride; 2½ cents per pound on all lithopone; a duty of 2½ cents per pound on all concentrated sodium sulphide; a duty of 5 cents per pound on barium nitrate; a duty of 8 cents per pound on all barium peroxide; and a 50 per cent ad valorem on each and every other barium compound and barium chemical. We should also have the same duty on witherite that we ask on the crude barytes ore, because it is used in competition with certain barium products.

The district I represent in Congress has for the last 50 years prior to the late war produced more barytes ore than all the rest of the United States combined. During that period the total American production was from 30,000 to 89,000 tons of crude ore annually, with an annual importation of from 10,000 to 35,000 tons of crude ore.

Beginning with 1916 and ending with 1919, Georgia held first place in the Union in the production of barytes ore, but in 1920 Missouri regained first place.

During the war period importations of German ore ceased to come into the United States. The following table shows the falling off of importations, beginning with 1913 and ending with 1918. It will be observed there were 35,840 tons of crude ore imported into the United States from Germany in 1913, with an annual decline to nothing in 1918.

*Crude barytes imported for consumption, 1913-1918, according to the United States Geological Survey reports.*

Year.	Quantity (short tons).	Value.	Year.	Quantity (short tons).	Value.
1913.....	35,840	\$61,409	1916.....	17	\$245
1914.....	24,423	46,782	1917.....	6	63
1915.....	2,504	4,877	1918.....	0	0

According to the figures published by the United States Geological Survey in 1918, in a bulletin entitled "Barytes and Barium Products," the total domestic production in 1916 was 221,952 tons; in 1917, 207,888 tons; and in 1918, 155,368 tons. The exact figures on the 1919 and 1920 domestic production are not available, but it is understood the domestic production was larger in both 1919 and 1920 than in 1918.

The chief uses of barytes are in making mixed paints; in the rubber industry; in the manufacture of heavy wall paper, linoleum, oilcloth, window-shade cloth, optical glass, and in the ceramics.

During the war, like that of cobalt, more new uses for barium chemicals were discovered. Large quantities of barium nitrate were manufactured and used strictly as a war material during the late war. Barium peroxide was also a war product, and was used in the form of peroxide of hydrogen both for tracer bullets and for pyrotechnical purposes. Precipitated barium sulphate and carbonate are used chemically in the debairing of hides and in the manufacture of brown and black anilines.

The United States Tariff Commission, in a publication known as Tariff Information, Series No. 18, for the year 1920, in the discussion of barytes, at pages 9, 10, 11, and 12, sums up the barytes situation as follows:

"Prior to the war the domestic barytes industry supplied from 55 to 65 per cent of the consumption—80,000 tons in 1913—of crude barytes in the United States. Lithopone was then the only product manufactured in this country on a large scale from crude barytes by chemical processes, and the barytes necessary for its production was imported chiefly from Germany. Before the war Germany was the largest producer of barytes, with an output of about 300,000 short tons a year. Great Britain ranked second and the United States third. The domestic production of crude barytes under war conditions increased fourfold—from about 50,000 tons in 1914 to over 200,000 tons in both 1916 and 1917. The United States is now second only to Germany's prewar output. The production of crude barytes in this country during the war was sufficient to meet domestic requirements.

"The domestic industry prior to the war was localized; about 65 per cent of the output of crude barytes was mined in Missouri and supplied midwestern manufacturers of ground barytes. During the war the increased domestic demand was met largely by the development of southern deposits of barytes in Georgia, Tennessee, and Kentucky and by a doubling of production in Missouri.

"Prior to the war domestic ground barytes produced in the middle western district was unable to compete in the Atlantic coast market with imported ground barytes under the duty of \$5.25 per ton (act of 1909). At that time foreign competition was chiefly in the crude grade, imports of ground barytes being only about 15 per cent of the imports of the crude. During the war middle western ground barytes continued to supply a large part of the Atlantic coast market, notwithstanding the advantage of the southern district in freight rates. This may be accounted for by the fact that the middle western ore is a softer variety and grinds easier, and by the circumstance that the southern deposits were developed primarily to supply the raw material requirements of the eastern lithopone and barium chemical manufacturers. The producers in the southern district are therefore particularly interested in maintaining the eastern market for crude barytes, while the middle western producers are more interested in retaining this same market for ground barytes. The situation in regard to an outlet for middle western crude barytes has been improved during the war by the establishment in the Middle West of lithopone plants, which require crude barytes as their raw material.

"Prior to the war the United States was wholly dependent on imports for its supply of barium chemicals. Germany was the largest producer, and furnished about two-thirds of the domestic requirements. About 90 per cent of the imports in 1914 were represented by three barium salts—barium carbonate, barium chloride, and barium dioxide. The cessation of imports and the war demand for barium chemicals (barium nitrate, blanc fixe, and barium dioxide) resulted in the establishment of an industry in this country.

"The chief markets for barium chemicals are in the East, and with normal conditions restored the industry will be subjected to competition in these markets from imported barium chemicals. Eastern plants are so situated that they can use either imported or domestic barytes as the raw material. Those plants located close to the southern barytes deposits and in the Middle West will depend largely on domestic barytes. It is evident that a duty on barium

chemicals should be considered in conjunction with a duty on the raw material, barytes."

I am in receipt of authentic information that all barytes mines in Missouri are closed to-day and that all mills in Missouri and Illinois are also closed, with German importers bringing in large quantities of crude and ground ore. Unless we can get protection Germany will enjoy the exclusive benefit of the Atlantic seaboard market. The wages of labor engaged in the production of barytes ore in Germany are about 45 cents per day in American money. The ocean freight rate from Hamburg to New York is \$3.60 per ton. Mr. W. S. Peebles, of Cartersville, Ga., representing the barytes miners of that State, on the 27th day of January, 1921, stated to the committee that German ore has been delivered to New York within the last three months at \$9.75 per ton f. o. b. A letter before me from Wolfstein, Denmark, signed by Braum & Cie., addressed to a New York manufacturer of barium products, under date of January 31, 1921, offers to deliver monthly shipments of crude ore in 500 to 1,000 ton lots at \$11.50 per long ton f. o. b. New York.

Here is what some of the American barytes people of to-day think about the situation:

[Telegram.]

NEW YORK, November 3, 1920.

M. E. RHODES, *Potosi, Mo.*:

Owing to the abnormal low rate of exchange Germany is dumping on this market barium sulphate carbonate and peroxide at ruinous prices. Our other barium plants in the United States are preparing to shut down, and we ask for immediate relief.

DUREX CHEMICAL CORPORATION.

CHICAGO, ILL., November 9, 1920.

Hon. M. E. RHODES, *Potosi, Mo.*

DEAR SIR: For the last three four months there has been quite a large amount of barium chloride imported, coming from Germany through Belgium. During the last three weeks barium carbonate has begun to come in. These two chemicals are the principal ones which we manufacture. These importations are cutting into our business very badly, and if the chloride continues to come in as fast as it has during the past three months we shall be obliged to close down this part of our plant as soon as balance of our contracts expire, about January 1.

We also believe there was a cargo of crude barytes imported last week and the week before by the American Metal Co. If it continues to come in, the market on crude barytes will be affected.

Can you advise us the present status of the tariff question and whether anything is likely to be done in the future. It would almost seem that on account of the present rate of exchange the only way we could be protected would be by some license system, as no ordinary tariff could afford us the protection required until such time as foreign exchange becomes more normal.

CHICAGO COPPER & CHEMICAL CO.,

By F. A. SIMMONS, *Secretary.*

To show the actual condition in my home county, which is in the very heart of the barytes-producing district of Missouri, I quote the following paragraph from a letter received by me, written by Mr. John O. Long, of Cadet, Mo., the largest local dealer in barytes ore in Missouri, under date of February 15, 1921:

"The tiff situation is very bad, about as bad as it has been in many years. I received orders to close down on all public tiff January 15, and by the 29th the mills shut down all their property. The mill is full and has several thousand tons piled on a lot next to the mill. They are full up to the ceiling with the finished product and no orders. They have not manufactured any barytes since the 15th of December and have been piling ore and accumulating since that time. I have been shipping on an average of three or four cars per day, so you can realize what they have accumulated. I have been up to the mill every week since the first of the year, and they hope to see business pick up, but no indication as yet. Certainly it is a hard proposition on the people here,

as the timber jobs are all gone, and some are in a very critical condition. No jobs, no money, no grub."

According to authentic information received from Thompson, Weinman & Co., of New York, to-day, crude barytes ore has been offered for sale by German importers in New York as low as \$7.50 per ton within the past few weeks. We must get as much as \$10 per ton for the crude ore on board cars at Missouri shipping points to afford fair wages to miners, fair wages for hauling it from the mines to the railroads, fair royalty to the landowner, and a fair profit to the dealer. That was the prevailing price when the mines closed January 1, 1921, and unless we can resume at that price the industry can not long endure. The average freight rate, from southeast Missouri points, including war tax, to New York is \$10 per ton, making it cost the Missouri shipper \$20 per ton to deliver his ore to the New York market, thus permitting the German importer to undersell the Missouri producer about \$11 per ton. In addition to this difference in favor of the German importer he gets the benefit of the high value of our money as against the low value of the German mark. It should also be remembered that our prices are based upon the short ton of 2,000 pounds and that the German prices are quoted upon the long-ton basis of 2,240 pounds. So it is evident that nothing less than one-half of 1 cent per pound will afford us any protection on the crude ore. The situation six months ago in Missouri with regard to ground barytes was as follows: At St. Louis the price was \$27.50 per short ton, f. o. b., with freight rate added, which made it cost \$37.50 delivered f. o. b. New York. The German importer now offers to sell the same product for \$15 per long ton f. o. b. New York, making the difference of \$21.50 per ton. The present difference in exchange and the difference of 240 pounds on each ton entitles us to at least 1 cent per pound on the ground ore, in order to cover the difference and give us any protection at all.

The barium chemical industry in this country is also dead at this time, but the German importer is doing a thriving business. Last week's importations of barium chemicals amounted to 332,500 pounds at New York alone, according to the Paint, Oil, and Drug Reporter of July 11, 1921, a reputable trade journal published in that city. How much was imported through other ports of entry is not known. According to the same journal over 18,000,000 pounds of barium chemicals have been imported into the United States from Germany between January 1 and July 1 of this year.

We feel this is unfair to American miners, landowners, and dealers; and unless something is done to protect us against this flood of imports the German importer will continue to enjoy the benefit of our market.

As a last word on the subject I beg to say that while the Fordney bill does not provide as high rates of duty, either on the crude ore or on the barium chemicals as we want, yet I hope the committee will consent that the rates be increased in accordance with my suggestions that this great and important industry may receive the protection to which it is entitled.

I must not close without acknowledging valuable assistance in collecting this data from Messrs. A. E. Stocking and C. P. Delore, of Missouri, and many other loyal friends of the industry. I am under special obligations to Dr. Maximilian Toch, of New York, president of the American Barytes Miners and Manufacturers' Association, for technical information relating to barium chemicals industry and trade conditions.

In fact, the American miners and manufacturers are unanimous in favoring a protective tariff on barytes and barium products. It is true a few manufacturers in this country, who obtain their raw materials from Germany, are opposed to a protective tariff on crude ore, yet they are as enthusiastic as anybody else for a protective tariff on the manufactured article. I am a protectionist through and through and want to see every commodity that is produced in this country protected against the products of cheap foreign labor. We were taught a harsh lesson in this country during the late war on account of our failure to have developed the mineral resources of the United States. Prior to that time we had obtained our tungsten from China; cobalt from Canada; pyrites from Spain; graphite from Mexico; magnesite from Austria; chrome from Asia and South America; manganese from Brazil and India; and barytes from Germany. These were all useful war minerals, and when the crisis came barytes was the only ore that we produced in sufficient quantity to meet the war requirements. Thus it was that the Sixty-fifth Congress passed a law authorizing an appropriation of \$50,000,000 for use in developing these essential war minerals in this country, because they could not be obtained abroad. My plea now is for protection for the American workman and for American industries.

**STATEMENT OF MAXIMILIAN TOCH, TREASURER OF THE DUREX  
CHEMICAL CORPORATION.**

The CHAIRMAN. On what paragraph do you wish to be heard?

Mr. TOCH. Paragraph 11.

The CHAIRMAN. Where do you reside?

Mr. TOCH. In the city of New York.

The CHAIRMAN. Are you in the business of importing barium?

Mr. TOCH. No, sir. In the first place, I represent 17 barium manufacturers in the United States.

The CHAIRMAN. Are you in the business yourself?

Mr. TOCH. I am treasurer of the Durex Chemical Corporation, one of the largest barium producers and chemical manufacturers in the United States.

The CHAIRMAN. Is your evidence along the same line as that given by Mr. Rhodes?

Mr. TOCH. No, sir. Mr. Rhodes touched only on the ore. I shall touch only on the chemicals. I have a few notes, and as I do not wish to take up any of your time unnecessarily, I shall refer to them.

You gentlemen are undoubtedly aware of the fact that the barium industry is of paramount importance in peace and in war, and barium chemicals are only produced in two countries, Germany and the United States, but before 1914 Germany controlled the world's output, and three times it destroyed the barium industry in this country. However, when the war came on barium chemicals had to be had.

The Ways and Means Committee spent months working out a method whereby the dye industry would receive adequate protection, and I am heartily in favor of every phase of this, whether it be by embargo or by tariff. But they forgot that aniline dyes can not be used alone, for if you dissolve a dye in water and immerse a piece of cloth in it, it washes out completely when it is wet again.

In order to prevent this chemicals must be added to fasten the dye into the fiber and make it waterproof, and one of these chemicals, which are called mordants, is barium chloride. Within the last six months millions of pounds of barium chloride have been imported from Germany at far below the cost of American manufacture. The dye industry is like the blade of a knife—utterly useless without the handle. Barium chloride and sodium sulphide are the handles of the knife.

The Tariff Commission figured that barium chloride costs \$106 per ton to manufacture in the United States. In January of this year, when I asked for a duty of 2½ cents a pound, it was selling at \$70 per ton, duty paid. To-day Germany is offering to land it here at \$43 per ton of 2,240 pounds, and small lots of chloride of barium are offered for delivery by importers at \$53 per ton of 2,000 pounds, ex-warehouse, New York City.

When I appeared before the Ways and Means Committee in January the mark was \$0.0160; to-day it is less than \$0.0120. So you can easily see that the protection of 1½ cents per pound, as allowed by the Ways and Means Committee, is totally inadequate to-day.

Barium carbonate is of vital importance in peace and in war and costs \$62 a ton to make in the United States, but is now delivered in New York free and duty paid from Germany at less than \$45 per

ton. Optical glass can not be made without barium carbonate; and during the war American chemists made better optical glass with American barium chemicals than the Germans ever made. But that industry is dead in America, for Germany has it all.

Hundreds of tons of barium carbonate were shipped to Europe during the war for use as a rat poison in the trenches. In fact, it has a large sale in the United States; but as no barium factory is in operation—or has been in operation, to the best of my knowledge, since the 1st of January, 1921—the foreign carbonate of barium has supplanted the American barium entirely.

Barium sulphate, precipitated, which is also known under the name of blanc fixe, is used by the United States Government as a paint material, for bridges and for battleship gray, for photographic paper and for rubber tires. The duty is totally inadequate, on account of low labor costs, low ocean freight, and the low price of the mark against which we have the excessive inland freight, high labor, and inadequate protection.

I do not want to present any cumulative evidence to you, but the same argument applies to barium ore, barium hydrate, barium sulphide, barium peroxide, barium chlorate, barium nitrate—in fact, all of the barium salts.

During the war our commanders cabled over for 5,000,000 pounds of nitrate of barium and 4,000,000 pounds of chlorate of barium, and had the war continued this material would have been made in a reasonably short time. Where would we and our allies have been for star shells, explosives, and incendiary bombs had it not been for the barium industry here?

I am frank to say that the Ways and Means Committee frittered away months of valuable time on tariff matters without giving even more than a passing consideration to the new and vital chemical industries and without taking into consideration their composition or their importance in peace and in war.

The old tariff schedules contained many errors, in verbiage and in definition, and most of these were copied by the Ways and Means Committee, to the great detriment of the important and increasing barium industry, which is now completely shut down, and the largest of all the barium manufactories is in the hands of its creditors. How much longer we can subsist with German competition I can not say, but it certainly is not very much longer, for the crêpe is hanging on the front door of every barium factory in the United States.

The Ways and Means Committee called for a duty on barytes earth, a material which does not now exist or ever has existed. The House corrected this error, which has been in all the previous tariffs, when Congressman Rhodes called public attention to it. Barytes ore, according to Mr. Fordney's bill, is to be assessed at \$4 per ton, yet witherite, which is a barium ore, is to come in free.

Last January, when I asked for specific duties on all barium chemicals, the German price was about twice as high as it is now, and the German mark was 0.0160 as compared to 0.0120 to-day. There is no other country outside of ours in the world that produces barium, excepting Germany, and they can do to us again what they did to us three times before—land chemicals at so far below our cost as to wipe us out completely.

You may not know that Germany is systematically trying to depress the value of the mark as low as possible—first, because it prevents German imports; and second, because it cheapens the price to foreigners and induces them to buy.

Furthermore, you may not know that if you pay an invoice in Germany for goods shipped over here, you pay in American gold. The exporter or the manufacturer does not get that money, but the German Government gets it all, which it saves to pay its reparations and indemnities. But, against that gold, it issues paper marks to the merchant who exported the goods, and thus pyramids its money and depresses the value of the mark.

As regards American valuation, if we are going to have it—and I believe it will work out—let us have it entirely, or not at all. You can only have American valuation on an ad valorem duty, for it does not work out at all on specific duty. Take the case of carbonate of barium, on which the specific duty is to be \$20 per ton. It does not make any difference whether the German exporter invoices it at a mark a pound or a thousand marks a pound—the duty remains \$20 per ton.

I want to call your attention to the chemical known as sodium sulphide, because it is a mordant used with many aniline colors and is a direct product of barium manufacture. The Fordney bill provides \$7.50 duty for crystal sodium sulphide and \$15 a ton for sodium sulphide solid, the solid being twice as strong as the crystals.

Now, this duty is totally inadequate, and I urge you as strongly as I can for the original duties which I asked for in January, which are (per pound) as follows:

	Cents.		Cents.
Sodium sulphide .....	2	Barium nitrate.....	5
Barium carbonate.....	2	Barium hydrate.....	2½
Barium chloride.....	2½	Barium peroxide.....	8
Barium sulphate (artificial) .....	2	Witherite .....	1
Barium sulphide.....	1½		

Other barium compounds, such as barium sulfocyanide, barium cyanide, barium chlorate, barium chromate, etc., 25 per cent ad valorem, the value to be in every case 25 per cent of the American value; or, in case of American valuation, there should be a flat duty on all barium chemicals and barium products of 50 per cent.

**CAFFEINE, CHLORAL HYDRATE, CAMPHOR.**

[Paragraphs 14, 24, 25, 26, and 48.]

**STATEMENT OF JOHN F. QUEENY, REPRESENTING THE MONSANTO CHEMICAL WORKS, ST. LOUIS, MO.**

Senator McCUMBER. Will you give your name, residence, business, and whom you represent, Mr. Queeny.

Mr. QUEENY. John F. Queeny, chairman board of directors of the Monsanto Chemical Works, St. Louis, Mo.

Senator McCUMBER. You may proceed, Mr. Queeny.

Mr. QUEENY. We are large manufacturers of quite a number of medicinal chemicals that are scheduled in paragraph 26. We are also manufacturers of caffeine, scheduled in paragraph 14, and chloral hydrate and glycerophosphates scheduled in paragraph 24. We

also manufacture the heavy chemicals, such as sulphuric acid, nitric acid, muriatic acid, chlorine, etc. We have a partially erected plant for the manufacture of synthetic camphor. We are, therefore, very vitally interested in the rates in the present bill before you.

We have been in the manufacture of coal-tar medicinals before the war, and we know what German competition is.

Senator SMOOT. What are the paragraphs in which you are interested?

Mr. QUEENY. Paragraphs 14, 24, 25, 26, and 48.

Senator WATSON. What do you make that you are interested in?

Mr. QUEENY. I have a list here on a card, copies of which I will pass around to the members of the committee.

(The list referred to is as follows:)

Acetanilid; acetphenetidid, U. S. P. (phenacetin); acetyl, salicylic acid (aspirin); caffeine, pure alkaloid, U. S. P.; chloral hydrate, crystals, U. S. P.; coumarin, pure; glycerophosphate of calcium, pure; glycerophosphate of sodium, pure crystals; glycerophosphate of sodium, solution; glycerophosphate of potassium, 75 per cent; glycerophosphate of iron; glycerophosphate of magnesium; glycerophosphate of manganese; phenol, crystals, U. S. P.; phenolphthalein, pure; saccharin, U. S. P., insoluble; saccharin, soluble, granular, or fine crystals, and powder; salicylic acid; salol; sodium salicylate, U. S. P.; vanillin, pure, U. S. P.; chloramine-T; dichloramine-T; chlorococaine; orthonitrochlorbenzol; parantrophenol; paranitrochlorbenzol; anthranilic acid; paratoluolsulfonchloride; paratoluolsulfamide; paratoluol sodium sulfonate; orthochlor paratoluol sodium sulfonate; phthalic anhydride; sulphuric acid; oleum muriatic acid; nitric acid; mixed acid; nitre cake; salt cake; battery acid; zinc chloride.

Mr. QUEENY. We are not a war concern. We have been in business over 20 years and have built up quite a big business.

Caffeine, mentioned in paragraph 14, is manufactured from impure tea, tea waste, siftings, etc. The provision in that paragraph contains a rate of 1 cent per pound. One cent per pound on tea is equivalent to about 45 cents per pound for the caffeine in the tea. The average caffeine contained in tea is about 2½ per cent, taking the different grades of tea. Japan is about 1.9 per cent. Ceylon is about 2.2 per cent, and India is a little bit higher. But the average yield of caffeine is 2½ per cent. So the present duty on the tea waste, etc., is equivalent to 45 cents a pound for the caffeine in the tea.

Since 1914 the freight rates on tea have increased from 65 cents a hundred to \$1.89½ per hundred, or an increase of \$1.24 per hundred pounds in freight rates alone, which advanced freight rates means an increase of 55 cents per pound in the cost of the caffeine in the tea itself. So with the duty and the freight on the tea we have about \$1.30 per pound expenses for caffeine in the tea before we touch it.

What we are asking for now is that you transfer the raw material—impure tea, tea waste, tea siftings—to the free list, and let the rate of \$1.50 per pound for caffeine as it is now in the bill stay there.

At the time the Underwood tariff bill was being considered we appeared before the committee, when they made the rate \$1 a pound on caffeine and put 1 cent a pound on tea siftings which are used for manufacture. I appealed to the committee at that time and stated that such action would result in Japanese manufacture of caffeine, because the Japanese have the tea at home, they have all the essentials for the manufacture of the product; and I predicted that it would start Japanese manufacture. That is what actually has occurred. The Japanese have engaged in the caffeine manufacture to a very large extent. We are confronted with that competition.

Senator WATSON. Do you get caffeine from this tea waste and tea siftings?

Mr. QUEENY. Yes, sir; that is the waste in the collection of the tea used for human consumption.

Senator WATSON. Is that where the Japanese get it?

Mr. QUEENY. Yes; but they have it on the ground.

Senator WATSON. But that is what they get it from?

Mr. QUEENY. Exactly. They use their own tea. That is the raw material, and they have no freight or duty to pay on it.

Senator WATSON. You say they are importing more and more of that all the time?

Mr. QUEENY. They have not sent any into the country for the last six or eight months; they have had their own troubles over there in a financial way; but prior to that they were shipping in here, and we are meeting with that competition.

Senator WATSON. It is not what actually happened, but what you are afraid will happen.

Mr. QUEENY. I was only touching on Japan. But I want also to touch on Holland, because of her interest in Java teas. She is in practically the same position as Japan, only she must pay freight from Java into Holland, which is a small matter as compared to the freights we have to pay.

Senator WATSON. They are shipping caffeine to this country?

Mr. QUEENY. Yes, sir.

Senator WATSON. Is it in perceptible quantities?

Mr. QUEENY. It is commencing to be very perceptible. They have shipped in here in the last few months—well, 1,200 pounds came in two weeks ago, and the records show 3,477 pounds during the previous few months.

Senator WATSON. What do you use caffeine for?

Mr. QUEENY. It is used very largely in soft drinks. It is also used for medicinal purposes very largely, but in larger quantities for soft drinks. Caffeine is the active principle or stimulating property of tea. It is also in coffee to a lesser extent. It is in cocoa. It is in kola nuts. It is in the various food products that humans consume, and have been eating and drinking for the caffeine in them.

Senator SUTHERLAND. You say that there is less caffeine in coffee than in tea?

Mr. QUEENY. There is more caffeine in tea than in coffee. There is less than 1½ per cent in coffee as against 2½ per cent in tea.

Senator SUTHERLAND. That is not the common impression, is it?

Mr. QUEENY. The common impression is that the caffeine in the coffee is what keeps you awake at night. However, the other elements do that.

Senator McCUMBER. What elements are those?

Mr. QUEENY. You are getting into chemistry now, Senator, on which subject I am rather weak, but there are those other elements and which have been proven. The Boston Institute of Technology will have out in a comparatively short time a full report on its investigations into coffee.

Senator WATSON. You do not object, then, to the first part of this, "compounds of caffeine, 25 per cent on ad valorem," but you want the remainder of it stricken out?

Mr. QUEENY. Yes. I would suggest that the salts or compounds of caffeine carry the same rates of duty as caffeine itself, because the salts contain about 75 per cent of the pure article, and if you have a lower rate on the salts or compounds of caffeine, they can import it and recover the pure caffeine at a profit.

Senator WATSON. You say, "Compounds of caffeine, 25 per cent ad valorem." Do you object to that?

Mr. QUEENY. I would suggest that that carry the same rate as the pure caffeine.

Senator WATSON. \$1.50 per pound?

Mr. QUEENY. \$1.50 per pound.

Senator SMOOT. I notice the importations of caffeine are falling off until they are very small indeed, and the importations of impure waste tea have jumped up about 25 per cent.

Mr. QUEENY. I can explain that very readily. During the war we bought tea wherever we could buy it because we felt that it was only a question of time before an embargo would be placed on this material. They wanted to use the ships for other purposes than for carrying this impure tea waste. That actually did happen; an embargo was placed against it. I think we have something like 9,000,000 pounds in our warehouse in St. Louis now.

Senator WATSON. Of what?

Mr. QUEENY. Of this impure tea. We have about 9,000,000 pounds on hand right now in St. Louis.

Senator WATSON. This provision is the same as in the existing law, is it not?

Mr. QUEENY. Yes; except the rate in the present law is \$1 per pound on caffeine instead of \$1.50 per pound, and it was in the Underwood bill where they put the duty on the raw material, tea waste, etc. The predictions that I made at that time have come true; we are up against the Japanese manufacturer and the Dutch manufacturer right now.

Senator McCUMBER. What is the next matter you wish to have changed?

Mr. QUEENY. I hope I have made our position clear for caffeine on this matter, because it is a very vital thing, the raw material should be free. Edible tea is now on the free list.

Senator McCUMBER. I think we understand you. The reason I suggest going on to the next item is in order that you may complete your statement within the specified period.

Mr. QUEENY. The next item is chloral hydrate, in paragraph 24. That is also a medicinal chemical and is used as a sedative for nervousness. It was required in very large quantities by the Army and Navy during the war. We started its manufacture about 15 years ago under the Payne Act under a protective rate of 55 cents per pound. All that was consumed in the United States up to that time came from Germany. There were only two manufacturers in the world, and they were both in Germany and sold chloral hydrate in America at 90 cents a pound. We started its manufacture and continued its manufacture up to the time the bill for revision came up, the Underwood bill, and under this bill they reduced the rate to 25 per cent, the same rate now proposed. I pleaded against that rate and told them it was impossible for us to continue the manufacture under that rate.

Senator McCUMBER. What do you wish?

Mr. QUEENY. I am asking for 25 per cent and 35 cents per pound. Our only competitors to-day are the Germans, and when the Underwood bill went into effect they shipped their chloral in here and sold it at 20 cents per pound, duty paid. We dismantled our plant, and two or three months after that they doubled the price and continued to advance the price up to the time of the war, which shut them out. We then installed a new plant and recommenced the manufacture.

Senator SMOOT. What is the price of chloral hydrate now?

Mr. QUEENY. Seventy-five cents per pound.

Senator SMOOT. And you want 35 cents per pound duty?

Mr. QUEENY. Yes, sir; and 25 per cent ad valorem.

Senator SMOOT. Under the American valuation?

Mr. QUEENY. I understand the American valuation is being urged for rates, but I can not see great value in this particular product for the American valuation system.

Senator SMOOT. You can not?

Mr. QUEENY. No, sir. It is all right as a go-off, but as a permanent proposition it will not work.

Senator SMOOT. Well, it will work in this case, will it not?

Mr. QUEENY. For the first importation or two.

Senator SMOOT. How will you change it?

Mr. QUEENY. Let me explain. We will say that they shipped it here at 20 cents, and we will say the American price is 75 cents, and the rate is 25 per cent. Now, 25 per cent on 75 cents is, in the rough, 20 cents per pound. Add to that the original cost of 20 cents and you have 40 cents per pound. If we want to sell any, we have to meet the price at which they can sell. Suppose they sell at 50 cents per pound. We have to either close up shop or meet the 50 cents per pound rate.

Senator McLEAN. You are better off.

Mr. QUEENY. We are for the first importation.

Senator McLEAN. You are better off with the American valuation than you would be with the foreign valuation.

Mr. QUEENY. Yes; for as long as it lasts, but it will not last, as I was going to explain.

Senator McLEAN. Go ahead and explain.

Mr. QUEENY. We get down, we will say, to a sales price of 50 cents, because if they can bring it in here and land it at 40 cents, they will sell it at 50 cents, which gives them a good profit. We have to either meet that 50-cent price or shut up shop.

Senator McLEAN. Still you are better off than you would be under the foreign valuation system.

Mr. QUEENY. The next importation comes in and you pay duty on the American valuation of 50 cents, if we live that long, and instead of 25 per cent on 75 cents you have 25 per cent on 50 cents. If that should keep on going, the first thing we know we would not have any benefit, so far as the American valuation plan is concerned.

Senator McLEAN. But you are better off under your American valuation than you would be under the foreign valuation.

Mr. QUEENY. We are for a time.

Senator SMOOT. You are at any time.

Senator McLEAN. Yes; you are at any time.

Mr. QUEENY. I have worked on this subject for quite a while.

Senator McCUMBER. If you wish to cover your subject you had better not discuss the American valuation just now, because if you want to complete your remarks on these other points you have not much time remaining.

Mr. QUEENY. Yes, sir. I wanted to state that because I think I am right on the matter, and I have studied it a good deal since the tariff bill has come up.

Senator McCUMBER. What are the points that you want to cover?

Mr. QUEENY. I am asking for a specific duty of 35 cents per pound in addition to the 25 per cent rate that is now in the tariff bill.

Senator SIMMONS. Let me ask this witness some questions. You say that the American valuation will not help you, except temporarily.

Mr. QUEENY. That is the way I figure it out.

Senator SIMMONS. After a short time what do you suppose the German valuation would be?

Mr. QUEENY. I do not know what the German valuation will be.

Senator SIMMONS. The price now, we will say, is 20 cents per pound.

Mr. QUEENY. In Germany?

Senator SIMMONS. Yes. Your theory is that that price will be advanced.

Mr. QUEENY. No.

Senator SIMMONS. If it always remains at that price, why will not the American valuation help you?

Mr. QUEENY. Because by continued importations of the article and by underselling us they will create an American valuation that is not the same as it is to-day.

Senator SIMMONS. They destroy you and then create an American valuation.

Mr. QUEENY. Then they make your American values, so far as this article is concerned, at a 25 per cent rate.

Senator SIMMONS. As long as you are in existence and operating they would not have control of the American valuation, would they?

Senator McLEAN. In other words, you want a specific duty?

Mr. QUEENY. I think we should have a specific duty in this case; yes, sir.

Senator SIMMONS. Let us take a specific duty. Assume that the German product sells for 20 cents per pound and you add 35 cents to that.

Mr. QUEENY. That would mean 55 cents. Then take the American valuation of 75 cents at 25 per cent is 18 cents. Add that to 55 cents and you have 73 cents on the original 20 cents cost, as against our present price of 75 cents.

Senator SIMMONS. You want to keep your price at 75 cents?

Mr. QUEENY. We want to keep our price at 75 cents because it does not pay to manufacture at any less price, under present conditions.

Senator SIMMONS. Then, you want the American people to pay you 55 cents a pound more for this article than they can buy it for abroad?

Mr. QUEENY. The American people had a pretty severe lesson on chloral hydrate—

Senator SIMMONS. Nevertheless, that would be the effect of it; if we give you this duty you will be able to maintain your 75-cent price, meaning the 20-cent German price. Now, let me ask you this question: How much of this stuff is imported?

Mr. QUEENY. I was just going to touch on that. The consumption is comparatively small. That is why the price is high. The consumption in this country is less than 100,000 pounds a year, but it is a very important medicinal chemical.

Senator SIMMONS. How much of that is imported?

Mr. QUEENY. There has not been any imported since the war.

Senator SIMMONS. How much was imported before the war?

Mr. QUEENY. All of it from the time the Underwood bill went into effect.

Senator SIMMONS. You are making enough now to supply the American demands?

Mr. QUEENY. Yes, sir.

Senator SIMMONS. And you are selling it for 75 cents a pound, and want to continue that?

Mr. QUEENY. Until we can manufacture at a lower price.

Senator McLEAN. Is there any competition in this country?

Mr. QUEENY. Yes. Merck & Co., of New York, have taken up the manufacture of it by hitching up with a plant in Midland, Mich. They were the German manufacturers' representatives before the war, and as soon as we were put out of business they got their material from the German people.

Senator McLEAN. Are there only two concerns in this country?

Mr. QUEENY. That is all. It is a very small product, but it is a very essential product which is much needed.

Senator SIMMONS. How many men are employed in this industry?

Mr. QUEENY. I should say about 25 or 30 people in the department making this article, in addition to the chemists, etc. The Tariff Information Surveys confirm all that I have said about this article.

I want to refer now to paragraph 48. That paragraph provides for "camphor, crude, natural, 1 cent per pound; camphor, refined, or synthetic, 6 cents per pound."

When the bill was first reported to the House it read, "camphor, natural and synthetic, 25 per cent ad valorem."

Senator SIMMONS. Mr. Chairman, before we leave the subject of chloral hydrate I want to get the statement of the importation in the record. I think it is very important to have that in the record.

Senator WATSON. What is it you want, Senator Simmons?

Senator SIMMONS. I want to put in the imports for 1914 and 1915.

Senator WATSON. Of what?

Senator SIMMONS. Of chloral hydrate.

Mr. QUEENY. Let me suggest, Senator Simmons, that you put in also the imports for the year 1913.

Senator SIMMONS. The imports for 1913 are not in the record.

Mr. QUEENY. But the Treasury Department has the figures.

Senator SIMMONS. In 1914 the importations were 644 pounds; in 1918 the importations were 1,032 pounds.

Mr. QUEENY. I wish you would allow me to suggest that you put in also the importations for 1913.

Senator SIMMONS. You can not put them in; that information is not in this book.

Senator SMOOT. You can not get those figures because they were put in with the chemicals not otherwise specified.

You can not get the amount before 1914.

Mr. QUEENY. We are now again facing the condition created by the Underwood bill. Germany is in as good if not better position, because of depreciated currency; to ship the product into the United States than before. We therefore request that the rate in H. R. 7456 be amended to read 25 per cent ad valorem and 35 cents per pound.

Glycerophosphoric acid and salts, and compounds of glycerophosphoric acid in the same paragraph (24) are very important medicinal preparations. The rate of 25 per cent is not sufficient because of present rates of exchange, and we request that the rate be amended also to 25 per cent ad valorem and 35 cents per pound. Glycerin and phosphoric acid, the raw materials, are dutiable and large quantities of alcohol are used in their manufacture. The price of glycerophosphates are from \$1.70 per pound to \$3.50 per pound according to the salt or compound wanted.

Our investment in machinery alone for the manufacture of glycerophosphates is about \$90,000, independent of the power plant and the buildings used for the manufacture of these preparations.

I want to refer now to paragraph 48. That paragraph provides for "camphor, crude natural, 1 cent per pound; camphor, refined or synthetic, 6 cents per pound."

When the bill was first reported to the House it read, "camphor, natural and synthetic, 25 per centum ad valorem."

Mr. QUEENY. We commenced the building of a plant for the manufacture of camphor last year. After we had about \$425,000 in the plant we were compelled to discontinue operations and construction because of financial conditions and business depression. We want to go ahead with the installation of that plant. There is approximately an average of 4,750,000 pounds a year imported into this country over the period of the last 11 years.

Camphor has been in the hands of a monopoly in Japan, where it is produced, and that monopoly is fostered by the Japanese Government.

Senator WALSH. I am interested in this subject. The celluloid industry is the principal user of synthetic camphor, is it not?

Mr. QUEENY. It uses about 80 per cent.

Senator WALSH. There is to-day not one dollar's worth of synthetic camphor made in America, is there?

Mr. QUEENY. Not to-day.

Senator WALSH. You want this duty put upon synthetic camphor so that you can make it in the future. Is that true?

Mr. QUEENY. Let me put it this way—

Senator WALSH. And you want now to get a tariff so you can develop this industry? You want to waive the discussion now of this subject—

Mr. QUEENY. I am trying to present my argument here as to why we should have these rates.

Senator WALSH. I thought you said you did not press it at this time.

Mr. QUEENY. No, sir; I do want to press it very strongly. Synthetic camphor is made from turpentine, which is a domestic product. The turpentine producers are very anxious for new and increased uses of turpentine. We are exporting tremendous quantities now trying

to find a foreign market, but if we can develop a big industry in this country for its use it will be a whole lot better for America.

The Japanese had the price within the last two years up as high as \$3.50 a pound and \$2.50 a pound, with an inside price to the celluloid manufacturers. The celluloid people use about 80 per cent of the product, and they always had an inside price, which is perfectly proper and just.

Senator WATSON. What do you sell it for?

Mr. QUEENY. It is selling to-day at 65 cents per pound.

Senator WATSON. If it were selling at \$3 per pound it would amount to \$1 more to the manufacturer.

Mr. QUEENY. It would amount to 75 cents per pound, but it will never be that much. I am going to make the statement now that unless turpentine soars to the sky we will never have a price beyond 60 cents, the price at which the Japanese are now selling it here.

Senator McLEAN. You can make it for that?

Mr. QUEENY. We can make it for less than that.

Senator McLEAN. What do the Japanese charge?

Mr. QUEENY. They have charged \$3.50, but their price is lower to-day. I was going to say that that is because of business depression over there. They are anxious to realize money, but it may be also due to their fear of the development of the manufacture of synthetic camphor. Synthetic camphor, in my opinion, is second only to that of synthetic indigo, and I think you all know how important synthetic indigo is in this country. I believe that synthetic camphor has the same place in the industry of this country that synthetic indigo has and will find its way there.

I can not see how the celluloid interests that consume 80 per cent of the product, or the refiners of crude camphor, which import the remaining 20 per cent, and have a protection of 6 cents per pound can object to the following proviso.

The wording may not be just right, but it gives my thought. I am suggesting an amendment to paragraph 48 by the substitution of a semicolon for the period in line 3, page 17, and the addition of the following:

That on and after the date it is certified to the Secretary of the Treasury that synthetic camphor is manufactured in the United States at a rate of not less than two million pounds per annum, that thereafter there shall be levied, collected and paid on camphor, crude, natural, and camphor, refined, and synthetic, when imported into the United States from any foreign country, 25 per cent ad valorem.

I am asking that that proviso be inserted in the tariff bill. I can well understand the position that some people will take. If we need protection, why should we go ahead now and complete the plant; but in reply to the Senator's inquiry I will say that we have got about half a million dollars already invested in the industry, and I do not think you want to destroy that amount of money, nor do you want to discourage the development of a big industry.

Senator WALSH. I do not believe in special legislation and fixing tariff rates conditioned upon somebody building a factory to make something in the future.

Senator McLEAN. That depends upon whether the competition will cheapen the product to the American consumer.

Mr. QUEENY. Absolutely, because synthetic camphor will take the place of 90 per cent, I would say, of the natural camphor now consumed in this country.

Senator McLEAN. If competition brings it down to 65 cents it would cheapen the cost—

Senator WALSH. It might not be due to competition. Everything went up during the war.

Mr. QUEENY. The Japanese had a monopoly. They simply took advantage of that condition and said, "Here, we can get that much money out of the celluloid people."

Senator WALSH. Do not some of the celluloid people make their own synthetic camphor?

Mr. QUEENY. Yes, sir; Du Pont has undertaken it, but has not been successful.

Senator WALSH. Some of them have undertaken to do it.

Mr. QUEENY. No one outside of Du Pont, and they have not been successful.

Senator WALSH. He found it would cost him more to make synthetic camphor than to buy it from Japan, did he not?

Mr. QUEENY. Who?

Senator WALSH. Du Pont.

Mr. QUEENY. I do not know.

Senator WALSH. Why did he give it up?

Mr. QUEENY. My impression is that they have not the right process, and I think I am pretty near right in that impression.

Senator McLEAN. Have you any question as to your ability to make it?

Mr. QUEENY. Absolutely not. There are two big factories, one in Dusseldorf and one in Berlin. We have their process, have bought their right to produce it in this country, and we want to go ahead with that industry, because I believe it is a coming industry.

Senator SMOOT. The Du Ponts may make it in China in a very little while.

Mr. QUEENY. They undertook it closer than China, Senator. I do not want to say anything about their process, but the fact that they have not continued its manufacture is a pretty good indication that their process is not right. They worked at it during the war.

Senator SIMMONS. I thought you said we had the process.

Mr. QUEENY. We have; the Monsanto Chemical Works have; we paid \$200,000 for it.

Senator WALSH. Have you not had some litigation over it?

Mr. QUEENY. None.

Senator WALSH. Has not the claim been made by the company that bought the dyestuff—what is the name of that company?

Senator SMOOT. You mean the Chemical Foundation?

Mr. QUEENY. It is in their list of patents, but that does not say they own them.

Senator WALSH. But they made the claim, did they not?

Mr. QUEENY. It is printed there, but that does not prove that they own them. We bought them.

Senator WATSON. Mr. Cooke says that he will explain that for Senator Walsh if he desires it explained.

Senator WALSH. I simply wanted to know if there is not litigation over it.

Mr. QUEENY. It does not interfere with us. We want to go ahead with this proposition and put a million dollars more into it and complete this plant, and you are the gentlemen that can let us do it.

Senator SMOOT. You are pretty sure of your ground, or you would not put a million dollars more into it.

Mr. QUEENY. Absolutely; nor would we put a half million dollars in it to start with.

Senator SUTHERLAND. What is the normal price of synthetic camphor?

Mr. QUEENY. It was developed a little bit before the war, and there were some importations—

Senator SUTHERLAND. What has been the normal price of the imported article?

Mr. QUEENY. Along about 60 to 65 cents. You mean the Japanese product?

Senator SUTHERLAND. Yes; before the war.

Mr. QUEENY. Yes; normally 60 cents; it has been down as low as 40. The camphor forests, from what I can understand, are being depleted, and the Japanese did not wake up until about five years ago to replant those trees.

Senator WATSON. The Japanese article is not synthetic camphor, is it?

Mr. QUEENY. No; natural. It is distilled from the trees.

Senator McCUMBER. Has any synthetic camphor been imported?

Mr. QUEENY. Synthetic camphor has been imported; yes, sir.

Senator McCUMBER. From where?

Mr. QUEENY. Germany.

Senator McCUMBER. But not from Japan?

Mr. QUEENY. Oh, no; it is not manufactured in Japan.

Senator SUTHERLAND. I meant in my inquiry the normal price of camphor.

Mr. QUEENY. I have bought it as low as 40 cents, but it is now 65 cents, and that is about as low a level as you can expect. We can manufacture the synthetic at less than this price with turpentine at 75 cents a gallon; and you know that 75 cents a gallon for turpentine is a high price.

Senator McCUMBER. Is that all, Mr. Queeny?

Mr. QUEENY. No, sir.

Senator McCUMBER. You have taken over half an hour. Kindly bring your statement to a close as quickly as you can.

Mr. QUEENY. There is one suggestion that I want to make, Senator.

Senator McCUMBER. Very well.

Mr. QUEENY. In the distillation of natural camphor there is a residue known as oil of camphor. Years ago that oil of camphor in its more or less crude state was shipped over here, and it contained quite a big percentage of safrol. For some years past the Japanese have been learning that there is a big demand for safrol, which is called artificial oil of sassafras, and they have extracted it from this crude camphor and shipped it in here in certain quantities.

We want to manufacture heliotropine, which is an article used very largely by perfumers. Safrol is the raw material for the manufacture of heliotropine; and I would suggest that if you wish to encour-

age the manufacture of another chemical product which has been coming altogether from Germany, that you put safrol on the free list and leave heliotropine where it is, so that the manufacture of heliotropine can go on in this country.

Senator SIMMONS. Let me ask you one question: Do I understand you to say that there is no synthetic camphor produced in this country?

Mr. QUEENY. No; I qualified that by saying, except what Du Pont produced.

Senator SIMMONS. Do they manufacture it?

Mr. QUEENY. They did produce some.

Senator SIMMONS. Are they manufacturing it now?

Mr. QUEENY. No, sir; from all accounts.

Senator SIMMONS. I see here from the reports for the calendar year 1920 that 120,320 pounds of synthetic camphor were imported, the value of which was \$234,690.

Mr. QUEENY. That is quite considerably over a dollar a pound, Senator. There were some importations of synthetic camphor into this country from the very factories I have just mentioned, Dusseldorf and Berlin.

Senator SIMMONS. But the point that I am making is another point altogether.

Mr. QUEENY. All right, Senator; excuse me.

Senator SIMMONS. The point I am making is that if we imported in 1920 all we used we must have used only 120,320 pounds.

Mr. QUEENY. That is possibly all we could get.

Senator SIMMONS. That is all that was used in that year. The value was less than a quarter of a million of dollars.

Mr. QUEENY. We used last year, according to import records—

Senator SIMMONS. That was the entire consumption in the United States last year.

Mr. QUEENY. If you will look at the importations of natural camphor you will find that they run about 5,000,000 pounds.

Senator SIMMONS. We are talking about synthetic camphor.

Senator McCUMBER. It is used for the same purposes.

Mr. QUEENY. It is used for identically the same purposes.

Senator WALSH. The synthetic camphor is the article on which he desires the duty increased.

Senator SIMMONS. It is used to a very small extent in this country.

Mr. QUEENY. Because there is no more available.

Senator SMOOT. There is none of it made, to speak of.

Senator SIMMONS. None of it imported. Only 120,000 pounds were imported.

Senator SMOOT. But what Mr. Queeny wants to do is to make it.

Senator SIMMONS. What does he want to make it for if there is no home market for it?

Senator SMOOT. But there is a market for it. It would take the place of the natural camphor.

Senator WATSON. That would cut out the natural camphor from Japan, and could supply the American market.

Senator SIMMONS. The entire importation of crude—I do not know what the production was—was 3,716,937 pounds.

Mr. QUEENY. Now, adding the refined to that—

Senator SMOOT. Yes; add the refined to it.

Senator SIMMONS. The refined was 941,103 pounds.

Senator SMOOT. What year was that?

Senator SIMMONS. 1920. Synthetic, 120,000 pounds.

Mr. QUEENY. Synthetic does not count.

Senator SMOOT. No; that does not count.

Senator SIMMONS. You have got a total consumption of camphor in this country of about 4,700,000 pounds, crude, refined, and synthetic.

Mr. QUEENY. Senator, may I just add one more thing? It will not take more than a minute.

I am a very close reader of the tariff hearings, and I have been following Mr. Metz's testimony very, very closely. I wish he were here. I have a few words to say about Mr. Metz's statements. I know him very well and have known him for 30 years. How Longworth put that luncheon over on him the other day I do not understand, but he did it, apparently. Mr. Metz made the statement that he is opposed to the embargo and always has been opposed to the embargo. In the hearings held in July, 1919, on page 23, he said:

Now, Mr. Chairman, we can make anything that can be made in Europe. There is no doubt about that. We can make anything that they make in Europe if we can get the raw material. But, Mr. Chairman, it is an economical question altogether as to whether or not it pays. It can not be remedied by a protective tariff, for if you put a duty too high they can not afford to buy it in this country. According to my idea, the licensing system is the most satisfactory. I would be more in favor of the licensing system, for we must get the product in order to make the fast colors.

I just want to put into the record here the fact that he has been opposing the embargo, but that two years ago he was strongly in favor of it. Since that time he has got his stocks back in His list, and it might make some difference.

Senator SIMMONS. At that time he had not seen the effects of an embargo. We have had experience with it.

Mr. QUEENY. Very good experience, from the way I see it.

Senator SIMMONS. But he does not seem to think so.

Mr. QUEENY. And it ought to continue.

Senator SIMMONS. But Mr. Metz does not think so.

Mr. QUEENY. No; Mr. Metz's interest changed. His interests are possibly now more in his German factories than in his American factories.

**BRIEF OF JOHN F. QUEENY, REPRESENTING THE MONSANTO CHEMICAL WORKS,  
ST. LOUIS, MO.**

**CAFFEINE.**

We have manufactured since 1905 caffeine, a product prescribed by physicians in cases of nervousness and also used in soft drinks.

We are, therefore, vitally interested in paragraph 14, which reads as follows:

"Caffeine, \$1.50 per pound; compounds of caffeine, 25 per centum ad valorem; impure tea, tea waste, tea siftings or sweepings, for manufacturing purposes in bond, pursuant to the provisions of the act of May 16, 1908, and the act of May 31, 1920, 1 cent per pound."

We desire that tea dust and tea sweepings be placed on the free list, where they had always been prior to the act of 1913. Tea for human consumption is admitted free of duty, and we strongly feel that manufacturers should not be handicapped by the payment of duty on tea for manufacturing purposes.

Tea sweepings or tea dust are the off-fall of the tea gardens and are used solely for the manufacture of caffeine, which is extracted from it by a complicated chemical process.

The caffeine content in tea dust ranges for 1.5 per cent to 2.5 per cent, the average being 2½ per cent. Thus it requires between 45 and 50 pounds tea dust to produce 1 pound caffeine, and the duty of 1 cent per pound on the raw material is thus equivalent to a tax of about 50 cents per pound for the finished product, caffeine.

Since 1913 the inland and ocean freights on tea were increased from 65 cents to \$1.89½ per hundred pounds, an increase of \$1.24½, which is equivalent to 55 cents per pound on the caffeine. Thus in our cost for each pound of caffeine manufactured \$1.30 is represented by the duty and freight charges we now pay on the raw material.

The present duty of \$1.50 per pound is therefore barely sufficient to cover the expenses to which we are put in laying the raw material down at our plant, with no margin to cover the large difference in cost of labor existing between Japan, Germany, or Holland, and America and other expenses which are much higher here than abroad.

Japan, who is a very large grower of tea, naturally has the dust on the spot. Her manufacturers do not have either freight or duty to contend with. The manufacture of caffeine in Japan has been undertaken in a large way, and they can gain control of this market unless the raw material is placed on the free list.

Holland, because of Java tea, has also become a formidable competitor and is selling at prices far below our cost of manufacture.

Germany also, whose manufacturers have no duty or no inland freight to pay, are quoting caffeine at 30 per cent below our present manufacturing cost.

The United States Tariff Commission states, in its Survey A-5, in regard to the duty on tea dust:

"The Japanese chemical industry is now attempting to secure Germany's former position as a dominating factor in the caffeine trade. Japan possesses several competitive advantages, the most important of which, perhaps, is her close proximity to an abundant source of the raw material. Tea waste, which contains only about 2 per cent of caffeine, is a very bulky material, and the American manufacturers have found its transportation expensive as well as difficult to secure.

"The tariff problem of chief interest is the relation between the rates of duty on the raw material and the finished product. Since 1913 the former has been dutiable at 1 cent per pound and the rate on caffeine has been \$1 per pound. Since about 50 pounds of tea waste are required to produce 1 pound of caffeine, the duty on the raw material amounts to 50 cents per pound of caffeine contained. This duty, together with the large difference in ocean freight rates, favors the importation of the prepared alkaloid rather than its raw material."

We therefore urge that "Impure tea, tea waste, tea siftings, or sweepings, for manufacturing purposes in bond, pursuant to the provisions of the act of May 16, 1908, and the act of May 31, 1920, 1 cent per pound" be struck from page 14, and that the words "impure tea, tea waste, tea siftings or sweepings for manufacturing purposes" be inserted in paragraph 1667, page 203, line 3, after the word "tea."

#### CHLORAL HYDRATE.

Monsanto Chemical Works are manufacturers of chloral hydrate and glycerophosphoric acid and its salts, which products are included in paragraph 24, reading as follows: "Chloral hydrate, terpin hydrate, thymol, urea, and glycerophosphoric acid and its salts, 25 per centum ad valorem.

Chloral hydrate is a very important synthetic organic drug which is widely prescribed by physicians as a sedative in cases of extreme nervousness. It was used in large quantities by our Army and Navy during the war for administration to the sick and wounded.

It is manufactured by a very complicated chemical process which requires eight weeks to complete, and requires as raw materials large quantities of chlorine and alcohol.

Monsanto Chemical Works commenced the manufacture of chloral hydrate in 1906, prior to which time it had been manufactured exclusively in Germany.

Until the tariff act of 1913 we were protected by a specific duty of 55 cents per pound, which is approximately the rate we are now asking—25 per centum ad valorem and 35 cents per pound, taking into consideration American valuation.

Chloral hydrate is at present sold by us at 75 cents per pound, which is 15 cents per pound cheaper than Germany sold it in America before we undertook its manufacture. It being a synthetic organic chemical, it is now under embargo of the dye and chemical act of the emergency tariff, and we are therefore at present protected.

In the act of 1913 the duty was lowered from 55 cents per pound to 25 per cent ad valorem, under which rate the Germans shipped in immense quantities at prices considerably below our cost of manufacture, and we, not being able to compete, were compelled to discontinue its manufacture and dismantled our plant.

The American market was then again supplied by the Germans, who very materially advanced their price soon after our plant had been dismantled.

When the war shut off the German supplies we erected a new plant and recommenced the manufacture of chloral hydrate, and will continue if given the rate we are requesting.

The United States Tariff Commission states, in its Survey A-6:

"The chloral hydrate industry originated and was developed in Germany. The needs of the United States were supplied by German manufacturers up until about 1892, when a firm in this country undertook its manufacture from tax-paid alcohol. This firm was unable to compete, and the manufacture was discontinued. Again this country depended on Germany, until in 1908 the Monsanto Chemical Co. undertook to manufacture chloral hydrate, since denaturated alcohol was available as a raw material. The price of chloral hydrate in 1908 was 90 cents per pound and declined to 50 cents per pound in 1913. Merck & Co. also began producing chloral hydrate in 1912. After the passage of the act of 1913, which reduced the duty on chloral hydrate to 25 per cent ad valorem, the product was imported by European manufacturers at between 20 and 30 cents per pound. One of the American plants ceased operations and dismantled its plant. At the start of the war the price increased to \$2.10 per pound, and this plant resumed operations, whereupon the price dropped again to about \$1.25 per pound." (Present price, 75 cents per pound.)

The present duty provides for no change from that levied under the Underwood Act, and under which law we were put out of business on the article.

The difference between American and German manufacturing costs is much greater at present than it was in 1913, and it is therefore certain that unless additional protection is given us, the requirements of this country will again be supplied by Germany.

Glycerophosphoric acid and its salts, referred to hereafter as glycerophosphates, as that is their popular name, are important organic medicinal chemicals prescribed by physicians in cases of rachitis, neurasthenia, difficult dentition, and in convalescence.

Glycerophosphates are manufactured from phosphoric acid and glycerine by a very long and complicated process, requiring great skill and expensive installations.

We commenced the manufacture of glycerophosphates in 1912, and to-day have an investment of \$90,000 in machinery alone for the manufacture of these products. The prices on glycerophosphates at present range from \$1.35 per pound for calcium salt to \$3.50 per pound for the iron salt.

Virtually the same conditions apply to glycerophosphates as apply to chloral hydrate.

However, the duties on the raw materials for the manufacture of glycerophosphates are materially advanced in H. R. 7456 over the rates now in force in the present law.

Phosphoric acid has been taken from the free list and made dutiable at 25 per cent ad valorem. Glycerine has been changed from 2 cents to 3 cents per pound. No change over the present duty, however, has been made on the product manufactured from these raw materials.

The rate of 25 per cent ad valorem was not adequate in 1913, and if the war had not shut off the supply of the German product it is doubtful if we should have been able to continue in competition with Germany.

Glycerophosphates in common with chloral hydrate are now under embargo, but in view of Germany's low labor costs and her accessibility to cheap raw materials the present rate of duty, 25 per cent ad valorem, is entirely inadequate, and we therefore urge that the rates on these two products in paragraph 24 be changed to—

"Chloral hydrate, glycerophosphoric acid and its salts, 25 per centum ad valorem and 35 cents per pound."

#### CAMPHOR.

We are anxious to complete our plant for the manufacture of synthetic camphor, having already invested over \$425,000 in buildings and equipment for the manufacture of this product. It will require an additional sum of \$1,000,000 to complete the plant and produce synthetic camphor on a practical scale.

Natural camphor is a product coming almost exclusively from the Island of Formosa and other parts of Japan, and is produced from the camphor trees, indigenous to that part of the world.

In 1899 the Japanese Government formed a monopoly which completely controls the production, distribution, and price of camphor. This monopoly arbitrarily allocates such quantities of camphor—not exceeding three months' supply—to the various large consumers in countries foreign to Japan as in its judgment it should supply to these interests, regardless of the buyers' views.

This monopoly, however, discriminates in favor of the Japanese celluloid manufacturers, giving them preference in the matter of supplies and possibly price.

This Japanese monopoly exercises strict control over the price of camphor, exacting at times as high a price in foreign countries as the traffic will bear. In the past 18 months they have manipulated the price of camphor so that it has fluctuated between 60 cents and \$3.50 per pound during this period.

About 80 per cent of the total quantity of about 5,000,000 pounds of camphor imported annually into the United States of America is consumed by the celluloid manufacturers, who, according to their own statements before the Ways and Means Committee, are threatened with annihilation by this Japanese monopoly.

Camphor is now and for some time past has been successfully produced synthetically in Germany and on a practical scale, and as we have purchased the rights and process from these two German manufacturers at a price in excess of \$200,000 we are in equally as good, if not in a better, position to manufacture synthetic camphor successfully as the Germans, because the raw material for its manufacture—i. e., turpentine—is produced in this country.

The United States Tariff Commission states on page 67 of the Tariff Information Survey as follows:

"Under the terms of the camphor monopoly the Japanese Government licenses producers of camphor and camphor oil, who are required to keep strict account of their manufactures and to sell all camphor produced to the Government at a fixed price. The refining of crude camphor is the exclusive right of the State. The Government reserves the right to restrict production. The camphor is now sold by the monopoly direct to a single agency—Samuel Samuels, of London, with branches in New York, Hamburg, and probably elsewhere. Conflicting statements are found as to the extent to which the Japanese Government fixes the selling price, but its ability to do so is evidently chiefly limited by the competition of synthetic camphor and the exactions which the celluloid industry will bear, as the production of natural camphor outside Japanese control has not normally reached large proportions."

Mr. Nathan M. Clark, president of the Celluloid Co. of America, in his testimony before the Ways and Means Committee of the House of Representatives, January 6, 1921, said:

"The competition from Japan threatens to annihilate us. Europe and America are in a similar position as regards camphor, which enters largely into our commodity, but Japan rules the world as to this item. We are at her mercy when we buy camphor. She tells us how little or how much we may have, the price we must pay, and has systematically reduced our supply."

Because of the danger existing, due to the complete control of the camphor supply by the Japanese monopoly, which at any moment has the power to put American celluloid manufacturers out of business, and because of the advisability of having an American industry to supplement the supply of camphor, thus making the United States of America independent of Japan in respect to the supply of this important product, the Ways and Means Committee of the House of Representatives included in the original tariff bill that was reported to the House: "Camphor, refined and synthetic, 25 per centum ad valorem." Later, because of objections voiced by camphor refiners and celluloid manufacturers, on the grounds that there was no synthetic camphor manufactured in America, this paragraph was amended to read: "Camphor, crude, 1 cent per pound; camphor, refined and synthetic, 6 cents per pound."

We realize that the grounds for the objections that were voiced were logical and reasonable, but the fact remains that America should be independent of any foreign country for this important product, and the further fact remains that America will not be independent until the manufacture of synthetic camphor is encouraged in this country.

We therefore suggest that the duty pertaining to camphor be allowed to stand as at present provided in the bill, with a provision that as soon as the Secretary of the Treasury shall find, after careful examination, that synthetic camphor is manufactured in the United States of America at the rate of 2,000,000 pounds annually the rate of duty originally proposed by the Ways and Means Committee, namely, 25 per cent ad valorem, be put into effect.

This is advisable, inasmuch as—

1. It overcomes the objections voiced by celluloid manufacturers and camphor refiners, that protection is not needed where a domestic industry does not exist.
2. The industry will furnish employment for several hundred American workmen and encourages the investment of American capital.
3. It will increase the consumption of an American natural product—turpentine.

4. It assures America independence from foreign monopoly of an important article needed in our manufactures.

5. It removes the possibility of the price again being raised to exorbitant figures, and it assures American consumers of a steady supply and a reasonable price at all times for camphor.

In view of the fact that the original objections to the duty on camphor have been overcome, and taking into consideration the advantages derived by America in securing for herself a domestic supply of this important product, and in view of the other facts outlined above, we earnestly request that paragraph 48 be revised to conform with the original intentions of the House Ways and Means Committee and be made to read:

"(Menthol, 25 per centum ad valorem.) Camphor, crude, 1 cent per pound; refined and synthetic, 6 cents per pound: *Provided, however,* That on and after the day it is certified to the Secretary of the Treasury that synthetic camphor is manufactured in the United States at a rate of not less than 2,000,000 pounds per annum, thereafter there shall be levied, collected, and paid on camphor, crude natural, and camphor, refined and synthetic, 25 per centum ad valorem."

As a precedent for this suggested legislation we refer to paragraph 631 of the Underwood tariff bill, which reads:

"Tin ore, cassiterite, or black oxide of tin, tin in bars, blocks, pigs, or grain or granulated, and scrap tin; *Provided,* That there shall be imposed and paid upon cassiterite, or black oxide of tin, and upon bar block, pig tin, and grain or granulated a duty of 4 cents per pound when it is made to appear to the satisfaction of the President of the United States that the mines of the United States are producing 1,500 tons of cassiterite and bar, block, and pig tin per year. The President shall make known this fact by proclamation, and thereafter said duties shall go into effect."

#### SAFROL.

The proposed duty on safrol in the new tariff bill is 35 per cent ad valorem. We desire that safrol be placed on the free list.

Safrol is the raw material required for the manufacture of heliotropin, a product widely used in the manufacture of perfumes.

Heliotropin was manufactured in the United States during the war, when the German product could not come in, but its manufacture can not continue if the raw material, safrol, is made dutiable at the same rate as the finished product, heliotropin, as now appears in paragraph 56.

The duty of 35 per cent on heliotropin is satisfactory if the raw material, safrol, was transferred to the free list.

Safrol is a Japanese product obtained in the distillation of oil of camphor, which in turn is a by-product in the production of natural camphor in Japan.

Safrol is not produced in the United States, nor can it be produced here, because the oil of camphor as now supplied by the Japanese has been deprived of its safrol contents, and oil of camphor can not be produced here, because it is a by-product in the manufacture of natural camphor.

We therefore urge that the word "safrol" be stricken from paragraph 56 and inserted in paragraph 1624, after the words "oil of camphor."

#### CALCIUM CARBIDE.

[Paragraph 15.]

#### STATEMENT OF L. F. LOUTREL, VICE PRESIDENT SHAWINIGAN PRODUCTS CORPORATION, NEW YORK CITY.

Mr. LOUTREL. Mr. Chairman, the paragraph in which I am interested is paragraph 15, calcium carbide, page 5 of the bill. It reads:

Carbide, 1 cent per pound.

One of the previous witnesses remarked that he was against prohibitive duties; that is the reason that I am here, because that duty is absolutely prohibitive in so far as we are concerned.

I represent the Shawinigan Products Corporation, who are the sales organization in the United States of the Canada Carbide Co.,

of Canada. It is controlled by the Shawinigan Water & Power Co., an American interest in Canada, 90 per cent of the capital being controlled in this country.

In the United States there are five concerns making carbide. The production of those concerns, as near as we can estimate—of course, we can not give actual figures—is somewhere around 90,000 tons. We understand that practically 80,000 tons of that 90,000 tons are produced by one concern—the Union Carbide Co., at Sault Ste. Marie. They also have a plant in Canada, and they have a plant at Niagara Falls, N. Y., which can make calcium carbide. It was built originally for that purpose, but until recently I believe they have not been operating. That means that with their two plants they control probably 85 per cent of the business in the United States to-day. We probably sell 10 per cent. This duty proposed of \$20 per ton will absolutely prohibit us. It will yield no revenue, and the 10,000 tons that we sell, or the 10,000 to 15,000 tons which we sell, will be taken in by the Union Carbide Co.; in other words, increasing their present monopoly of the business to probably around 95 per cent.

Those figures are, of course, approximate. It can not be figured in detail. The only ones who could give the figures in detail would be the Union Carbide Co.

The other concerns, of which there are four, are all small producers, and inasmuch as they were all started during the time when carbide was on the free list apparently need no protection.

The only point cited for protection has been the lower cost of foreign makers, in particular the German manufacturer. Tests of the German product which we have had made for us in London by one of the best chemists that we could find there show this carbide to yield about 3.3 cubic feet per pound to 3.90 cubic feet per pound, whereas the American product, or the product made in Canada, runs from 4.50 to 4.60 cubic feet per pound, meaning that the German product is at least 20 per cent inferior.

We have endeavored to get quotations. The best price that has been quoted us has been \$65 f. o. b. Hamburg. That price was on what they call large sizes. The sizes used in the United States are crushed sizes, and they wanted an additional \$5 per ton for the crushed. If we wanted an overcask on the drum to make it so that we could get it here in decent condition, another \$5 would be added, bringing their price up to \$75 f. o. b. Hamburg, which, assuming a freight of \$5 a ton, means \$80 delivered seaboard to this country.

The United States product sells in the neighborhood of \$100 delivered at consuming points. If you took off the 20 per cent from the United States price to take up the difference in quality, the figures are equal, but in addition to that you have to bring your German product from seaboard to the market with an average freight rate of around \$10. You have got your selling expense. You have got your warehousing expense, because probably 90 per cent of the buyers of carbide buy in less than car lots.

Senator DILLINGHAM. What do you recommend?

Mr. LOUTREL. We recommend a continuance on the free list as to this product. The margin on carbide is extremely small. It is a quantity product. We all work on a small margin. I say we "all."

We do. We are quite willing to show you gentlemen, if you desire it, what we have done in the line of profits.

Mr. Witherspoon is here to tell you anything you may want to ask about costs. I am in the sales end and am not familiar, except in a very general way, with the costs.

The growth of the industry, inasmuch as it is practically controlled by the Union Carbide Co., is really shown by what they have done. They deserve a great deal of credit; there is no doubt about that. They have built the business up from a baby. They controlled the original patents and started in and made considerable out of it.

Senator DILLINGHAM. Where are they located?

Mr. LOUTREL. They have three plants, one at Sault Ste. Marie, Mich.; one at Niagara Falls, N. Y.; and one at Welland, Ontario, Canada. They also have a fourth plant in Norway, which up to date they have not operated as far as I know.

They were incorporated in 1898 with a capital of \$14,000,000. During the time that carbide has been on the free list—that is, since 1913—their growth has been extremely rapid.

In my brief I give a report from Moody's Manual showing the growth. To-day they are one of the affiliated companies of the Union Carbide & Carbon Corporation, which has, as near as can be figured, a capital stock of \$257,000,000. Their affiliated companies control the carbide business and oxygen business, the acetylene business, to a large extent; the generator business and the acetylene welding apparatus business; in other words, they are the power in the oxyacetylene welding and cutting industry.

I will not go into the matter of costs in Canada, because Mr. Witherspoon will tell you in just a few moments all about that. I have another point which I would like to bring out about the German product, and that is that it is incorrectly sized and incorrectly packed for the United States market. Our sizes differ from the foreign sizes. They use the metric system, which does not conform to our sizes. Their package is a soldered drum which has to be broken to remove the contents. If you expose carbide to the air the moisture in the air will automatically slake it, which means that if you do not remove the entire contents of the drum it is going to air-slake.

The United States package, or the package used in the United States, has a screw cover which when you remove what carbide you want you just replace, and it is still tight.

Both of those points are, of course, in addition to the fact that it is of an inferior quality.

I might say right here that while we naturally want to stay in the United States market if possible, if we thought the German makers could take this market away from the United States makers and ourselves, we would absolutely say, "Go ahead and place this duty."

Perhaps you might want to know why we are situated in Canada. The main reason is because of the water-power proposition there. We had to go there to get our power. We are primarily a power organization. Also, at the time we built our plant, the Union Carbide Co. controlled the patents in the United States, and we could not have built our plant here had we been able to find the necessary power proposition.

Our purchases of raw materials are practically all made in the United States. We buy the steel for our drums, which is the largest item of cost, in the United States. We buy our coke and our equipment here. We have a great many United States citizens in our employ.

Senator DILLINGHAM. Where are you located in Canada?

Mr. LOUTREL. At Shawinigan Falls, Quebec. It is about a hundred miles northeast of Montreal.

Senator McCUMBER. What proportion of your product is produced in the United States and what proportion in Canada?

Mr. LOUTREL. We produce none in the United States.

Senator McCUMBER. It is all produced in Canada?

Mr. LOUTREL. Our entire production is in Canada; yes, sir.

Senator McCUMBER. I thought you stated that you had plants in the United States?

Mr. LOUTREL. No. I mentioned five plants that are in the United States.

Senator McCUMBER. They are not your company's?

Mr. LOUTREL. No, sir. The only other point that I might bring out in connection with the German competition is the cost of disposing of the product. We have to establish warehouses to distribute to the L. C. L. buyer. To-day, according to their advertisements, the Union Carbide Co. operate 170 warehouses. We operate about 38, and the other four United States makers, between them, only operate about 30. In other words, the Union has a wonderful warehouse distribution system and that is one of the reasons why they are so absolutely in control of the carbide business.

That is all I have to say in regard to sales. Mr. Witherspoon will give you a few words on costs.

Mr. Power has just mentioned one point, and that is that we are located farther from the market than any other maker. Our average freight rate is in the neighborhood of \$6 per ton higher on the outgoing product than that of any other maker of carbide.

In addition to that we have the increased freights in bringing in our raw materials which, combined with the outgoing freight rate, puts us at a disadvantage of practically \$10 per ton.

Senator McCUMBER. Do you make that up to any extent in the lower cost of production?

Mr. LOUTREL. No, sir.

Senator McCUMBER. It costs just as much to produce it in Canada where your plant is located?

Mr. LOUTREL. We save a little on power. If you just ask that of Mr. Witherspoon he can tell it to you exactly.

#### STATEMENT OF B. A. WITHERSPOON, REPRESENTING THE CANADA CARBIDE CO.

Mr. WITHERSPOON. I represent the Canada Carbide Co., with head offices in Montreal, Quebec. We are one of the two carbide-producing companies in Canada, the other company being the Union Carbide Co., located at Welland, Ontario, which is affiliated with the Union Carbide Co., of the United States, and which manufactures also at Sault Ste. Marie, and has manufactured carbide at Niagara Falls, N. Y.

In a brief filed with the Ways and Means Committee a statement was made that the Canada Carbide Co., on account of its being a subsidiary of the Shawinigan Water & Power Co., which controls the power at Shawinigan Falls, Quebec, had an unfair advantage over American producers on account of our cheap price of power.

That statement was only partially true, inasmuch as the advantage that we may have on power, which is relatively slight, is more than offset by the tremendous freight haul up to Shawinigan Falls, Quebec, of the raw materials which we buy from the United States and the correspondingly long haul that we have to pay for to the railroads on our carbide from Shawinigan to the market where we sell our carbide in the United States.

Senator DILLINGHAM. What raw products do you buy in the United States?

Mr. WITHERSPOON. The largest product that we buy in the United States is steel sheets for the manufacture of the carbide drum, and that enters at the present time to the extent of nearly 22 per cent of the value of our product. The carbide can not be shipped—could not be used unless it is packed in a tight package so that the air can not get at it.

Our practice has always been, particularly in the last six or seven years since we entered the American market, inasmuch as we were shipping some of our carbide here, to buy the steel for these drums from the American manufacturer.

We make lime, also, in the manufacture of carbide. Our limestone is brought locally from the head of Lake Champlain, just on the borders of Canada. Our coal to make the lime comes from Pennsylvania, and it enters roughly into about one-third the cost of the manufacture of lime.

Carbide's principal raw material, 70 per cent of the raw material in it, has to be coke. That coke we also buy from the producers of coke in the United States, or in some cases buy from a coke producer in Canada who buys his coal from the United States. It is either the coal that makes the coke or the coke itself that is of United States origin.

In the manufacture of carbide, also, one of the very important things is the electrode. Electrodes are used in the electric furnaces which produce the carbide. These are made from anthracite coal, which represents 90 per cent of the raw material, the balance being a small proportion of tar and pitch which are used as a bond. That anthracite coal also comes from Pennsylvania or other United States sources.

The machinery used in our plants for the manufacture of carbide is practically more than 50 per cent of United States origin. It is comparable to the ordinary mining and crushing machinery. The United States is in a splendid position to supply us with the machinery we need, there being very few manufacturers of this type of machinery in Canada.

It can therefore be seen that in the manufacture of this product the Canadian producer relies very largely for his raw materials upon the American market.

Going back to my original statement that the Canada Carbide Co. has its power at a very cheap rate, the power used in the manufac-

ture of carbide represents at the present time slightly under 15 per cent of the total cost of the product, whereas the steel sheets represent 22 per cent of the product. The coke represents 14 per cent. The lime represents about 10½ per cent. The electrodes, largely made of anthracite coal, represent 8.67 per cent. The labor, which is largely of Canadian origin, although our technical men, our superintendents, are about half from the United States, because we draw upon the technical schools of the United States for that talent, represents 12.38 per cent. The technical labor does not represent in the carbide business more than 10 per cent, or possibly 7 per cent, of the total labor.

Canada is not a country where labor costs compare in any way to the disadvantage of the American producer to the same extent that might be stated and has been stated of Germany. Labor costs in Canada and the ideals of living are much the same as in the United States. We are practically one and the same people. We pay about the same wages. Because of our frontier a man pays at Niagara Falls, Ontario, about what he pays at Niagara Falls, N. Y. Labor in Montreal would be relatively the same as the labor in New York State.

So that there is no advantage in that. We have no depreciated labor. I have been in the manufacture of calcium carbide at Shawinigan for about 17 years. Prior to that time I was engaged in the manufacture of similar products, both experimentally and on a small scale, at Niagara Falls. I am therefore familiar with the conditions both at Niagara Falls, N. Y., and on the Canadian side; also with the conditions as they exist at Shawinigan Falls, Quebec, where we manufacture our product. I state with absolute confidence that were I to pick my place to manufacture carbide at the lowest price on this continent I should certainly go to Niagara Falls, N. Y., or across the border where the Union Carbide Co. are, at Welland, Ontario, to manufacture carbide and make it more cheaply than I could in our present location.

There are no figures that can be shown—I doubt whether there are any figures that our competitors in the United States could show—that we have ever been guilty of unfair competition or have had any advantage of them in costs in any way, shape, or manner. It is rather to the contrary, as Mr. Loutrel has said. I believe our average disadvantage in freight amounts to \$6 per ton to the points to which we ship.

Furthermore, we are able to reach, on account of the high transportation costs, only some portions of the eastern part of the United States. We are unable to get commodity rates, which are lower rates and which are given by the railroads of the United States. We are unable to obtain such rates in Canada. Therefore, we have to be satisfied with class rates to-day. We have never been successful in getting commodity rates.

I have here figures which have been compiled from the statements of the Canada Carbide Co., properly audited, showing our business, which indicate that the cost of carbide to us last year on our total production of 33,326 tons, of which 13,146 tons came into the United States, was \$81.91. We received for that carbide \$83.18 a ton, leaving a profit of \$1.27 a ton. Surely we are not very serious competitors when our costs are as high as that.

The Canada Carbide Co. has a bond issue of \$2,000,000 on which we pay 5 per cent. We have \$35,000 only of preferred stock interest to pay. We endeavor to keep our plant, by a fixed charge for depreciation, in good working condition. We have never laid aside future reserves. We have never been able to pay any more than the normal dividend of 5 per cent on \$2,000,000 and 7 per cent on a small amount of preferred stock, which amounts to \$35,000 annually. We have kept our plant in good condition.

In view, as has been said, of trade relations between Canada and the United States; in view of the fact that we only ship in 10 to 15 per cent of the carbide used in the United States, we are employing fair methods. If we are excluded, the carbide in the United States becomes a practical monopoly in the hands of the Union Carbide & Carbon Corporation, with no revenue to the United States, inasmuch as the duty of \$20 a ton is absolutely prohibitive.

Senator GERRY. Is any carbide imported from any other country except Canada?

Mr. WITHERSPOON. To the best of my knowledge if there is any imported from any other country it is infinitesimal. Since we have been shipping, about seven years, I have never seen a foreign package, except we are continually in the market getting samples of all products.

Furthermore, we are exporters in the world markets, and we have no knowledge of any foreign carbide in any quantity. We have imported one-half ton ourselves, and we continue to import it to see what it is like, to keep abreast of the foreign manufacturer, but as far as any carbide being sold in any quantity to-day is concerned I believe there has been none, although this is the largest market for carbide in the world.

Mr. POWER. That completes our case, Senator, and in conclusion we would like to present this brief.

#### BRIEF OF THE SHAWINIGAN PRODUCTS CORPORATION, NEW YORK CITY.

Paragraph 15 recommends a duty of 1 cent per pound on calcium carbide.

In this brief we give reasons which we believe fully substantiate our claim that this duty should not be placed.

For reference we have divided this brief into five parts, as follows:

- I. Present status of tariff regulations in so far as calcium carbide is concerned.
- II. Manufacture of calcium carbide and its uses, etc.
- III. Growth of industry in the United States.
- IV. Reasons advanced in support of a duty.
- V. Arguments against duty.
- VI. Summary.

#### PART I.—PRESENT TARIFF SITUATION.

The tariff bill presented June 30, 1921, H. R. 7456, page 5, paragraph 15, reads:

"Calcium carbide, 1 cent per pound."

For the last seven years, however, this commodity has been on the free list, although prior to 1913, it was dutiable.

Prior to 1913 there were no imports whatever showing that no foreign makers could afford to pay a duty.

This plainly shows that the duty of 25 per cent ad valorem of the 1909 tariff act was prohibitive and brought in no revenue.

The new duty specific of \$20 per ton recommended will also yield no revenue, as it exceeds the 1909 tariff which figured approximately \$15 per ton.

## PART II.—MANUFACTURE OF CALCIUM CARBIDE.

Calcium carbide is produced by the fusing in an electric furnace of lime and coke or coal. It is tapped from the furnace into ingots which, when cool, are crushed and screened to the various standard sizes and packed in air and water tight steel drums.

The elements entering into the cost of carbide in the order of their importance are as follows (at our works, Shawinigan Falls, Quebec, Canada):

	Per cent.		Per cent.
Package-----	22.20	Electrodes-----	8.10
Lime-----	18.91	Repairs and maintenance-----	7.58
Labor-----	14.41	Miscellaneous costs-----	4.99
Coke-----	18.03		
Power-----	10.80	Total-----	100.00

Producers in Canada buy most of their raw materials in the United States. The five producers of calcium carbide in the United States are as follows:

## MANUFACTURERS IN THE UNITED STATES.

(A map showing the location of carbide plants in the United States and Canada and carbide markets east of the Mississippi River, on file with the committee, is omitted in printing.)

Union Carbide Co., Niagara Falls, N. Y.; Sault Ste. Marie, Mich.

American Carbolite Co., Duluth, Minn.

Gas Tank Recharging Co., Keokuk, Iowa.

National Carbide Co., Ivanhoe, Va.

Standard Carbide Co., Plattsburg, N. Y.

In addition to these, the Superior Carbide Co., Philadelphia, and the Sherman Carbide Co., Vermont, are still listed in some trade directories, but both have passed out of actual existence.

1. The Union Carbide Co.'s plant at Sault Ste. Marie is the largest in the United States, having a production in the neighborhood of 80,000 tons per year. This plant is very well located with respect to supplies of lime and coke and is not far from the market for steel sheets, which, combined with the fact that it controls its hydroelectric power, gives it a great advantage and its factory costs are probably very much lower than those of any other carbide plant.

2. The Union Carbide Co.'s plant at Niagara Falls, N. Y., originally used for the production of carbide, has in the past few years been mainly used to manufacture ferro-alloys. It can, however, be used for the manufacture of calcium carbide. Its capacity we believe to be second only to that of their other plant.

The American Carbolite Co., at Duluth, is not a serious competitor for the carbide trade of the United States. Its plant, because of ice conditions, is without power for several months each year and a large part of its capacity is consumed in manufacture of carbic cakes, for which this company has the exclusive manufacturing rights in the United States. Its production of ordinary sizes is limited and it is mostly taken by a few customers in its vicinity.

4. The Gas Tank Recharging Co. operate a carbide plant at Keokuk, Iowa. They are manufacturers of compressed acetylene and a large portion of their carbide is used by themselves for this purpose.

5. The National Carbide Co., at Ivanhoe, Va., began operations in late 1910. Due to their situation they are in a position, with proper management, to successfully compete.

6. The Standard Carbide Co., at Plattsburg, N. Y., has a limited output—due to limitation of their water power—practically all of their product being sold locally.

7. If a duty is imposed it would result in an absolute monopoly for the Union Carbide Co. Such a carbide monopoly would carry with it the control of the compressed acetylene industry.

## USES.

To be used carbide must be brought in contact with water by means of a generator, the resultant being acetylene gas.

## CUTTING AND WELDING OF METALS.

Acetylene is used in conjunction with oxygen for oxyacetylene welding and cutting of metals by many industries, among which are railroads, foundries, steel mills, shipyards, formed-metal makers—in fact, practically every industry working with iron and steel.

## HOUSE LIGHTING.

More than 340,000 farmers' and suburban homes are lighted by acetylene gas.

## MINE LIGHTING.

Its third and probably largest use is in the mining industry. Probably 9 out of every 10 miners use carbide in the cap lamps which they wear when in the mines.

## PART III.—GROWTH OF INDUSTRY.

The growth of the industry has been rapid, due to the increasing uses for acetylene gas.

Until 1912 the Union Carbide Co. had an absolute monopoly, due to patent rights and a prohibitive tariff—had no competition whatever until 1914, when the Canada Carbide Co. entered the market in a small way.

Right here it might be in order to point out that the plant of the Canada Carbide Co. was built while these patent rights were in force and therefore could not have been located in the United States.

These two companies and the American Carbide Co. were the only ones in the field until 1917-1919, when three small companies were started.

However, as the Union Carbide Co. still dominates the market, having at least 83 per cent of the business, the following schedule, showing their growth, really tells the story of the carbide industry.

[Information taken from Moody's Manual, 1920, industrial section.]

## UNION CARBIDE &amp; CARBON CORPORATION.

Incorporated November 1, 1917, in New York. Capital stock: Authorized, 3,000,000 shares without par value; outstanding, 2,571,133 shares. No funded debt.

This company owns, directly or indirectly, substantially all of the common stock of Union Carbide Co., carbide manufacturers; National Carbon Co. (Inc.), electrode manufacturers; Linde Air Products Co., oxygen manufacturers; Prest-O-Lite Co. (Inc.), acetylene manufacturers; Electro Metallurgical Co., ferro-alloys and carbide manufacturers; Oxweld Acetylene Co., acetylene torches, generators, etc.; J. B. Colt Co., generator manufacturers.

Also controls Michigan Northern Power Co., supplies power to carbide plant; Union Carbide Co., of Canada (Ltd.), Canada carbide plant; Electric Furnace Products Co. (Ltd.); the Oxweld R. R. Service Co., sells oxygen, acetylene, carbide generators, and equipment to railroads; Dominion Oxygen Co. (Ltd.), oxygen company in Canada; Haynes Stellite Co., and other subsidiary companies. As of May, 1920, the corporation controlled a total of over 83 companies.

Dividends:	Per share.
January 2, 1918 (two months after incorporation)-----	\$1.00
April 2, 1918-----	1.00
July 2, 1918-----	1.00
October 1, 1918, to April, 1920, inclusive (quarterly)-----	1.25
July 1, 1920-----	1.50

NOTE.—Dividends at the rate of \$1.50 per share paid quarterly, amount to \$6 per annum or the equivalent of 6 per cent on shares having a par value of \$100. On this basis the 2,571,133 no par value outstanding shares of this corporation represent a capitalization of \$257,113,800.

## UNION CARBIDE CO.

Organized as a Virginia corporation in 1898.

The Union Carbide Co. was the original concern, the growth and expansion of which, since its organization 22 years ago, brought about the great aggregation of allied corporations owned and controlled by the Union Carbide & Carbon Corporation.

Neither the Union Carbide & Carbon Corporation, the Union Carbide Co., nor others of the affiliated companies makes public their financial statements. Information, except that of the nature required to be made public by law, is hard to obtain. Moody's Manuals for a number of years past contained meager statistics and from this source it is ascertained as follows:

Organized in 1898 with an authorized capital of \$14,000,000—all common shares—par value \$100.

Dividends are reported to have been paid as follows:

1905, 5 per cent cash; 1906, 5½ per cent cash; 1907, 6 per cent cash; 1908, 6 per cent cash and 40 per cent stock dividend; 1909, 6 per cent cash; 1910, 5 per cent cash; 1911, 8 per cent cash; 1912, 10 per cent cash; 1913, 10 per cent cash and 12½ per cent in common stock of Oxweld Acetylene Co.; 1914, 10 per cent cash and 40 per cent stock dividend; 1915, 8 per cent cash; 1916, 8 per cent cash and 40 per cent stock dividend; 1917, 8 per cent cash; 1918, 8 per cent.

1912: Stockholders of record were given the right to subscribe at par to 10 per cent of their holdings or \$1,089,780. Total outstanding capital in this year.....	\$11,987,300
1913: Stockholders of record again given the right to subscribe at par to 10 per cent of their holdings or \$1,198,760. Outstanding capital.....	13,186,060
1913: Shares of capital stock increased to.....	30,000,000
1914: A 40 per cent stock dividend was declared. Outstanding stock.....	19,060,000
1915: Stockholders again given the right to subscribe at par to 10 per cent of their holdings; outstanding capital stock.....	20,866,000
1916: Shares of capital stock increased to a stock dividend of 40 per cent paid.....	50,000,000
1917: Outstanding capital stock.....	33,131,000
1918: Outstanding capital stock.....	39,757,854
1918: This company absorbed by and became a subsidiary of the Union Carbide & Carbon Corporation.	

## GROWTH OF UNION CARBIDE CO. WHILE CARBIDE WAS DUTY FREE.

Surely the rapid growth shown above during the time calcium carbide was on the free list conclusively shows that this business needs no protection.

When the Canada Carbide Co.'s product "Canadian carbide" was first offered in the United States, it was received with considerable hesitation by the trade. While frankly admitting they wanted competition, the consumers were afraid of the quality.

It took at least two years of strenuous efforts on our part to even break into the market and overcome the fear and prejudice the American consumer had against outside carbide. It was only due to the high quality of the Canadian product that we were able to establish ourselves in this market. The difficulties we experienced selling Canadian carbide, which equals the finest carbide produced anywhere, proves conclusively that it would be impossible to become established in this market with an inferior article. In addition to this prejudice on the part of the American consumer on the question of quality, it has taken us several years to properly size our carbide to meet the market requirements, and while no doubt we have taken business away from the Union Carbide Co., we estimate that easily 70 per cent or more of our growth is due to increase in the uses of carbide.

On the other hand, the Union Carbide Co. has also benefited by the increased consumption of carbide. Without doubt their total sales since our competition commenced shows as large an increase in tonnage as ours—probably larger.

We estimate the consumption in the United States to be 150,000 tons per year.

From what information is obtainable, the production of various United States plants in 1920 was approximately as follows:

	Tons.
Union Carbide Co.....	60,000-80,000
American Carbolite Co.....	1,000- 1,500
Gas Tank Recharging Co.....	2,000- 3,000
National Carbide Co.....	2,500- 3,500
All other United States makers.....	1,000- 2,000
	66,500-90,000

These production figures indicate a shortage which would tend to considerably increase prices.

We have said the Union Carbide Co. dominates the market, and hence their growth is indicative of the growth of the industry.

To substantiate this we would point out that the most important feature in the sale of carbide is distribution.

Probably 95 per cent of the consumers of carbide buy in less than car lots, and to give the required service it is necessary to locate stocks at central points.

Their wonderful warehouse facilities, as shown by the following list, explain why other concerns can not take the carbide business away from them:

	Warehouses.
Union Carbide Sales Co.....	170
Shawinigan Products Corporation.....	38
American Carbolite Co.....	3
Gas Tank Recharging Co.....	3
National Carbide Co.....	10
Standard Carbide Co.....	10

At a glance at the above list you can see that we are the only concern other than Union with any distribution and we must admit that a large percentage of our warehouses are failures, due to our inability to obtain enough business to make them pay.

The Union Carbide Co. state that over 340,000 farmers' and suburban homes are lighted with acetylene. We do not supply 2 per cent of this number. While this type of business calls for the highest prices and, therefore, most desirable, it is impossible for anyone to locate these consumers except at prohibitive expense. Therefore, this business will always be held by the Union Carbide Co., who obtained the major portion when they controlled patents and no competition existed and to-day, through control of or special arrangements with most generator makers, are promptly advised of each new sale.

#### PART IV.—REASONS ADVANCED FOR A DUTY.

The brief presented to the Ways and Means Committee ask for a so-called protective tariff for one reason only—that foreign manufacturers' costs are much cheaper.

#### PART V.—WHY DUTY NOT NECESSARY.

In the first place while carbide has been on the free list since 1913, none has been imported by European makers (although three years have elapsed since the close of the Great War).

There is only one explanation of this—that the foreign makers are unable to profitably compete. A few years before the war all the European manufacturers formed an international syndicate to regulate and control the sale of carbide and entered into an agreement whereby all European interests kept out of the American market in return for the American interests keeping out of Europe.

During December, 1920, this syndicate was revived, and while the German interests have not yet been taken into the syndicate most of the other European manufacturers have agreed to retain their prewar arrangements and they have already intimated to the American interests that the old arrangements will be strictly adhered to. The Germans have a domestic syndicate for controlling trade in Germany and have intimated that as soon as they are able to dispose

<sup>1</sup> Approximately.

of the surplus stocks they will again enter into the syndicate arrangements with the other European producers.

In their brief to the Ways and Means Committee the Union Carbide Co. make mention of their large plant in Norway. This plant has never been operated, and it is commonly believed among the trade that the only reason it was built was for the purpose of assuring that foreign makers would live up to their understanding to the effect that so long as the Union Carbide Co. kept out of the European market they would not endeavor to sell in the United States.

The Union Carbide Co. still have this plant as a threat and, without doubt, could convince the European makers that it was to their advantage to leave the United States market alone, should they consider approaching same.

There are, therefore, in view of this arrangement, but two countries from which carbide might be imported—Canada and Germany.

#### CARBIDE MANUFACTURERS IN CANADA.

There are two carbide plants in Canada—Union Carbide Co., of Welland, Ontario; and Canada Carbide Co., of Shawinigan Falls, Quebec.

Both of these concerns are owned and controlled by United States interests.

The Union Carbide Co., however, also have large plants at Sault Ste. Marie, Mich., and Niagara Falls, N. Y., for the manufacture of carbide. In view of this situation they naturally do not object to a tariff, as same would not seriously harm them while it would remove the competition of "Canadian carbide," the trade name of the product of the Canada Carbide Co.

The Canada Carbide Co. has been selling Canadian carbide in the United States for the past seven years and all the United States makers admit their competition has been fair and honest.

Officials of the largest United States makers have said that they did not object to Canadian competition but were only worried about the possibilities of German competition. Unquestionably they would not feel badly to see the Canadian competition removed, but their remarks plainly show that the methods employed in selling "Canadian carbide" have been absolutely fair and square.

#### CANADA COSTS NOT CHEAPER.

Contrary to inference made by the Union Carbide Co., the costs of the Canada Carbide Co. are not lower than theirs—in fact, are higher—taking into consideration the much heavier freights "Canadian carbide" must pay to reach the consumer. From the map attached (not printed) showing location of carbide plants, it can be plainly seen that the Canada Carbide Co. is at an enormous disadvantage on freights alone, every carbide plant being the nearer market than they are. They have never been able to compete west of the Mississippi and only to a small extent west of Ohio.

The Union Carbide Co. infer the Canada Carbide Co. have lower costs because they are owned by the Shawinigan Water & Power Co., and hence have exceptionally cheap power. They do not mention that they have their own power plant at Sault Ste. Marie, bought when the original company went bankrupt, and in addition to this purchase their power for their Welland and Niagara plants against long-time contracts made years ago when power prices were at a minimum.

There is very little difference between labor costs here and in Canada. This can be readily understood by a glance at lists of elements entering into cost. (See Part II.)

As the Canada Carbide Co. buy most all their raw materials in the United States and have no saving in this respect—in fact, pay more due to their location, which results in heavier freights.

For example, steel sheets for drums are sold on an f. o. b. Pittsburgh or f. o. b. Chicago basis. The freight from Pittsburgh to Shawinigan Falls is almost double that to any United States maker's plant.

The same is true of coke.

Lime or limestone is obtainable all over this continent, but the Canada Carbide Co. is at some disadvantage, due to the fact that it is further removed from its quarry than any United States manufacturer.

GERMAN CARBIDE AND POSSIBILITIES OF COMPETITION.

Large quantities of carbide are made in Germany, and in view of labor conditions there at the moment and the low value of German money, they could without doubt sell at very low prices delivered to seaboard points.

The statement has been made that German carbide can be bought at from \$60 to \$65 per ton f. o. b. New York, but the most recent quotation we have is \$64 f. o. b. Hamburg.

In the first place, this price is based on "lump sizes" and the carbide is packed in naked drums.

A higher price is asked by European makers on "crushed sizes" (the size chiefly used in this country). Due to ocean shipping regulations and to insure safe receipt, it would be necessary to crate the drum, for which an extra charge would be made.

To obtain the "crushed sizes" and proper packing would add at least \$10 per ton to the price.

Due to the fact that they have no high-grade coal available (unless they buy from England or here, with a corresponding increase in costs), the German carbide is of very low quality. Samples obtained and tested by outside parties (see letter following this paragraph) show a gas yield of from 3.30 cubic feet to 3.90 cubic feet per pound, whereas the same size carbide made in this country will run from 4.50 to 4.70 cubic feet per pound. This shows the German product to be from 20 per cent to 25 per cent inferior.

ANALYSIS OF CALCIUM CARBIDE FROM COLOGNE.

60 VICTORIA STREET, LONDON, S. W. I.,

May 27, 1921.

Messrs. SHAWINIGAN (LTD.),  
1 Tudor Street, London, E. O. 4.

GENTLEMEN: I have examined the two samples of calcium carbide received from you on the 24th instant, in accordance with your instructions of that date, and beg to report as follows:

The samples were contained in tins with self-sealing lids, and were received in good condition except that there was very slight quite superficial decomposition of the lumps, evidently due to the moisture in paper which had been put in the tins as filling.

I certify that these samples of carbide, when tested as received (without preliminary breaking of the lumps) gave the following yields of gas, viz:

Mark on container of sample.	Cubic feet at 30 inches and 60 Fahrenheit per pound of carbide.	Liters of gas at 760 millimeters and 15 C. per kilo of carbide.
No. 1. "Calcium carbide as retailed in Cologne, Commercial Secretary, Cologne, 19, 5, '21".....	3.30	206
No. 2. "Calcium carbide as offered by the firm of Paul Abraham, Brüssler Platz 15, Cologne; yield 270 liters per kilo. British Commercial Secretary, Cologne, 19, 5, '21".....	3.95	247

I am sealing up the balance (about half) of each of these two samples for forwarding to V. G. Bartram, care Canada Carbide Co., Power Building, Craig Street, Montreal, Canada.

Yours, faithfully,

W. J. A. BUTTERFIELD.

While German production is sufficient to amply take care of their own requirements, they have always imported considerable calcium carbide, due to the fact that their own product is of inferior grade.

Assuming that German carbide can be delivered at \$55 per ton New York (\$10 lower than price quoted us f. o. b. Hamburg), we beg to point out that this figure corresponds to the domestic maker's price f. o. b. works without adding selling expense.

To sell a foreign product here we estimate these additional expenses would be, conservatively, as follows:

	Per ton.
Selling expense.....	\$12. 00
Warehousing charges.....	6. 00
Average freight.....	10. 00
Price at seaboard.....	55. 00
<b>Total.....</b>	<b>83. 00</b>

Therefore, on the basis of acetylene gas obtainable, which is what carbide is bought for, we find the consumer's price would be—

	Gas yield per pound.	Per ton.	Cubic feet of gas per ton.	Cost per 100 cubic feet of gas.
	Cu. ft.			Cents.
German carbide.....	3.5	\$83. 00	7, 000	1. 186
United States carbide.....	4.5	103. 00	6, 000	1. 167

While offers of German carbide are said to have been made here we have been unable to locate a consumer who has received a proposition.

We are told German representatives have offered large tonnages to the Union Carbide Co. at low prices, but of course the price to such a concern and on a large quantity can not be compared with consumer's costs without adding inland freights, selling expense, and warehouse charges.

We have already pointed out that the German carbide is of low quality, in addition to this it is incorrectly sized and packed for this market, and the gas produced very impure.

The European generators are water to carbide type while those used here carbide to water.

#### GERMAN PRODUCT WRONGLY SIZED.

This latter type requires much closer and better sizing to operate satisfactorily and foreign sizes (i. e. 15 by 25 mm., etc.) will not do. Further, 90 per cent of the generators here require the "crushed sizes" which are seldom used abroad and for which, on account of the additional work to crush and screen, a higher price is asked.

The sizes commonly used in the United States are practically all crushed sizes. The following table shows the variance between United States and foreign sizing.

Name.	Correspond- ing foreign sizes in millimeters.	Foreign size in inches.	United States size in inches.
Pea.....	4 by 6	1 by 1 1/2	1 by 1 1/2
Miners.....	8 by 15	1 by 1 1/2	1 by 1 1/2
Nut.....	15 by 25	1 by 1 1/2	1 by 1 1/2
Egg.....	25 by 50	1 by 2	1 by 2

Generators in this country are made for United States sizes, and the carbide must be properly sized to operate properly.

#### INCORRECTLY PACKED.

German carbide is packed in drums on which the heads are soldered, necessitating the breaking of the drum to remove the contents. This would not be attractive to the trade here, accustomed as they are to the convenient screw-top package, which can be closed again if all the contents are not removed.

This is an extremely important feature, as the moisture in the air will cause the carbide to slake very quickly.

Therefore if the entire drum is not immediately emptied, the carbide left in a German drum would become slacked and be of no use.

ADDITIONAL COST TO CONSUMER.

Due to inferior quality, each customer would have to purchase, pay freight on, and handle 20 per cent additional material in order to obtain the same amount of gas. (See Part V, p. 11.) We estimate this added expense at easily \$3 per ton.

The source of German carbide is so far removed from actual market that the consumer could not count on prompt and efficient service—one thing that the United States buyer absolutely demands.

To ship carbide from Germany to the United States and keep a fresh and correctly sized stock at all warehouses would be almost impossible.

Even the Union Carbide Co., with their wonderful chain of warehouses, at times run short.

The consumer fully appreciated what this means, and very few, if any, would risk being dependent for their supply where the possibilities of failure of deliveries was so great.

The United States buyer demands two things above all—quality and service. They would not get these by buying German carbide.

In addition to the fact that the German producer is so far removed from this market that the consumer could not obtain efficient service, it is a well-known fact that German competition at present is only made possible through the low value of the German mark, and on return of normal exchange the German manufacturer can not hope to compete in this market. German manufacturers under their own domestic syndicate arrangement have agreed that when exchange conditions are such that they can no longer enjoy their present advantage such plants in Germany as now produce from steam-generated electric power have agreed to close down, leaving only the few plants using hydroelectric power in the field, greatly reducing the German output.

Inasmuch as we believe that the facts given mainly show there is no possibility of importation of carbide from Germany or other foreign countries, a duty on carbide as proposed in the new tariff bill would only affect the Canadian producer. In other words, such a duty would be aimed solely at Canada, and therefore discriminatory.

A. A duty of \$20 per ton (1 cent per pound) absolutely prohibits the import of calcium carbide. Therefore it would yield no revenue.

B. The growth of the Union Carbide Co. and the starting of three new makers during the time carbide has been duty free shows the industry does not need protection.

C. German competition is impossible because of (1) inferior quality, (2) incorrect sizing, (3) wrongly packed, (4) impure gas, and (5) if it were possible they would have shipped carbide in during 1919, 1920, and 1921.

D. Other European makers through carbide syndicate have agreed to stay out of the United States.

E. Duty would create a monopoly for the Union Carbide & Carbon Corporation.

F. Majority of consumers of calcium carbide are opposed to such action. (See attached copies of a few letters.)

G. With imports prohibited the withdrawal of adequate competition will, no doubt, increase prices, affecting directly the farmer, the miner, and the industrial plants.

THE AMERICAN STEEL TUBE CO.,  
Toledo, Ohio, July 27, 1921.

SHAWINIGAN PRODUCTS CO.,  
110 William Street, New York, N. Y.

GENTLEMEN: Referring to our correspondence in reference to proposed duty of \$20 to \$25 per ton on calcium carbide, there is practically but one concern in the United States that is producing calcium carbide in commercial quantities, namely, the Union Carbide Co., whom, as you know, have until a few years ago absorbed all competitors in this business, and also have branched out into other fields and absorbed the National Carbon Co., a very large and prosperous concern, and the Prest-O-Lite Co., and from a comparatively modest beginning

have become a very large concern, until they now have 2,825,648 shares stock outstanding, on which they pay a dividend of \$4 per share, and with their absorbing of other companies in exclusive lines they have rapidly grown from a lusty infant to huge proportions and should be able to walk alone and meet any competition from home and abroad and have outgrown the need of paternal protection.

Their plant, located in northern Michigan near Sault Ste. Marie, has the advantages of cheap hydroelectric power and is located in a belt of the purest limestone in this country; they also have the advantage of comparative cheap freight rates on their carbon content, which is coal or coke, with the added advantage of being in a comparatively short radius of the great automobile centers, into whose product the largest amount of carbide is used.

On the other hand, your plant, located in the Province of Quebec, has also the advantage of cheap hydroelectric power, but a very much higher rate on your carbon content, which must be procured from Nova Scotia or the United States, and your product is the equal, if not the superior, to any that we have used in six years.

In 1916, 1917, 1918, and part of 1919 we were paying the Union Carbide Co. \$65 per ton delivered in our factory, after which they advanced the price until they now demand \$105 per ton in carload lots, or an increase of about 60 per cent.

A duty of \$20 or \$25 per ton paid to this company is not protection, but a bounty wholly unjustified by the facts in the case.

Recently several concerns have started in the business—one at Keokuk, Iowa, and another at Ivanhoe, Va. They both have the advantage of hydroelectric current and are near coal fields. Apparently there is an understanding between these companies, as they all quote the same figure. Therefore tariff imposed on calcium carbide at the present time is nothing but a bounty paid to a monopoly.

I am in favor of protection where protection is needed, but the sooner that we realize that the war is over as well as the prices incident thereto, and that business must foot the bills and Congress stop playing favorites and being misled by foolish propaganda and can differentiate between the articles that need protection and those that do not, we shall arrive where the country is expecting we should.

I trust that you may be able to satisfy the Finance Committee that you are practically the only competitor of the Union Carbide Co., make a product of the highest grade, and that they should be in position from their advantages to greatly undersell your company in the American markets.

Yours, truly,

THE AMERICAN STEEL TUBE CO.,  
J. H. CANFIELD, *President.*

[Telegram.]

DENVER, COLO., July 28, 1921.

L. F. LOUTREL,

*Care J. Harrison Power, Southern Building, Washington, D. C.:*

Your wire July 27 is my first information that Finance Committee hearing on carbide is Friday. I have to-day wired Senator Philipps, Colorado, to secure time for filing protest on proposed tariff on carbide. Had fully expected to appear in person to object not only for my own company but as delegate of about 50 independent oxygen producers in many States, all of whom have filed protests with their Senators, I believe.

Without reservation we subscribe to the views presented by you and are firmly convinced that the proposed tariff on carbide will not only strengthen an already existing monopoly employing a few hundred persons at most, but will accomplish the utter ruin of many industries using carbide and work an economic hardship upon the thousands of carbide consumers, with absolutely no compensating results to the Federal Government through revenue. We trust the Senate will not be influenced by the glittering generalities contained in briefs of carbide manufacturers, but will give heed to the facts as you present them.

COMPRESSED GAS CORPORATION, *Denver, Colo.*  
GAS PRODUCTS ASSOCIATION.

By C. O. EPPERSON.

[Telegram.]

BESSEMER, ALA., July 27, 1921.

SHAWINIGAN PRODUCTS CORPORATION,

*Care Mr. J. H. Poicers, Southern Building, Washington, D. C.:*

We wish to join you in opposition tariff calcium carbide, which will only tend to throttle competition and aid a monopoly. Our people in the South are calling for lower prices on this commodity, which is used largely by miners in producing coal and farmers for house lighting.

LONG LEWIS HARDWARE Co.

BURDETT OXYGEN &amp; HYDROGEN Co.,

*Chicago, Ill., July 27, 1921.*

SHAWINIGAN PRODUCTS CORPORATION,

*110 William Street, New York, N. Y.*

GENTLEMEN: In our opinion the proposed tariff on calcium carbide will, if enacted, give a practical monopoly to the Union Carbide Co., who now control approximately 80 per cent of the calcium carbide trade in the United States. The effect of such a tariff will not only be detrimental to each independent oxygen manufacturer, but will be widely felt in the increased cost of operating railroads, lighting farm houses, lighting mines, and in the operation of metal welding industries generally in the United States.

More than 340,000 farms and suburban homes are lighted with acetylene gas, in the making of which calcium carbide is exclusively used. Every railroad shop uses acetylene gas in combination with oxygen for cutting and welding metals. Machine shops, foundries, metal-working establishments, garages, scrap yards, shipyards, steel mills, and practically every other industry where iron and steel is used uses acetylene gas in the oxyacetylene process for cutting and welding metals.

The Union Carbide & Carbon Co., owners of the Union Carbide Co., supplying carbide, of the Prest-O-Lite Co. supplying acetylene and of the Linde Air Products Co. supplying oxygen, has been enabled to successfully use its practical control of the manufacture of carbide by informing the user of both oxygen and acetylene of the unavailability of getting a supply of acetylene unless their company was awarded the oxygen business. It has been the hope of the independent oxygen manufacturers to be able to supply acetylene by making use of carbide now being shipped into this country principally from Canada. Should the proposed tariff prevail, it will close the doors to the furtherance of such project and increase the power of the Union Carbide Co.

The carbide now being imported into this country from Canada is of high grade, and we understand that 90 per cent of the capital invested in the Canadian industry is furnished by United States citizens. The proposed tariff would prohibit any importation of carbide in this country from Canada. It would raise no revenue whatever.

The Union Carbide is not an industry that needs protection in the form of tariff as is evidenced by the fact that it has grown from a comparatively small organization to a corporation representing over \$250,000,000 during the time carbide was on the free list.

The argument that if the calcium carbide is put on a free list the Germans would be in a position to usurp this market is of no avail for the reason that their carbide is of an inferior grade and they have not been able to accomplish this during the time there has been no tariff on carbide.

We wish you every success in your resistance of the tariff being placed on calcium carbide, for we believe your stand is just and a tariff will be detrimental to the interests of the United States.

Yours, truly,

BURDETT OXYGEN Co. OF DETROIT

(Plant at Detroit, Mich.),

BURDETT OXYGEN &amp; HYDROGEN Co.

(Plant at Pittsburgh, Pa.),

BURDETT OXYGEN Co. OF TEXAS

(Plant at Fort Worth, Tex.),

BURDETT OXYGEN Co. OF OKLAHOMA

(Plant at Oklahoma City, Okla.),

By E. A. FAULHABER, *President.*

BURDETT OXYGEN Co. OF CHATTANOOGA.

By E. A. FAULHABER, *Vice President.*

PITTSBURGH, PA., July 28, 1921.

SHAWINIGAN PRODUCTS CORPORATION,  
110 William Street, New York, N. Y.

GENTLEMEN: We have learned that a hearing on the subject of a proposed tariff on calcium carbide comes before the Senate Finance Committee on Friday, the 29th instant.

As one of your customers, permit us to express ourselves to the effect that we do not believe that a duty on this particular material is at all necessary or advisable, and we shall try to give you briefly our reasons for this belief.

There are very few manufacturers of calcium carbide in the United States—in fact, only one of any consequence; the combined production of the one large company and the few small ones is not enough to take care of the requirements in this country, and it is, therefore, necessary to import. A duty would mean an unnecessary advance in price to the consumers here and a practical monopoly for one manufacturing company.

As you are aware, we are large distributors of calcium carbide, imported from Canada by your company, which we understand is controlled and almost entirely owned by citizens of the United States.

The Canada Carbide Co. has furnished clean, wholesome competition which has kept prices within reasonable figures. A duty will make necessary an advance in price by the Canada Carbide Co., and the manufacturers in the United States being human will absorb that advance to their own benefit. We can think of no one else who could possibly benefit by the proposed tax, excepting our Government, and the revenue would be too small to warrant the extra burden on the consumer.

We will appreciate it very much if you will use every effort possible to show the Finance Committee just what hardship the proposed tax would work upon the consumer.

There can be no doubt but what a tariff on calcium carbide would seriously retard progress in this particular branch of business, which is a condition to be studiously avoided during this important period of business reconstruction.

Assuring you of our sincere appreciation of any efforts which you can bring to bear in this important matter, we are,

Very truly, yours,

THOMAS R. HEYWARD Co.,  
By T. R. HEYWARD, Jr.

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SOUTH WASHINGTON, VA., July 28, 1921.

SHAWINIGAN PRODUCTS CORPORATION,  
110 William Street, New York City.

GENTLEMEN: In connection with a proposed duty on carbide, there are several views which I wish to present on this subject, which you may use in your efforts to prevent the imposition of a duty under the Fordney bill.

I believe that information before us would indicate that the carbide industry in the United States is practically a monopoly, controlled by one corporation which, during a long period of years, has never failed to earn generous profits without the protection of any tariff whatsoever. Surely this is sufficient argument to offset their contention that a duty should be imposed amounting to 20 or 25 per cent of the present sales price on carbide. Aside from the question of protection for a company which is not in need of it, I think that the problem of the tariff committees will be to select those industries which are most likely to suffer from a dumping program on the part of any foreign country, with the idea of exterminating those industries. There are, of course, certain considerations involved in the application of tariff to protect certain industries which have a military value. But it is my opinion that the tariff applied to any commodity should be the very minimum necessary to equalize the difference in cost of manufacture elsewhere and in this country.

I am particularly impressed with the fact that there should be little or no tariff on basic or raw materials, in which there is no skilled labor involved. The big problem before the country to-day is a reduction in taxation, which could probably be effected if our former allies were to pay the interest or principal on their loans. Since it is impossible for us to hope for further shipments of gold to cover the payment of these debts, it becomes necessary for us to accept their commodities in payment.

In view of the prevailing condition in rate of exchange it should be evident that the addition of this handicap to the application of a high tariff would make it practically impossible for us to expect payment by this means.

There was a time when this country was a debtor Nation, and under those conditions it was advisable for us to erect the very highest tariff barriers, but under the reversed condition existing to-day I can see no reason for the application of such a barrier.

Yours, very truly,

SOUTHERN OXYGEN CO.,  
R. B. SWOPE, *Manager.*

CLEVELAND, July 27, 1921.

SHAWINIGAN PRODUCTS CORPORATION,  
110 William Street, New York City.

GENTLEMEN: Regarding a tariff on carbide, we wish to state that we can see no benefit to be derived from the passage of this bill as, in our opinion it would tend to monopolize the manufacture of this product in this country and prohibit the import of same. At the present time only a small per cent is imported.

There is some talk of fear of a German product being shipped in but we see no cause for this as previous to the war, carbide was exported into Europe and sold at a less figure than it could be bought for in this country.

Further, a tariff on this article without a doubt would tend to raise the present selling price of carbide rather than decrease it, and it would also raise the price of tanked acetylene.

Yours, very truly,

The METALS WELDING Co.,  
F. E. BENNETT,  
*Secretary and Treasurer.*

PEORIA, ILL., July 27, 1921.

SHAWINIGAN PRODUCTS CORPORATION,  
110 William Street, New York City.

DEAR SIR: As you know our company manufactures and sells acetylene gas made from carbide, we are vitally interested in this question of tariff on carbide. We understand that the Union Carbide Co. controls about 80 per cent of the output of this country. We have been able to buy from independent concerns at a lesser price than the Union Carbide Co., and we wish to enter our protest against any tariff at the present time, as we feel that the competition by your company will have a tendency to keep carbide prices at a reasonable figure.

We feel that any increase of carbide prices at the present time will work a hardship upon us and our customers, which we do not want under the present conditions, when prices and trade conditions are undergoing a readjustment. We have already written our Senator and Congressman our views in the matter.

Yours, truly,

ELECTRON CO.,  
T. D. RUCKWELL,  
*Vice President.*

HUNTINGTON, W. VA., July 27, 1921.

SHAWINIGAN PRODUCTS CORPORATION,  
110 William Street, New York City.

GENTLEMEN: We understand there will be a hearing of the new tariff measures before the Finance Committee Friday, at which time the question of import tax on carbide will be considered. We have been interested in this item and recently wrote our Senators our views on the subject.

As already stated to them, we regard the foreign competition (which is confined practically to the Canadian plant at Niagara Falls) not as a menace but an actual benefit. Indeed, there have been frequent periods during the past few years that the American supply was not adequate, and but for the additional supply from Canada some of our mines would have been without carbide.

Calcium carbide is such a staple and important item in the production of coal that we feel it would be a mistake to impose a tax which would tend to increase the cost to the consumer, and this would be the inevitable result if the industry should be placed practically within the monopoly of American manufacturers and which is at the present time dominated by one interest.

We believe present competition is healthy and in no way destructive, and while we appreciate the fact that there are two sides to this question, the other side being the necessity of our present Congress to work out a bill that will produce sufficient revenue to meet our governmental needs, at the same time removing some objectionable tax laws, we feel that this tax would operate so directly to increase monopoly that it might well be omitted in the tariff bill.

Yours, truly,

EMMONS-HAWKINS HARDWARE CO.,  
By J. L. HAWKINS,  
Vice President and Treasurer.

INDIANAPOLIS, IND., July 27, 1921.

SHAWINIGAN PRODUCTS CORPORATION,  
110 William Street, New York City.

GENTLEMEN: This firm is opposed to the proposed tariff on calcium carbide, which is now before Congress and which contemplates an import duty of \$20 per ton on same. We feel that such a tariff will not only be detrimental to our interests as an Indiana industry but will be widely felt in the increased cost of operating railroads, lighting farm houses, lighting mines, and in the operation of all metal-working industries generally in this territory which we represent.

We have written our State Senators and Representatives requesting them to oppose this tariff and trust that every effort will be made to defeat it.

Yours, very truly,

INDIANA OXYGEN CO.,  
W. L. BRANT.

SPRINGFIELD, ILL., July 27, 1921.

SHAWINIGAN PRODUCTS CORPORATION,  
110 William Street, New York City.

GENTLEMEN: Statistics show that the Union Carbide Co. and yourself produce practically the entire tonnage of carbide used in this country.

Investigation will also prove that German-made carbide or carbide made in any other foreign countries can not be properly sized, packed for this market, and exported at a sufficiently low cost to make them competitors.

Our candid opinion is that a protective tariff on carbide will eliminate the Shawinigan Products Corporation and give the Union Carbide Co. an absolute monopoly.

All information, data, and statistics which we are able to obtain does not warrant a tariff on carbide.

Yours, truly,

THE CAPITAL CITY PAPER CO.,  
G. W. YODEB.

DETROIT, July 27, 1921.

SHAWINIGAN PRODUCTS CORPORATION,  
110 William Street, New York City.

DEAR SIRS: We protest any tariff whatever on calcium carbide; same is neither necessary to the protection of American producers nor desirable to American users.

In our opinion German carbide is being used as a blind to hide Canadian carbide; the former is of a low grade and can not be used by American users in appreciable quantities even at a low price. To users of carbide quality is of first consideration.

The present cost of carbide is unwarranted by the cost of production and marketing same and there is but little doubt that present prices will be ad-

vinced under a tariff upon the article. We have used Canadian carbide and find it a high-grade article thoroughly satisfactory to our exacting use.

Production of carbide is by no means an infant industry and needs no protection by a tariff or otherwise; The Union Carbon & Carbide Corporation is a most robust adult and has waxed strong both physically and financially in a very short period of time; it is well able to take care of itself in the face of any probable or possible competitor.

We sincerely hope you will be easily able to prevent the placing of any tariff whatever upon calcium carbide.

Very truly, yours,

SCHLIEDER MANUFACTURING CO.  
By C. E. COLTON, *Sales Manager.*

PHILADELPHIA, July 27, 1921.

SHAWINIGAN PRODUCTS CORPORATION,  
110 William Street, New York City.

GENTLEMEN: An examination of the Fordney tariff bill, H. R. 7540, shows that in paragraph 15, line 21, page 5, calcium carbide is made taxable on the basis of 1 cent per pound.

As we are large users of this product, we very naturally take objection to a tax of this kind, in view of existing circumstances as we see them. This taxation, which is substantially 25 per cent of the present cost of carbide, and would undoubtedly represent more than this in view of reasonable declines, which we believe we can look for, seems to us to be very unfavorable to the Government and very definitely favorable to your principal competitor, who claims to sell at least 90 per cent of the business placed by concerns who buy carbide manufactured in this country.

The purpose of this tariff, namely, the raising of revenue for the United States Government (and not a protection to industries) will be practically defeated, as it will result, to our mind, in an increase in price of this commodity to all users and the almost complete cessation of imports.

Inasmuch as we have been informed that your concern is 95 per cent or more owned by citizens of this country, and because we feel that your competition has been clean and healthy, we believe that you should support your customers and protest vigorously against this tariff. Aside from defeating the object of the tariff, we believe it is all wrong during the period of readjustment that is now taking place, that a commodity should be unnecessarily increased through tariff legislation if the United States Government does not get the direct benefit of such increase, and the way we feel certain this tariff will work out, this is exactly what will occur.

We would not bring this before you if we were advocating legislation that would reduce governmental revenue and in that way affect the country as a whole, but as this is not the case we are justified in asking you, from our standpoint of large consumers, to use your efforts to bring about a substantial reduction or elimination of the tariff tax on this item.

Very truly, yours,

EDWARD G. BUDD MANUFACTURING CO.  
O. MUELLER, *Purchasing Agent.*

CINCINNATI, OHIO, July 27, 1921.

SHAWINIGAN PRODUCTS CORPORATION,  
New York, N. Y.

GENTLEMEN: We understand that you are to present arguments before the Senate Finance Committee against the tariff on calcium carbide.

As we are very much interested in this question we are directing this letter to you to help to defeat this tariff.

We believe that a tariff on calcium carbide is unnecessary and will work a great hardship on the independent users of this commodity.

As there is not sufficient production in this country at the present time to take care of our normal requirements, and as practically all the carbide is produced by one company, a monopoly will be created that will react in higher prices to the user.

The record of the past few years does not indicate the necessity for protection. The amount proposed would stop all imports completely and no revenue would accrue to the Government whatever from importation of carbide.

For these reasons we request your permission to join with you in a protest against the inclusion of calcium carbide on the tariff schedule.

Yours, very truly,

THE THOMAS B. MORRIS CO.  
OSCAR W. WEISE.

WILKES-BARRE, PA., July 27, 1921.

SHAWINIGAN PRODUCTS CORPORATION,  
New York City.

GENTLEMEN: As the time approaches for the closing of the hearing which is now taking place before the Senate Finance Committee, which maintains the power to place or not place a tariff on calcium carbide manufactured by your company in Canada, desire to state that should said committee see fit to place a tariff on same we would consider it disastrous, as by so doing it would mean that the control of the calcium carbide business would be practically carried on by one particular concern in this country, who would have it in their power to dominate the price of this commodity.

Furthermore, wish to state that your company has always sold carbide at a price lower than your competitors, and same has always been a satisfactory product, and we again state that by placing a tariff on the carbide which you manufacture your competitors would see fit immediately to control the market and name whatever price on same that they would see fit.

As we are now going through a period where lower prices should prevail, it is absolutely necessary and would be to the advantage of the public and to the miners that the carbide remain on the free list as before. We, therefore, trust that the Senate Finance Committee will see fit to carry out the wishes of thousands of miners who are daily users of calcium carbide, and do their utmost to see that carbide is placed on the free list.

We sincerely trust that we have made ourselves clear on this subject, as we are one of the largest distributors of carbide in the anthracite section and know full well that should a tariff be placed on carbide we would be compelled to undergo the obligations of the carbide monopoly. Hence, we are fully aware that your competitors are anxiously awaiting for a tariff to be placed on your carbide in order that they can control the carbide situation. We are, therefore, frank in stating that a tariff on carbide would prove disastrous, and we trust that the efforts of your company, together with those of the distributors, will be successful in keeping carbide on the free list.

Respectfully, yours,

ANTHRACITE SUPPLY Co.,  
Per RALPH ISRAEL.

BALTIMORE, Md., July 27, 1921.

SHAWINIGAN PRODUCTS CORPORATION,  
New York City.

GENTLEMEN: Responding to your telegram asking for our views with regard to the proposed tariff on carbide of calcium, we beg to inclose copy of our brief, which has been mailed to all the United States Senators and Members of the House of Representatives, and which largely sets forth our views and objections to the proposed tariff measure.

We might add that numerous letters have been received from manufacturers in various lines of industry, independent makers of oxyacetylene apparatus, generators for acetylene gas, and similar appliances, throughout the country; and they are all very much opposed to the proposed tariff. Our legal representative proposes to file these letters with the Finance Committee.

Among the various reasons for our objection to the proposed tariff briefly are the following:

First. It will create no revenue, as it will make the importation of carbide impossible.

Second. It will give to the Union Carbide Co. a monopoly of this product in the United States. This company according to its own figures now controls 83 per cent of the carbide trade in the United States.

Third. It will increase the price of carbide of calcium to such an extent as to seriously affect all manufacturers using it, as well as about 340,000 farmers who have purchased acetylene generators requiring carbide for house lighting.

Fourth. It will affect all metal-manufacturing industries at a time when prices should be reduced.

These objections are set forth in our brief and are only a few among those submitted in the letters received from numerous parts of the country.

We were advised at a hearing before the Ways and Means Committee of the House that the chief reason for entertaining a tariff on carbide was the theory advanced by the Union Carbide Co. that Germany would export carbide to this country.

Our investigations show conclusively that it is absolutely impossible for German carbide to be successfully imported into the United States, because of the very inferior quality of the product, its low gas yield (approximating 20 per cent below that of the average American carbide), together with the expense of packing, shipping, and distribution in this country; all of which creates a handicap which makes the importation of carbide of calcium impossible.

Yours, very truly,

ALEXANDER MILBURN Co.,  
A. F. JENKINS, President.

#### WHAT IS CALCIUM CARBIDE?

It is a chemical compound of calcium (lime) and carbon (coal). It is made from a mixture of lime and coal or coke introduced into an electric furnace, and there, by intense electric heat, melted. In the molten state it is poured into molds, allowed to cool until solid, then broken or crushed, screened, graded, and packed in metallic drums ready for shipment to the consumer.

#### WHAT IS CALCIUM CARBIDE USED FOR?

When brought into contact with water it makes acetylene gas.

This may be done on a large scale by means of a large generator, or in a small bicycle lamp or miner's lamp.

#### ACETYLENE GAS ESSENTIAL TO NUMEROUS INDUSTRIES.

More than 500,000 miners use acetylene light in nongaseous mines.

More than 340,000 farmers' and suburban homes are lighted with acetylene gas.

Every railroad repair shop uses acetylene gas in the oxy-acetylene process for cutting and welding metal, involving a total annual cost of many millions of dollars.

Thousands of automobiles and trucks use acetylene lights.

Buoys, lightships, lighthouses, and harbor lights, aids to navigation, use acetylene-gas lights.

Millions of small portable lamps and lanterns use acetylene gas.

Machine shops, foundries, metal-working establishments, garages, jewelry manufacturers, and many other industries use acetylene gas in the oxy-acetylene process for cutting and welding metals.

#### ACETYLENE GAS IS MADE FROM CALCIUM CARBIDE AND WATER.

\$15,000,000 was approximately the cost for calcium carbide sold in the United States in 1920. The acetylene gas produced from this carbide was sold for a very much greater sum. How much greater no one but the Union Carbide & Carbon Corporation knows, and it gives out no information.

The effect of a tariff on calcium carbide will be widely felt throughout the United States in the increased cost of operating railroads, lighting farm

and suburban homes, lighting of mines, and in the operation of all industries mentioned above. It will also give a complete monopoly to the Union Carbide & Carbon Corporation and its subsidiaries and thereby a power over a great portion of the industries of the United States.

*Estimated annual consumption and production of carbide for the United States.*

	Tons.
Estimated consumption in the United States.....	<u>150,000</u>
Estimated production:	
Union Carbide Co.'s United States and Canadian plants.....	125,000
All other United States manufacturers.....	10,000
Quantity imported from Canada in addition to imports from Union Carbide Co.'s Canadian plant.....	<u>15,000</u>
	150,000

This shows that, of the total consumption of carbide in the United States, the Union Carbide Co. supplies 83½ per cent, which we believe to be quite accurately estimated.

**POSSIBLE FOREIGN COMPETITION ON CALCIUM CARBIDE.**

(German competition not to be feared.)

**LOW GAS YIELD.**

The German product is manufactured under German regulations as to gas yield, which recently, on account of the poor quality of coal obtainable in Germany, has been reduced to a gas yield of 3.70 cubic feet per pound on the lump sizes of carbide.

**IMPURITIES.**

Due also to the low grades of coal obtainable, the German product is very high in impurities, which results in large percentages of phosphoretted hydrogen and sulphur in the gas.

The American product runs better than 4.50 cubic feet of gas per pound of carbide. The lower gas yield of the German product means that it is about 20 per cent inferior in quality.

Domestic and Canadian carbide sells in the United States for about \$100 per ton, to compete with which on an equal gas yield basis the German product must sell at \$80 delivered to the consumer. A margin of \$20 per ton would not cover the additional freight and storage charges.

**ADDITIONAL QUANTITY REQUIRED.**

Also, to obtain the same amount of gas from German carbide, the consumer must purchase a tonnage of 20 per cent in excess of the amount of the American carbide required, pay freight on this 20 per cent, handle this additional 20 per cent, and then would not secure as high a quality of acetylene gas.

**AMERICAN CARBIDE PREFERRED.**

In our opinion the people interested in the acetylene welding and lighting trades would prefer to buy the American article at a cost of 10 per cent more than for a German product. This 10 per cent, of course, figures on the basis of gas yield. The purity of the gas is a very important factor to the oxy-acetylene welder.

**GREAT EXPENSE TO CREATE A MARKET.**

German manufacturers, in order to secure a market for their carbide in the United States, would, of necessity, be compelled to establish numerous warehouses and agencies to carry large stocks at such points. This would

involve a very large expense and would alone make such an undertaking very problematical as to its success. There are no consumers of carbide in the United States who would contract for extremely large tonnages. The bulk of the business is made up of thousands of small consumers, who purchase in very nominal quantities, and who would be very careful when placing orders to assure themselves as to quality, sizes, and the steadiness of the supply for the future. The Union Carbide Co. is in close personal touch with, through its 175 agencies, and supplies more than 340,000 farmers in the United States with carbide for house lighting, which is but one branch of its business.

The German and other European manufacturers ship carbide in soldered-top drums, whereas in the United States the screw-type drum is standard and the soldered type would not be accepted. The expense on the German manufacturer to make this change would be very great. Also, carbide for shipment overseas must be created in accordance with underwriters' specifications. Carbide drums must be completely covered by a wood casing or overcask—another item of expense, both for cost of overcask and the freight on the additional weight which it adds to each package.

#### WORLD'S TRADE DIVIDED BY SYNDICATE.

For several years prior to the war all European carbide manufacturers, including the Germans, were in a syndicate through which the world's markets for carbide were divided. Certain manufacturers or groups of manufacturers were allotted certain of the world's territories.

This prewar syndicate had an agreement or an arrangement with the Union Carbide Co., under which the latter company kept out of European markets and the Europeans kept out of the American market.

The syndicate arrangement was broken up because of the war, but we are reliably informed that a new syndicate is being formed, a meeting for the purpose having been held in Stockholm on April 14 to 16, 1921, at which representatives of German, Swedish, Swiss, French, Norwegian, and British manufacturers attended. The reports from this meeting indicate that the conditions in Germany are rapidly being adjusted, and that the German carbide manufacturers are desirous to reenter a syndicate such as existed before the war. One of the conditions of the German membership in such a syndicate would be her agreement to withdraw any offers made and to make no further offers of carbide for shipment to the United States market. We have information to the effect that the Union Carbide Co. is fully aware of all of the developments in connection with this new syndicate. The advantage to the Union Carbide Co. of participating in the old syndicate was so great that there can be little doubt that it will take full advantage of the opportunity offered to reestablish the former status quo.

No German carbide has been imported since 1918, during which time it has been duty free.

Under all of these conditions there can be no danger of German competition.

#### NORWEGIAN COMPETITION.

In its brief filed with the Ways and Means Committee of Congress the Union Carbide Co. infers that, unless a duty is imposed it will be forced to move its carbide business from the United States to Norway on account of power and labor costs.

We doubt if the saving represented by power and labor will offset the increased cost of coal and freight.

There is no coal of high quality available in Europe except the English, which now costs more than if purchased in this country and shipped to Norway. This means considerably larger costs for coal than those obtainable here, where the freight from the mines to the carbide works is no more than the freight from the mines to seaboard alone.

In addition, after the carbide has been made in the Norway plant, freight must be paid from plant to seaboard; thence trans-Atlantic to a United States seaport; there stored; and thence shipped inland to the consumer. In a majority of cases the freight from the United States seaport to the consumer is more than the freight from the Union Carbide Co.'s United States or Canadian

plant to the consumer, to say nothing of the added handicap of all the storage and freight charges accumulated between the Norway plant and the United States seaboard. The Union Carbide Co.'s plants at Sault Ste. Marie, Mich., and Welland, Ontario, are better located to economically distribute carbide in the United States market as a whole than is any United States seaport.

Also, commodity freight rates on carbide apply from their plants, whereas from New York, Baltimore, Philadelphia, or any other seaport, class rates, which are higher, apply.

Although carbide has been on the duty-free list since 1913, to the best of our information there has never been any importation of Norwegian carbide. This is practically a true statement, also with regard to all other European countries.

All of which, it appears, very effectually disposes of any chance for Norwegian carbide to enter this market.

#### CANADIAN COMPETITION.

In the same brief of the Union Carbide Co. they infer that Canadian competition is likely to prove dangerous.

This competition has existed for six or seven years and has always been fair. During all of this time carbide has been on the free list.

Cost of production in Canada at the works might be slightly lower than those of domestic producers, but this slight advantage is more than offset by the freight rates obtaining from the works of the Canada Carbide Co. to the United States markets, which average \$6 per ton higher (outgoing only). The Union Carbide Co.'s Canadian plant at Welland, close to the United States border, does not have this excessive freight rate.

As to the Union Carbide Co.'s plant at Sault Ste. Marie, it probably produces at a lower cost than the Canada Carbide Co., while at its plant in Canada the cost is probably \$5 a ton lower than the Canada Carbide Co.'s.

In the same brief they call attention to the fact that the Canada Carbide Co. is owned by the Shawinigan Water & Power Co., hence secures very cheap power. They do not mention the fact that the magnificent hydroelectric plant supplying their power at Sault Ste. Marie is owned by themselves. In other words, their position at the Sault as to power is just as good as that of the Canada Carbide Co.

#### COMPARATIVE COST OF CARBIDE FOR THE PAST EIGHT YEARS.

(Carbide duty free during this time.)

It has been represented to the Ways and Means Committee of Congress that the price of carbide is less to-day than it has been for a number of years, when, as a matter of fact, the price is greater to-day than it has been for a number of years. The figures below will show the prices paid by this company for its purchases of carbide from 1913 to 1920:

	Cost per hundred pounds.	Cost per ton.		Cost per hundred pounds.	Cost per ton.
January, 1913.....	\$1.50	\$70.00	September, 1917.....	\$4.75	\$95.00
January, 1914.....	3.50	70.00	January, 1918.....	4.75	95.00
January, 1915.....	3.50	70.00	September, 1918.....	4.90	98.00
January, 1916.....	3.50	70.00	January, 1919.....	4.90	98.00
January, 1917.....	3.50	70.00	January, 1920.....	4.90	98.00
April, 1917.....	4.00	80.00	September, 1920.....	5.60	112.00

These figures speak for themselves. In the face of "duty free," carbide prices have advanced. What will be the price if a duty is imposed and the Union Carbide Co. controls the entire United States market? In this event, and judging from the past, the consumer would pay the price.

From 1918 to 1918 the Union Carbide Co. paid cash dividends totaling 42 per cent and stock dividends totaling 92.5 per cent.

[Information taken from Moody's Manual, 1920, Industrial Section.]

## UNION CARBIDE &amp; CARBON CORPORATION.

Incorporated November 1, 1917, in New York.

Capital stock: Authorized, 3,000,000 shares without par value; outstanding, 2,571,133 shares; no funded debt.

This company owns, directly or indirectly, substantially all of the common stock of: Union Carbide Co., National Carbon Co. (Inc.), Linde Air Products Co., Prest-O-Lite Co. (Inc.), Electro-Metallurgical Co., and Oxweld Acetylene Co.

Also controls Michigan Northern Power Co., Union Carbide Co. of Canada (Ltd.), Electric Furnace Products Co. (Ltd.), The Oxweld Railroad Service Co., Haynes Stellite Co., and Dominion Oxygen Co. (Ltd.), and other subsidiary companies. As of May, 1920, the corporation controlled a total of 33 companies.

*Dividends paid.*

Jan. 2, 1918, \$1 per share.....	\$2, 571, 133. 00
Apr. 2, 1918, \$1 per share.....	2, 571, 133. 00
July 2, 1918, \$1 per share.....	2, 571, 133. 00
Oct. 1, 1918, \$1.25 per share.....	3, 213, 916. 25
<b>Total for first 11 months.....</b>	<b>10, 027, 315. 25</b>
Jan. 2, 1919, \$1.25 per share.....	3, 213, 916. 25
Apr. 2, 1919, \$1.25 per share.....	3, 213, 916. 25
July 2, 1919, \$1.25 per share.....	3, 213, 916. 25
Oct. 1, 1919, \$1.25 per share.....	3, 213, 916. 25
<b>Total for second year.....</b>	<b>12, 855, 665. 00</b>
Jan. 1, 1920, \$1.25 per share.....	3, 213, 916. 25
Apr. 1, 1920, \$1.25 per share.....	3, 213, 916. 25
July 1, 1920, \$1.50 per share.....	3, 856, 699. 50
Oct. 1, 1920, \$1.50 per share.....	3, 856, 699. 50
<b>Total for third year.....</b>	<b>14, 141, 231. 50</b>
<b>Total for 2 years and 11 months.....</b>	<b>37, 924, 211. 75</b>

NOTE.—Dividends at rate of \$1.50 per share paid quarterly amount to \$6 per annum, or the equivalent of 6 per cent on shares having a par value of \$100. On this basis the 2,571,133 no par value outstanding shares of this corporation represent a capitalization of \$257,113,800.

As an evidence of the fact that the payment of these huge dividends still left the corporation with immense undistributed profits, reference is made to the statements of A. Cressy Morrison, a representative of the trust, before a gathering of its officials and department heads held at Sault Ste. Marie, December 13, 1920, as reported in the press, to the effect that in 1920 the net worth of the corporation was \$275,000,000.

## UNION CARBIDE CO.

Organized as a Virginia corporation in 1898.

The Union Carbide Co. was the original concern, the growth and expansion of which since its organization 22 years ago brought about the great aggregation of allied corporations owned and controlled by the Union Carbide & Carbon Corporation.

Neither the Union Carbide & Carbon Corporation, the Union Carbide Co., nor others of the affiliated companies make public their financial statements. Information, except that of the nature required to be made public by law, is hard to obtain. Moody's Manuals for a number of years past contain meager statistics, and from this source it is ascertained as follows:

Organized in 1898 with an authorized capital of \$14,000,000, all common shares, par value \$100. Dividends are reported to have been paid as follows:

1906, 5 per cent cash; 1906, 5½ per cent cash; 1907, 6 per cent cash; 1908, 6 per cent cash and 40 per cent stock dividend; 1909, 6 per cent cash; 1910, 6 per cent cash; 1911, 8 per cent cash; 1912, 10 per cent cash; 1913, 10 per cent cash and 12½ per cent in common stock of Oxweld Acetylene Co.; 1914, 10 per

cent cash and 40 per cent stock dividend; 1915, 8 per cent cash; 1916, 8 per cent cash and 40 per cent stock dividend; 1917, 8 per cent cash; 1918, 8 per cent cash.

In 1912 stockholders of record were given the right to subscribe at par to 10 per cent of their holdings, or \$1,089,780; total outstanding capital in this year.....	\$11,987,300
In 1913 stockholders of record again given the right to subscribe at par to 10 per cent of their holdings, or \$1,198,760; outstanding capital.....	13,186,060
In 1913 shares of capital stock increased to.....	30,000,000
In 1914 a 40 per cent stock dividend was declared; outstanding stock.....	19,000,000
In 1915 stockholders again given the right to subscribe at par to 10 per cent of their holdings; outstanding capital stock.....	20,066,000
In 1916 shares of capital stock increased to.....	50,000,000
In 1916 a stock dividend of 40 per cent paid.	
In 1917 outstanding capital stock.....	33,131,000
In 1918 outstanding capital stock.....	39,757,854

In 1918 this company was absorbed by and became a subsidiary of the Union Carbide & Carbon Corporation.

The five producers of calcium carbide in the United States are as follows:

1. Union Carbide Co., Sault Ste. Marie, Mich.
2. American Carbolite Co., Duluth, Minn.
3. Gas Tank Recharging Co., Keokuk, Iowa.
4. National Carbide Co., Ivanhoe, Va.
5. Farmers' Standard Carbide Co., Plattsburg, N. Y.

In addition to these the Superior Carbide Co., Philadelphia, and the Sherman Carbide Co., Vermont, are still listed in some trade directories, but both have passed out of actual existence.

The Union Carbide Co.'s plant at the Sault is the largest in the United States, having a production in the neighborhood of 80,000 to 100,000 tons per year. This plant is very well located with respect to supplies of lime and coke and is not far from the market for steel sheets, which, combined with the fact that it controls its hydroelectric power, gives it a great advantage, and its costs are probably very much lower than those of any other carbide plant.

The American Carbolite Co., the Gas Tank Recharging Co., the National Carbide Co., and the Farmers' Standard Carbide Co. together market about 10,000 tons of carbide per annum.

The combined production of the above-mentioned plants, including the Union Carbide Co., is not sufficient to take care of the normal requirements for calcium of carbide in this country. If a duty is imposed, it would prohibit importation and would result naturally in higher prices to the consumer.

If you have read all of the pages before this one, you must be interested and you must have formed some opinion regarding calcium of carbide and its retention on the "duty-free" list.

We will sincerely appreciate a letter from you, and will be glad to answer any questions on the subject that you may ask, so far as it lies in our power to do so.

We have a great deal of detailed information, too much to include in this document, and can probably answer almost any question that may occur to you.

ALEXANDER MILBURN Co.

MIDDLETOWN, CONN., July 26, 1921.

THE FINANCE COMMITTEE, UNITED STATES SENATE.

GENTLEMEN: Understanding that representations have been made by a manufacturer of calcium carbide for a tax on this product, as a large user of carbide we would like to express our feelings in regard to this matter. At the present time the one large United States manufacturer controls the market without any competition, except from a Canadian maker. This concern is 96 per cent Americans and their competition is absolutely fair and beneficial to the trade. Even a very low tariff would shut out this competition with the result that one concern would have what would amount to a monopoly on calcium carbide. We hardly think it is the desire of Congress to establish a law which would bring about such a result, and therefore plead that calcium carbide be left on the free list.

Very truly yours,

GEO. L. WILKINSON.

DULUTH, MINN., July 27, 1921.

SHAWINIGAN PRODUCTS CORPORATION,

*Care of J. Harrison Power,**Southern Building, Washington, D. C.*

GENTLEMEN: Referring to your proposed tariff on calcium carbide.

It is quite a surprise to us that the Union Carbide Co. asked for a tariff on carbide against Canada carbide. As we understand a tariff is made primarily to protect the American industry and this certainly should not apply on carbide, for the Union Carbide Co. produces about—fully 80 per cent of the carbide and have almost an exclusive monopoly on same.

Here in the city some carbide is manufactured by the American Carbolite Co., and while the Union Carbide Co. has to ship up their carbide from the Soo, Mich., they sell it at the same price as the American.

We were handling your carbide for the past several years with a disadvantage in freight of about \$8 and \$9 per ton. Every reasonable man knows that it costs as much to produce carbide at Shawinigan Falls, Canada, as it would cost at the Soo, consequently it is conclusive proof that there is a great margin in the sale of carbide in this territory for the Union Carbide and American Carbolite Co. and they certainly would not need any protection against you as here you have such a big disadvantage in the freight.

Of course we appreciate the fact that should a tariff be put it would shut out your products and they will further advance their price of their carbide to the mines, welders, and the farmers. This seems to be the only object in view, and as far as importation of carbide from Germany, we believe this is merely an excuse, as we understand the German carbide to be of an inferior grade, also their packages are not suitable to use where carbide is used, say, a few pounds at a time. Furthermore, if this trade is concerned it would be entirely out of question, for the freight from seaboard would be against them.

I fully believe that the Senate will look into the matter as the writer was promised by Senator Kellogg of Minnesota.

The passing of a tariff would certainly do damage to us and any other jobbers, for the Union Carbide Co. maintains their own warehouses and do their own selling. They monopolize the wholesale and retail trade, but we sincerely hope that this commodity will be eliminated from the tariff as there seems to be no earthly reason for it.

Yours, very truly,

ZALK-JOSEPHS CO.  
H. Y. JOSEPHS.

MINNEAPOLIS, MINN., July 27, 1921.

SHAWINIGAN PRODUCTS CORPORATION,

*Care of J. Harrison Power, Attorney,**Southern Building, Washington, D. C.*

GENTLEMEN: The above subject is of considerable interest to us, inasmuch as we are constant users of the product in question.

In our opinion the best interests of the users of carbide in this country will be served if the item is left on the free list. It is a well-known fact that the majority of carbide used in this country at the present time is manufactured by the Union Carbide Co., and the situation is rounding to the point where they will have an absolute monopoly. When that time does come it will undoubtedly be a fact that they will take advantage of their position to the detriment of the carbide users.

We have written our Senators and Representatives on this subject.

You are at liberty to use this letter as an indication of our stand on the question.

Yours, very truly,

UNITED STATES WELDING CO.  
J. M. MATHEWS.

PITTSBURGH, PA., July 28, 1921.

SHAWINIGAN PRODUCTS CORPORATION,

*110 William Street, New York City, N. Y.*

GENTLEMEN: We understand that there will be a hearing before the Senate Finance Committee on Friday in regard to the duty on carbide.

As we can not be there personally, we would appreciate if you, who are interested with us, would present the following ideas before the committee in our behalf:

1. The duty on carbide is absolutely a protective duty and will in no way become a source of revenue to the Government.

2. As a protective duty it is absolutely not necessary, for it protects only the Union Carbide Co., which does not require protection.

3. Presumably the monopoly that asks this protection bases its plea on the "anti-dumping clause" against the German carbide. Knowing, as we do, the quality of the German carbide and their prevailing prices, we are of the opinion that the competition from that source is mythical and entirely negligible, and, on the other hand, it will have the tendency of keeping out of this country the carbide manufactured in Canada, which is equal in grade, if not better, than that manufactured by the Union Carbide Co.

You might also point out to the committee in our behalf that to the best of our knowledge and belief, and our close experience in the business, the competition of the Canadian companies has been eminently fair, and in many instances has been a source of a great deal of help to the American manufacturers, so that, in our opinion, this tariff, instead of being a discrimination against Germany, will ultimately be a discrimination against Canada.

We trust that this, promptly placed before the committee, will tend to eliminate this duty on carbide.

Yours, very truly,

THE ELECTROLABS Co.,  
D. J. TONKONOOGY,  
*Secretary and Treasurer.*

TOLEDO, OHIO, July 28, 1921.

THE SHAWINIGAN PRODUCTS CORPORATION,  
*New York.*

GENTLEMEN: In regards to the proposed tariff on calcium carbide, we wish to enter our protest against any duty whatsoever on the importation of this article.

We have been engaged in this business for the past 14 years and have never been offered, with the exception of two in the last few months, foreign-made carbide other than that of the Canadian carbide. The price of carbide is, as everyone knows, higher to-day than it has ever been in history. The Union Carbide & Carbon Co. does not hold out any indications of a reduction in price.

Without being in possession of all the technical knowledge necessary to manufacture calcium carbide the price to-day is exorbitant and excessive. Should the Senate Finance Committee approve of a tariff on carbide, it means that the trust cuts out competition of every kind and allows them, the trust, to pull off one of the biggest hold-up games ever perpetrated on American business.

The bogeyman of German and other foreign competition is merely a farce, and is put forth to the representatives of our Government as a camouflage to increase their already enormous profits.

We sincerely and earnestly pray that the merits of our contention be put forth to the Senate Finance Committee in its true light and that the trust with its powerful lobbies will be exposed.

The tariff as proposed means that independent compressors of dissolved acetylene gas are practically at the mercy of the trust, owing to the fact that the prices of several independent carbide manufacturers are so close to that of the trust that we have no recourse whatsoever.

These so-called independents in the United States have openly told the writer that they dare not reduce the price, for they feared the Union Carbide & Carbon Co. would put them out of business.

Yours, very truly,

THE AUTO ACETYLENE LIGHT Co.,  
L. C. YOUNG, *President.*

#### SUPPLEMENTARY BRIEF OF SHAWINIGAN PRODUCTS CORPORATION.

##### ACETALDEHYDE—PARALDEHYDE—ALDEHYDE AMMONIA—ACETALDOL.

In brief filed August 9 by the Carbide & Carbons Chemical Corporation, in support of duty of 6 cents per pound plus 30 per cent ad valorem on the above-mentioned products, the Carbide & Carbons Chemical Corporation make the statement that they have been actively engaged in the development of synthetic processes for the commercial manufacture of chemical derivatives of acetylene since the year 1914, and that further they have produced and sold substantial quantities of such products commercially.

In support of statement contained in our brief, as originally filed, that none of these products are made commercially in the United States, we would like to point out that all of these materials are covered by the present existing emergency tariff and are only allowed to be imported into the United States under license when the consumer is able to prove conclusively that he is unable to get sufficient supplies to take care of his requirements at reasonable prices in the United States. During the time this emergency tariff has been in force we have imported for our regular customers considerable quantities of acetaldehyde and commercial paraldehyde under license granted by the Treasury Department. Before the granting of such license the Treasury Department insisted that our customers, who are the actual consumers in every case, endeavor to obtain their requirements within the United States, and even went so far as mentioning the Carbide & Carbons Chemical Corporation as a possible source of supply. Our customers invariably found that it was impossible, even from this company, to obtain anywhere near the quantities they required from United States sources, and in every case import permit has been issued.

If, as the Carbide & Carbons Chemical Corporation claims, they had been producers of these chemicals in commercial quantities, why should they at this time not be able to take care of even the present small demand for these products in the United States?

We know that outside of small quantities having been made experimentally there are no producers of these products on a commercial basis in the United States to-day. While the future industrial possibilities of these various products is of growing importance, there is not at the present time a sufficient market in the United States, or elsewhere abroad, to warrant the erection of a plant sufficiently large in capacity to enable the economical production of these chemicals.

Acetaldehyde, which is the base from which these other various products are made, can only be produced economically from acetylene in extremely large quantities. The fact that the Carbide & Carbons Chemical Corporation is the only interest in the United States actively interested in the production of these chemicals synthetically from acetylene which requests a duty, in some cases amounting to approximately 75 per cent of the value of the product, shows that they realize this fact and, therefore, desire to penalize the consumer to at least the extent of the duty in order to establish an industry to their benefit within the United States.

With reference to statement made regarding the use of aldol by the copper interests in the United States, we would like to point out that we have also done considerable work with the copper interests tending toward the successful application of this product in their work. In support of this statement we beg to point out that the copper companies interested are extremely anxious that the market for acetaldo, acetaldehyde, and the other products covered by this tariff item should not become the monopoly of one interest, such as would be the case if the Canadian producers were excluded from the market by such a duty as has been proposed. The Canadian producer has no advantage whatever over any interest which cares to establish a plant in the United States, excepting perhaps the advantage of greater experience in operation, and the plea that duty is necessary in order to enable the Carbide & Carbons Chemical Corporation—itsself a subsidiary of the Union Carbide & Carbons Corporation, one of the largest and strongest organizations in the United States—to compete with Canadian producers points to the fact that this new subsidiary of the Union interests is also looking for a complete monopoly in the particular field it intends to enter.

In reply to statement made regarding cost of production of these various products, we have, we think, conclusively proved, both to the Tariff Commission and to your honorable committee, during hearing granted to us in connection with the proposed duty on calcium carbide, that cost of production of carbide at Shawinigan Falls, if not higher, is practically the same as the cost of production in the United States. Mention is again made in this brief of the supply of cheap power available for the production of carbide at Shawinigan Falls, no mention being made, of course, of the supply of cheap power available to the Union Carbide interests at Sault Ste. Marie, Mich., where the power is generated and exclusively owned by the Union interest through their subsidiary, the Northern Michigan Power Co. We do not acknowledge any difference between the cost of generating electric power at Shawinigan Falls and Sault Ste. Marie, Mich., and would further point out, as already mentioned in the brief we filed on carbide, that the Canadian producer whose plants are at Shawinigan Falls, Quebec, is further handicapped through the fact that he is located at a point distant from the market served, so that in addition to the disadvantage of excessive freight on the outgoing finished product he is further penalized by considerably higher incoming freight on all of his raw materials.

Reference is also made in the brief of the Carbide & Carbons Chemical Corporation to the plant erected for the production of synthetic chemicals from acetylene during the war, special reference being made to the contract entered into for the erection of such a plant at Shawinigan Falls by the United States Government. Several of these statements are not in accordance with the facts and are therefore very misleading. In the first place, the United States Government, under contract with the Aircraft Production Bureau, only financed part of the cost of the synthetic acetic acid plant erected at Shawinigan Falls, the balance of the money necessary to complete this plant being supplied by Canadian interests. Not one pound of acid was ever shipped against this contract, as the armistice was signed prior to commencement of operations, so that it was impossible to amortize the plant in one year's output of product, as stated. It is absolutely ridiculous to state that the Canadian company has neither interest nor depreciation included in its cost of production, when, as a matter of fact, the Canadian company has invested in this particular plant sufficient capital over and above money advanced by the United States Government to erect a plant of equal capacity under present-day conditions. We are willing to present proof in support of this statement at any time, if your honorable committee may so desire. We would further like to state that these plants were erected under stress of war-time conditions, and that their cost, therefore, is greatly in excess of what it would cost to erect to-day plants of similar capacity for the production of products by similar processes.

With reference to the statement made in our previous brief regarding the transportation of acetaldehyde and commercial paraldehyde, and to the statement made in the brief of the Carbide & Carbon Chemical Corporation that our original statement is misleading, we wish to positively state—and this statement is based on our own actual experience in the shipping of these products over a period of over three years—that neither acetaldehyde nor commercial paraldehyde can be shipped, especially during the warmer periods of the year, great distances. The reason for this is that acetaldehyde, as is well known, boils at 21° C. Acetaldehyde, owing to its low boiling point, was consequently converted into a commercial grade of paraldehyde or paracetaldehyde in order to facilitate handling and to ship safely. Commercial paraldehyde ordinarily contains anywhere from 8 to 12 per cent acetaldehyde. This mixture is of such a nature chemically that the acetaldehyde content readily increases with, of course, corresponding lowering of the boiling point of the original product. We have known commercial paraldehyde which contained 8 to 10 per cent acetaldehyde to rapidly reconvert until it contained over 25 per cent acetaldehyde, and in many cases under ordinary conditions this conversion has reached even greater proportions. Paraldehyde U. S. P.—that is, paraldehyde in accordance with the United States Pharmacopoeia specifications, or the paraldehyde produced for medicinal purposes—can be shipped and stored indefinitely without any very considerable change in the nature of the product. This is due to the fact that pharmaceutical paraldehyde does not contain any trace of acetaldehyde. It would be prohibitive through cost of production to convert acetaldehyde to a grade of paraldehyde free of acetaldehyde for shipment for commercial purposes, as in order to remove all traces of acetaldehyde from paraldehyde it is necessary to have very special careful distillation; in fact, it is generally necessary to redistill several times in order to remove the aldehyde. Paraldehyde for commercial purposes would, therefore, be too costly when purified to a degree that would absolutely stabilize it as far as the boiling point was concerned; and, therefore, for the many industries in which this product has a future commercial paraldehyde—that is, acetaldehyde which has been polymerized sufficiently to raise its boiling point temporarily so that it can be easily and safely shipped—is the only product which need be taken into consideration.

We, therefore, reiterate our previous statement that competition in either acetaldehyde or commercial paraldehyde need only be expected from Canada, for the reasons above mentioned.

In regard to competition from other sources outside of Canada—notably England, France, Germany, Switzerland, Italy, and Japan—at the present time Germany is the only other country which has successfully worked out the synthetic production of these chemicals and glacial acetic acid from acetylene. Production has been made by Switzerland, but at the present time the Swiss interests are closed down, as their development work has not been very successful. England has no synthetic production of these chemicals from acetylene, nor has Japan, and in France the industry is only in the experimental stage. Italy has a small production, but it is doubtful whether this industry will survive there.

A statement is further made to the effect that the European producers of these materials have at the present time seriously interfered with the Canadian development. This statement is intentionally misleading. While the plant at Shawinigan Falls is

for the present closed down, this is not altogether due to foreign competition, but rather to the existing industrial situation and depression throughout the world. In only one product have the Canadian producers been seriously menaced, and that is through the German production of glacial acetic acid. The German supremacy is only temporary, due to the great advantage Germany has through exchange and through the fact that the Canadian producer is geographically so situated that it is difficult to meet German competition in England and some of the other European countries formerly served from Canada.

In only one other market outside of Europe have the Germans seriously interfered with the acetic acid markets formerly served from our Canadian plant, and that is in far eastern rubber territory. This is due to the fact that, in addition to exchange, the European steamship lines cooperate with the German producers and do not discriminate against carloads of acetic acid in glass demijohns. The German manufacturer also is able to obtain his glass wicker-covered demijohns at prices considerably under the cost of similar demijohns in this country. He also has the further advantage of being able to ship the demijohn in its wicker cover without other crating, whereas the steamship lines on this side insist on every two demijohns being packed together in one crate. All of this, of course, adds excessive costs to the packing and transportation, and until the freight situation changes German competition, in this territory especially, will be rather difficult to overcome.

Regarding the last paragraph of the brief we are answering, stating there is no danger of a monopoly being created in these particular products which are derivatives of acetylene, we would like to point out that there are no other carbide interests in the United States outside of the Union Carbide & Carbon Corporation who have a sufficiently large output to enable them to undertake successfully the development of the synthetic production of these various chemicals from acetylene.

In addition to the fact that it requires at least 2 pounds of carbide for every pound of acetaldehyde produced, the investment necessary for the erection of a plant of sufficient capacity to warrant the economical production of these products is without doubt beyond the resources of most of the smaller carbide producers. Therefore, without doubt, the granting of any such duty as is asked for under schedule 1, paragraph 2, would result in the complete monopoly of these particular products being established by the Carbide & Carbon Chemical Corporation.

A further misleading statement in this paragraph is to the effect that the wood chemical industry supplies crude material for the manufacture of over 5,000,000 pounds of glacial acetic acid per year. According to information published by the Tariff Commission in their Survey Report No. 82, covering the wood chemical industry, sufficient acetate of lime was produced in the United States to manufacture—provided all the material is used for this purpose—approximately 60,000,000 pounds of glacial acetic acid. The actual figures, as given by the Tariff Commission, are as follows:

1914: Acetate of lime—	Pounds.
Produced.....	166,084,623
Exported.....	68,160,224
Balance for use in the United States.....	97,924,299

(Approximately 2 pounds acetate to 1 pound glacial acetic acid.)

The Census of Manufacturers Chemical Section, as prepared by United States Department of Commerce, shows that the production of acetic acid of all grades in the United States for 1914 was 75,303,375 pounds.

No doubt since 1914 the production of the various products obtained from wood distillation has been greatly increased, in proportion to the increase made during this period by other industries, so that under present conditions the potential production is most likely near 100,000,000 pounds.

From these figures it will therefore be seen that as far as the wood-chemical industry is concerned it is an old and well-established industry, which is hardly in need of tariff protection; therefore, owing to the immense production of wood chemicals within the United States it would seem, to say the least, difficult to successfully undertake the production under existing world conditions of glacial acetic acid synthetically from acetylene, when there is at the present time only a very limited market for the use of acetaldehyde, paraldehyde (commercial and U. S. P.), aldol, and aldehyde ammoniac.

**STATEMENT OF DON B. McCLOUD, REPRESENTING THE GAS PRODUCTS ASSOCIATION, CHICAGO, ILL.**

Mr. McCLOUD. The association that I represent is composed of oxygen manufacturers located in 21 States of the Union. Their names appear on this list, which I would like to have made a part of the record:

*California.*—California Compressed Gas Co., Los Angeles; California Compressed Gas Co., Oakland.

*Colorado.*—Colorado Compressed Gas Co., Denver.

*Georgia.*—Standard Gas Products Co., Atlanta.

*Illinois.*—Acme Oxygen Co., Chicago; Burdett Oxygen & Hydrogen Co., Chicago; Electrox Co., Peoria; National Oxygen Co., Chicago; Swift & Co., Chicago.

*Indiana.*—Indiana Oxygen Co., Indianapolis; Logansport Oxygen Co., Logansport.

*Iowa.*—Bettendorf Oxygen Hydrogen Co., Bettendorf.

*Kentucky.*—Kentucky Oxygen & Hydrogen Co., Louisville.

*Manitoba.*—Auto-Lite Gas Co. (Ltd.), Winnipeg.

*Michigan.*—Burdett Oxygen Co. of Detroit, Detroit, Mich.; Ox-Hydric Co., Muskegon; National Oxygen & Machinery Co., Detroit.

*Minnesota.*—Commercial Gas Co., Minneapolis.

*Missouri.*—Oxygen Gas Co., Kansas City (to plants in Kansas City); St. Louis Oxygen Co., St. Louis.

*Montana.*—Mountaineer Welders' Supply Co., Butte.

*Nebraska.*—The Balback Co., Omaha.

*Ohio.*—Clark Chemical Co., Wickliffe; Gas Products Co., Columbus; Ohio Electrolytic Oxygen Co., Cincinnati.

*Oklahoma.*—Burdett Oxygen Co. of Oklahoma, Oklahoma City.

*Oregon.*—Portland Oxygen & Hydrogen Co., Portland.

*Pennsylvania.*—Burdett Oxygen Co., Philadelphia (plants at Chester and Norristown); Burdett Oxygen & Hydrogen Co., Pittsburgh, Pa.; National Oxygen, Erie.

*Tennessee.*—Burdett Oxygen Co., Chattanooga.

*Texas.*—Burdett Oxygen Co. of Texas, Fort Worth; Magnolia Gas Products Co., Houston.

*Utah.*—Utah Compressed Gas Co., Salt Lake City; Whitmore Oxygen Co., Salt Lake City.

*Washington.*—Washington Compressed Gas Co., Seattle.

*Wisconsin.*—Universal Oxygen Co., Sheboygan; Wisconsin Oxygen & Hydrogen Co., Kenosha.

*British Columbia.*—Compressed Gas Co. (Ltd.), Vancouver.

There are 40 oxygen plants organized in this association. We manufacture oxygen by what is known as the electrolytic process. Each of these plants is a comparatively small plant as oxygen plants go; most of them are local institutions.

Oxygen is used in the trade with acetylene in the oxyacetylene process of welding and cutting metals. In other words, all our customers who use oxygen must have acetylene to do business with.

Senator SMOOT. You are interested, too, in calcium carbide?

Mr. McCLOUD. Yes; that is where our interest in calcium carbide comes in. The Union Carbide Co. is also a large producer of oxygen in the United States. They make oxygen by a different process than we do, and there is the keenest of competition in the oxygen field.

There are approximately 150,000 tons of calcium carbide used in the United States annually. Of that amount approximately 15,000 tons is imported from Canada. Eighty per cent of the amount used in this country is manufactured and sold by the Union Carbide Co.

One of the other subsidiaries of the Union Carbide & Carbon Corporation, which has a string of acetylene plants in the country, is the Prest-O-Lite Co.

Here is the situation: Our oxygen customers often go to the Prest-O-Lite Co. to get acetylene. The Prest-O-Lite Co., as I have said, is a part of the Union Carbide Co. If this tariff is put on carbide, it will be impossible for the Canadian Carbide Co. to send any into this country. There will not be any brought in. That will give the Union Carbide Co. a chance to dictate an acetylene policy, and we will run up against that in competing for the oxygen trade.

Several of our members have already started acetylene plants because their customers demand acetylene and oxygen, and if they can not get acetylene from the Prest-O-Lite Co. we will have to furnish it to them. We want a source of acetylene, so that we can go to a man and say, "Here, if the Prest-O-Lite Co. will not furnish you with acetylene we will build a plant and make acetylene ourselves; we will have a carbide supply always available," whereas if this tariff goes into effect we shall be in the position of having to depend on our competitors in the oxygen business for our supply of carbide and acetylene.

I think that it is against the policy of American business to foster monopoly, and this, gentlemen, is what it will amount to. There is no monopoly in the oxygen business yet. Our plants were started largely during the war and in the few years preceding the war.

We have hydrogen as a by-product. Great quantities of hydrogen were sold to the Government during the war. A great deal is now wasted. Our revenue comes from oxygen. We can not sell oxygen unless there is a supply of acetylene to go with it, and for that reason we request your honorable body to keep carbide on the free list. It has been on the free list for the past seven years, during which time the price of carbide has risen from \$70 to approximately \$100 per ton.

The Canadian carbide people do not come into this country and undersell the Union Carbide Co. Their manufacturing costs are practically the same as ours. Their freight rate is more because the plants are located farther from the carbide market than are those of the Union Carbide people.

Carbide is used in railroad shops for boiler works, garage machine shops, and so on. All these and similar industries use acetylene. Farmers use it for lighting purposes in rural homes. However, that is not what we are so much interested in. What we are looking for is to protect our oxygen business.

Carbide is manufactured in Germany. There has been a scare about German carbide flooding this country. Gentlemen, the carbide that is made in Germany is an inferior product as compared with the carbide made in the United States. Carbide is made from coal and lime principally, and it is fused in an electrolytic furnace. A poor quality of coal makes a poor quality of carbide, and since German coal is poor, their carbide must necessarily be poor.

The German carbide is packed in cans with the tops soldered on them. They have to be cut open. American carbide comes in cans with screw tops. The American manufacturers will not use the German carbide. In the first place, it is an inferior product, as I have already said. They would have to use 20 per cent more German carbide than American. The supply would not be as regular as the supply of either the American carbide or the Canadian carbide. The fact that there has been no German carbide imported into this country in the last seven years, when it was on the free list, speaks for itself.

The fact that the Union Carbide Co. has built up an enormous organization and has accumulated a capital of over \$300,000,000 during the time that carbide was on the free list, speaks for itself and tends to show that the Union Carbide Co. does not need protection.

Senator DILLINGHAM. Does this bill change the status of these products?

Mr. McCLOUD. This bill provides for a duty of 2 cents per pound on calcium carbide, which will exclude the Canadian carbide.

Senator DILLINGHAM. What paragraph is that?

Mr. McCLOUD. Paragraph 15.

Senator WATSON. It is 1 cent per pound.

Mr. McCLOUD. Yes. I was mistaken.

Senator WATSON. You say they have built up a capital of \$300,000,000 in the manufacture of carbide?

Mr. McCLOUD. Not that alone, but oxygen, acetylene, and carbides, for the purpose of welding and cutting.

Senator WATSON. How long have they been operating?

Mr. McCLOUD. The Union Carbide & Carbon Corporation, which is a consolidation of these various interests, was incorporated on November 1, 1917.

Senator WATSON. And they operate at Sault Ste. Marie?

Mr. McCLOUD. They operate at Sault Ste. Marie, where they own the power company. They also have a plant at Niagara Falls.

Senator WATSON. Does anybody else make it in the United States?

Mr. McCLOUD. The other calcium carbide manufacturers are the American Carbolite Co., with works at Duluth, Minn.; the Gas Tank Recharging Co., at Keokuk, Iowa; the National Carbide Co., Ivanhoe, Va.; and the Farmers' Standard Carbide Co., Plattsburg, N. Y.

Senator WATSON. What per cent of the output does the Union Carbide Co. make?

Mr. McCLOUD. Approximately 80 to 85 per cent. These smaller concerns can take care of their own territory.

Carbide is largely dependent upon the combination of certain elements. In the first place, there must be cheap power. In the second place, there must be coal of good quality and lime available. Then the freight rates, of course, have considerable bearing upon the selling price.

For instance, the Gas Tank Recharging Co., at Keokuk, Iowa, will supply their territory. They can undersell the Union Carbide Co. in their territory, but the Gas Tank Recharging Co. can not supply carbide for the string of acetylene plants such as my organization would have to put up in half of the States of the Union if we wanted to go into the business on a large scale.

Senator WATSON. You have more than one factory where you manufacture acetylene gas, haven't you?

Mr. McCLOUD. There are approximately 52 acetylene plants located in all parts of the country. Of those 52, 25 are controlled by the Union Carbide Co.

Senator WATSON. Do you mean of the institutions that are manufacturing this acetylene gas?

Mr. McCLOUD. Yes.

Senator WATSON. Can you buy your calcium carbide anywhere except from one of these factories? I suppose you must buy largely from the Union Carbide factory?

Mr. McCLOUD. Practically, yes; and the Canadian Carbide Corporation. It is part of the Shawinigan Products Corporation. There is a great deal of American capital in that corporation. There has been very clean competition. There has been no price slashing and no ruthless price cutting on the part of the Canadian interests.

Senator WALSH. How much has the calcium carbide sold for?

Mr. McCLOUD. \$100 per ton.

Senator WALSH. So it is proposed to make the tariff 50 per cent, which would make it \$150?

Mr. McCLOUD. No; 20 cents, making it \$120.

Senator SMOOT. That would make it forty.

Mr. McCLOUD. Yes. One cent a pound would make it \$20 a ton. You can see that that would exclude the Canadian carbide. There will be no revenue from that, because none will be imported.

Senator WALSH. During the time that these products have been on the free list these companies have increased their capital and have prospered?

Mr. McCLOUD. During the time this has been on the free list the Union Carbide Co. has been paying dividends. I have a list of some of the dividends they are reported to have paid.

Senator WALSH. Let us have those.

Mr. McCLOUD. In 1905—

Senator SUTHERLAND (interposing). When was that company organized? I do not mean the consolidated one, but the original one.

Mr. McCLOUD. Around 1900. I am not positive of that.

Senator WALSH. Do they make anything else besides calcium carbide?

Mr. McCLOUD. The Union Carbide Co. make calcium carbide, the Ox-weld Acetylene Co. make acetylene, the Lindo Air Products Co. make oxygen, and the Ox-weld Railroad Service Co. make apparatus. All those and other companies are merged into the Union Carbide & Carbon Corporation. Ours are little oxygen plants, each one representing approximately all the way from \$100,000 to \$250,000 of investments. These have sprung up as local propositions. There are four in Chicago, there is one in St. Louis, and there is another in San Francisco. Practically every community has stuck away in it a little oxygen plant, which is an independent plant.

Senator WATSON. What do they do with that oxygen?

Mr. McCLOUD. It is used in blowpipes to weld and cut metals.

Senator WATSON. Is that all it is used for?

Mr. McCLOUD. Practically; yes, sir.

Senator LA FOLLETTE. You were about to give us the dividends of the companies.

Mr. McCLOUD. The Union Carbide Co. was organized in 1898, Senator, with an authorized capital of \$14,000,000. The dividends reported to have been paid are as follows. Shall I go back to 1913, when carbide was on the free list?

Senator LA FOLLETTE. Yes.

Mr. McCLOUD. In 1913, 10 per cent cash and 12½ per cent in common stock of Ox-weld Acetylene Co.; 1914, 10 per cent cash and 40 per cent stock dividend; 1915, 8 per cent cash; 1916, 8 per cent cash and 40 per cent stock dividend; 1917, 8 per cent cash; 1918, 8 per cent cash. In 1918 the outstanding capital stock of the Union Carbide Co. was \$39,757,854.

Senator WALSH. An increase in 20 years from \$14,000,000 to \$39,000,000?

Mr. McCLOUD. Yes, sir. In 1918 this company was dissolved and became a subsidiary of the Union Carbide & Carbon Corporation.

Senator SUTHERLAND. With a capital of \$300,000,000?

Mr. McCLOUD. With a capital, based on 6 per cent of \$257,133,300. I apologize for making that mistake.

Senator SUTHERLAND. And it may have had a surplus.

Mr. McCLOUD. Yes. It has been only recently that financial statements and information have been available to outsiders.

Senator McCUMBER. What do you mean when you say, "based on 6 per cent?" Do you mean that you will take 6 per cent of the dividends and of earnings and on that figure what the capital is, or have you the exact figures?

Mr. McCLOUD. I regret to state, Senator, that I did not compile these figures.

Senator CALDER. Who did compile them?

Mr. McCLOUD. They were compiled by the Alexander Milburn Co., of Baltimore.

Senator WATSON. Who are they?

Mr. McCLOUD. They are makers of oxyacetylene apparatus, generators, and so forth.

Senator LA FOLLETTE. It is striking that that company did not ask for an embargo.

Senator WATSON. They have it. Is any of this imported from Canada?

Mr. McCLOUD. Yes; approximately 15,000 tons that were brought into this country from Canada and sold out of a total consumption of approximately 150,000 tons.

Senator WALSH. You say there is no competition in prices to speak of as between Canada and America?

Mr. McCLOUD. The price has advanced, while on the free list, from \$70 to \$100 a ton. Canadian carbide and American carbide are practically the same. Other foreign carbide is an inferior product. It is of inferior quality. It has not been used during the time it was on the free list.

Senator SUTHERLAND. Do you know how much was imported?

Mr. McCLOUD. The brief for our organization will be filed by Mr. Everson, of Denver, Colo. I think he has corresponded with your secretary.

Senator SUTHERLAND. Do you know how much carbide was imported from Germany?

Mr. McCLOUD. None was imported from Germany.

The Union Carbide people have a plant in Norway; they have a plant in Canada also. To the best of my knowledge, as far as figures are available, there have been practically no imports from either one of their own plants, showing that they could make the product cheaper in this country than make it over there and import it.

**STATEMENT OF E. V. O'DANIEL, VICE PRESIDENT AND GENERAL MANAGER OF THE NATIONAL CARBIDE CORPORATION.**

Mr. O'DANIEL. My name is E. V. O'Daniel. I am vice president and general manager of the National Carbide Corporation, whose plant is located at Ivanhoe, Va. The bill as passed by the House

provides a duty of 1 cent per pound on carbide, paragraph 15. We are satisfied with that provision, although we asked for 1½ cents, and felt that under the conditions existing now that was justifiable. My purpose in appearing here is to attempt to remove some of the false and erroneous impressions which the committee may have obtained from some of the testimony which has been submitted in opposition to this duty.

The opposition is principally from the Canadian Carbide Co., a manufacturing company located in Canada, which opposes the duty on the ground that the imposition of 1 cent per pound will give the Union Carbide Co. an absolute monopoly in this country. They further claim the proposed duty is prohibitive, although the industry does not need it. Neither of these assertions will stand up under analysis.

With reference to the question of absolute monopoly which is advanced by the opponents of the duty, they claim there is not sufficient capacity in this country to supply the normal requirements, and, therefore, if the duty is imposed the carbide companies, and particularly the Union Carbide Co., will be able to fix prices and control competitive conditions to suit themselves. The facts are that the normal requirements of carbide in this country are probably about 125,000 tons, if anything less than that. At the present time it is very materially less than that. We believe from all the information we can get that even during the peak of the war period the demand did not exceed 140,000 tons.

The opponents of the duty represented to the committee that the capacity of all the plants outside of the Union Carbide Co. did not exceed 10,000 tons. The National Carbide Co., which I represent, has a capacity of 15,000 tons, or one and a half times the amount they claim as the total capacity, exclusive of the Union Carbide Co. I think I am understating rather than overstating when I say that other plants, exclusive of the Union Carbide Co., have a capacity of at least 30,000 tons. So that the capacity of all the plants exclusive of the Union Carbide Co. is certainly not less than 40,000 tons per year, instead of 10,000, as represented by the opponents of this duty.

Senator LA FOLLETTE. Has carbide been on the free list heretofore?

Mr. O'DANIEL. It is on the free list under the Underwood tariff. In the Payne-Aldrich law it came under the provision covering chemicals not specifically provided for with a duty of 25 per cent ad valorem.

Senator LA FOLLETTE. What were the imports last year?

Mr. O'DANIEL. The imports were grouped with other chemicals, so that they can not be separated. However, there have not been many imports, except from Canada. I will get to that point a little later, Senator, as to why there have not been any imports.

On this question of capacity, as evidence that we have ample capacity, it may be cited that up to the present time considerable carbide has been exported from the United States. It is now being exported in very small quantities, because the American producer can not compete with the foreign producer under present conditions. I might refer you to the tariff survey prepared for the Ways and Means Committee, and this statement in particular.

No figures are available for the domestic production of calcium carbide. The production, however, is large and sufficient to meet domestic consumption, as considerable quantities of calcium carbide are exported from the United States.

Senator LA FOLLETTE. What is it used for?

Mr. O'DANIEL. It is used principally for the production of acetylene gas, used particularly for lighting farm buildings. Acetylene gas is used in the metal-working industry for cutting and welding and in miners' lamps. Those are the three principal uses.

Senator LA FOLLETTE. Then calcium carbide is an important factor in the production of acetylene gas?

Mr. O'DANIEL. It is the essential factor.

Senator LA FOLLETTE. It is an essential factor?

Mr. O'DANIEL. Absolutely.

Senator LA FOLLETTE. How many producers are there of calcium carbide in the United States?

Mr. O'DANIEL. There is the Union Carbide Co.; the National Carbide Co., which I represent; the American Carbolite Co., of Duluth, Minn.; the Gas Tank Recharging Co., of Keokuk, Iowa, which makes the Sunlight carbide; the National Lead Co., also at Keokuk, Iowa; the Standard Carbide Co., located at Plattsburg, N. Y.; and the Bilrowe Alloys Co., located in Seattle or Portland, I do not remember which.

Senator LA FOLLETTE. How many in all?

Mr. O'DANIEL. That would be seven with the Union, six outside of the Union.

Senator LA FOLLETTE. What do their products sell for?

Mr. O'DANIEL. I would have to qualify that somewhat, Senator. The price to the ultimate consumer in small lots ranges from \$105 to \$118 per ton. It is higher than that in some sections, because of freight rates. That is the price in the central and eastern sections of the country.

Senator SMOOT. What is a large lot?

Mr. O'DANIEL. Those are delivered prices. Carbide is sold pretty largely on a retail basis. In large lots f. o. b. the factory the price ranges from \$80 to \$90 per ton in carload lots, for the standard sizes. There is a certain amount of production of small sizes, which has to be sold at a much lower price. That is almost a by-product. You have to get what you can for it, and are glad to get that.

Senator WATSON. Do they import more than they export?

Mr. O'DANIEL. It is very hard to tell how much is imported. The Canadian people said before this committee that they imported into America about 13,000 tons. The Union Carbide Co. has a plant in Canada from which they import some carbide. The exports in 1919 were 23,000,000 pounds. Exports have been dropping. At the present time they are very much lower than that.

So from the standpoint of productive capacity there is more than ample capacity to meet the normal requirements of the country; in fact, the peak demands of the country during the war. The Union Carbide Co. has a capacity of anywhere from ninety to one hundred and twenty-five thousand tons a year. That varies, because they are also manufacturers of ferro-alloys, and some of their plant capacity may be used either for manufacture of carbide or for other purposes. From the standpoint of productive capacity there is no ground for the contention of the opponents of the duty that there is inadequate capacity in this country.

There is another reason why they can not have a real monopoly in carbide. It is used almost entirely for the production of acetylene

gas. That gas comes in competition with every other illuminant or heat-producing gas. It comes in competition on the farms with the isolated electric-light plants, in the mines it has to compete with oil and electricity, and in the cutting and welding industry it has to compete with other gases, such as hydrogen and calorine, and also with electric welding. So that even assuming there is a monopoly, which there is not, the price would be determined by the prices of these other commodities with which it is in very active competition. Our information is that the sale of the house-lighting generators has decreased very materially in the past two or three years because of the competition with electric lighting plants in farming communities.

Senator LA FOLLETTE. When was your plant established?

Mr. O'DANIEL. Construction was started in 1918 and operation begun in the fall of 1918.

Senator WATSON. Carbide has been produced for acetylene gas for a long time.

Mr. O'DANIEL. Oh, yes. There were other witnesses who appeared representing an association of gas manufacturers, or the gas products association, I believe it was called, who expressed fear that if this duty is imposed they would be compelled to buy carbide from the Union Carbide Co., which is also a competitor of theirs in the production of oxygen. I know how our own plant is situated, and I think I can truthfully say every other plant producing carbide to-day has ample reserve capacity to take care of the requirements of these gas producers, so they need have no fear of their ability to buy carbide except from their competitors. We should be very glad to sell them several thousand tons at the present time.

Senator Watson spoke of the fact that carbide had been produced for many years, and the question may have occurred to you, why does the Union Carbide Co. have such a large proportion of the productive capacity of carbide? Carbide was an American discovery. The product was protected by a product patent for many years, so that until after 1912 there was no opportunity for any other carbide producer to start a plant in this country. The Union controlled the product patent. They developed the carbide industry. Naturally, they have enjoyed the benefits of having been a pioneer in the industry. That is the reason why that situation exists.

Senator SMOOT. What power do you use?

Mr. O'DANIEL. Electric power.

Senator SMOOT. How much?

Mr. O'DANIEL. Nine thousand horsepower.

Senator SMOOT. Where do you get it from?

Mr. O'DANIEL. The Appalachian Power Co., which has a hydroelectric development in Virginia.

Senator McCUMBER. You have already consumed 15 minutes. Please bring your statement to a close as soon as possible, out of deference to the other witnesses.

Mr. O'DANIEL. I shall do so, and shall only consume a short time more. Another contention of those opposed to the duty is that it is prohibitive. Most of the discussion has revolved around German competition. They claim that Germany can not compete with America for two or three reasons. First, because of the inferior quality. We deny there is any reason why they can not

compete here, because the German carbide and acetylene producers have had as high a standard for their product as the commercial standard in this country. It might also be said that if they do produce an inferior carbide a duty could be imposed for that reason. Ninety-nine out of one hundred carbide users have no means of knowing what the quality is.

Another objection is the cost of changing their equipment to produce the sizes used here. It will not be difficult for them to change their equipment and make the size conform to the commercial practices of this country. It will not involve an expenditure of \$1,000 in the largest plant in Germany. It is just as easy to change the size as for the coal producers to change the size of their equipment for sizing coal. Another objection is that European producers put their carbide up in drums with soldered heads. That is an absurd objection, as this practice can also be changed readily. With reference to the question of price, which is really the crux of the whole matter, they claim that European producers, and particularly German producers, can not compete. German carbide is now being offered in New York at the rate of \$78 per ton in lots of 2,000 pounds, practically on a retail basis, which is very much less than we can put it into New York. As a matter of fact, one of the representatives of the Canadian Carbide Co. said if it could be shown that the American producers could not compete with Germany they would say put the duty on. Another representative of the same company stated their cost of manufacturing last year was \$81.91 per ton. German carbide is being offered in New York for \$78, or \$3.91 under what they say it costs them to make it, without considering transportation to New York and other expenses.

Senator LA FOLLETTE. What dividend did you declare last year?

Mr. O'DANIEL. None.

Senator LA FOLLETTE. The year before?

Mr. O'DANIEL. None.

Senator LA FOLLETTE. This year?

Mr. O'DANIEL. None. We are not making any money from which to declare dividends.

Senator LA FOLLETTE. What is your capitalization?

Mr. O'DANIEL. \$454,000.

Senator LA FOLLETTE. How much is paid in?

Mr. O'DANIEL. All of it.

Senator LA FOLLETTE. You began operation in 1918?

Mr. O'DANIEL. 1918.

Senator LA FOLLETTE. There was no tariff on at that time?

Mr. O'DANIEL. No, sir.

Senator LA FOLLETTE. It was free?

Mr. O'DANIEL. It was free. On the point you just raised, the point you have in mind, Senator, the question has frequently been raised why carbide was not imported under the old tariff and while it was free. It could not be imported prior to 1912 because of the patent in this country. The war came on in 1914. Prior to the war there was very little surplus capacity in Europe, and particularly no surplus in Germany.

Senator LA FOLLETTE. When did the patent expire?

Mr. O'DANIEL. In 1912. There was no surplus capacity in Germany. Germany was not importing any carbide. May I call your

attention to this statement in the report of the Tariff Commission, from which I read a while ago.

During the war Germany greatly increased her productive capacity for calcium carbide. This was done as a war measure for the fixation of atmospheric nitrogen and the calcium carbide was further manufactured into calcium cyanamide and then into ammonia for explosive purposes. With the war over, these plants are now available for uses other than military. The output of these plants may be marketed either as calcium carbide or converted into nitrogenous fertilizing materials, such as calcium cyanamide and ammonium sulphate. This would indicate that Germany will no longer be an importer of carbide, but will likely become an exporter.

As a matter of fact, Germany has become an exporter.

Senator LA FOLLETTE. I should judge not to any great extent.

Mr. O'DANIEL. On the question of capacity, prior to the war in 1909, Germany had a capacity of 9,000 metric tons of carbide, and at the present time Germany has a capacity of not less than 450,000 and probably more. That is because of the construction of cyanamide plants for the manufacture of explosives. This may be verified from the commerce reports of the Department of Commerce issued March 21, page 1593. The fact is that without the duty the American market will be open to the products of German war plants. There is just as much justification for a duty on carbide for that reason as there is for a duty on other chemicals coming from German war plants. I should like the privilege of submitting a brief.

Senator McCUMBER. Your brief will be printed.

**BRIEF OF E. V. O'DANIEL, REPRESENTING THE NATIONAL CARBIDE CORPORATION, BLUEFIELD, W. VA.**

Paragraph 15 of the tariff bill as passed by the House (H. R. 7456) provides a duty of 1 cent per pound on calcium carbide. Although we believe that under existing conditions and, particularly, because of the low foreign exchange rates a higher duty of 1½ cents per pound, as requested by the American producers, is justifiable, we are content to accept the rate as provided in the House bill and not asking that any increase be made.

This memorandum is submitted to the committee in support of the provision in the House bill and in answer to statements made by opponents of the duty which may have created erroneous impressions concerning the American carbide industry.

**CARBIDE INDUSTRY.**

Carbide is the essential factor in the production of acetylene gas, and commercially it is used for no other purpose in the United States. Acetylene is used for lighting and for cutting and welding metals.

There are seven companies in the United States now either producing and marketing carbide or prepared to do so. These are: Union Carbide Co., plant at Niagara Falls, N. Y.; and Sault Ste. Marie, Mich.; American Carbolite Co., plant at Duluth, Minn.; Gas Tank Recharging Co., plant at Keokuk, Iowa; National Lead Co., plant at Keokuk, Iowa; Bilrowe Alloys Co., plant at Tacoma, Wash.; Standard Carbide Co., plant at Plattsburgh, N. Y.; National Carbide Corporation, plant at Ivanhoe, Va.

**OPPOSITION TO DUTY.**

The principal opponent of the proposed duty appears to be the Canada Carbide Co., a Canadian manufacturer of carbide, or its selling organization, the Shawinigan Products Corporation.

Opposing testimony has also been offered and a brief in opposition to the duty filed with the committee by representatives of the Gas Products Association, an organization of manufacturers of oxygen and other gases, including acetylene made from carbide.

## BASIS OF OPPOSITION.

The opponents base their opposition primarily upon the claim that the imposition of the proposed duty or of any duty will result in giving an absolute monopoly of the business to the Union Carbide Co., resulting in higher prices and unfair competition. It is claimed that this alleged monopoly will result because—

1. There is insufficient productive capacity in this country to meet our normal demands.
  2. Although there is no reason to fear European competition, and the industry does not need a protective tariff, the duty is prohibitive.
- Neither of these claims will stand analysis.

## PRODUCTIVE CAPACITY OF AMERICAN INDUSTRY AMPLE.

The opponents of the duty estimate the normal requirements of this country to be 150,000 tons, and they represent that the productive capacity is only 90,000 to 135,000 tons, or insufficient to supply our demands. We believe that they have overstated the normal requirements, and we are confident that they have very much understated productive capacity, and particularly the productive capacity of the plants exclusive of those of the Union Carbide Co.

Our belief is that the normal demand does not exceed 120,000 tons, that even during the war period with consumption at the peak it did not exceed 140,000 tons.

It is represented by opponents of the duty that the productive capacity of all the carbide manufacturing establishments exclusive of the Union Carbide Co.'s plants is only 10,000 tons per year, whereas our plant alone (National Carbide Corporation) has a capacity of 15,000 tons, and the other five plants, exclusive of the Union Carbide Co.'s plants, have a capacity of certainly not less than 28,000 tons, or a total capacity of 43,000 tons; and if this is added to the capacity of the Union plants—80,000 to 125,000 tons<sup>1</sup>—we have a total capacity in America of 123,000 to 168,000 tons—more than sufficient to meet the present demand and all probable increases for some time in the future.

In the Tariff Information Surveys prepared by the United States Tariff Commission the situation is briefly but fully covered:

"No figures are available for the domestic production of calcium carbide. The production, however, is large and sufficient to meet domestic consumption, as considerable quantities of calcium carbide are exported from the United States."

There is no question but that the productive capacity of the country is ample to meet the requirements and to insure equitable prices and fair competitive conditions.

One of the arguments in opposition to the duty advanced by a representative of the Gas Products Association is that the members of their association who produce acetylene gas will be compelled to buy carbide from the Union Carbide Co., which is their competitor in the oxygen business, and that the Union Carbide Co., through control of the carbide business, will also control the acetylene business. Not only is the productive capacity of plants other than Union sufficient to meet the requirements of these acetylene manufacturers, but these plants are so distributed throughout the country that there is no danger even of any carbide producer being able to control the market in his own territory. We have a large percentage of unused plant capacity at the present time from which we should be glad to supply any of the acetylene gas manufacturers, and we believe that the conditions at our plant are typical of the situation in the industry generally.

It may appear because one carbide manufacturer (Union Carbide Co.) produces so large a proportion of the total output that there is ground to fear the development of a monopoly. The fact is, however, that the development is away from a monopoly instead of toward one. Carbide is an American discovery, and practical commercial production was started in this country. It was covered by a product patent which was controlled by the Union Carbide Co., and which gave them a monopoly of the business until 1912, when the patent expired. The establishment of competing plants has been confined to the period since 1912 and largely to the last four or five years. Being pioneers in the business and having enjoyed a legal monopoly through controlling patents until so recently, it is only natural that this company should still retain a very large percentage of the market.

## CARBIDE MUST COMPETE WITH MANY OTHER COMMODITIES.

In addition to the very active competition among the American carbide producers, there is another reason why there can be no price-fixing carbide monopoly. Acety-

<sup>1</sup> The Union Carbide Co. produces both carbide and ferro alloys, either of which may be produced in one of their two American plants. Their potential capacity for carbide production is probably in excess of 125,000 tons and is not less than this after making allowance for normal production of ferro alloys.

lene gas, in which form carbide is ultimately used, comes in competition with every other kind of illuminant and with every other heat-producing gas.

For house lighting acetylene is used principally on farms and in rural communities. Here it comes in competition with kerosene, and more recently it is meeting very active competition from the small electric-light plants designed for home use.

In the coal and metal mines, where it is used in miners' cap lamps, it must compete with oil and with the dry-battery electric lights.

In industry, where acetylene is used for cutting and welding metals, it must compete with other heat-producing gases, such as hydrogen, certain derivatives of alcohol, with electric cutting and welding, thermit welding, etc.

This competition with other commodities determines, quite as much as competition among the producers of carbide, the breadth of the market for their commodity.

#### CARBIDE PRICES RELATIVELY LOW.

The opponents of the duty also point out that in the face of "duty free" carbide prices advanced from \$70 per ton in 1913 to \$112 per ton in 1920. In view of the fact that the costs of coal, coke, sheet metal, labor, and other items entering into the production of carbide advanced from 100 per cent to 500 per cent, the advance of \$42, or 60 per cent, in the price of carbide is extremely moderate. Furthermore, the prices given above are prices on small lots delivered and reflect the increase in freight rates.

#### EUROPEAN COMPETITION.

It is claimed by those opposing the duty that since European carbide can not be imported in competition with the American product, even if there is no duty, the proposed duty is prohibitive, will not produce any revenue, and its only effect will be to exclude the Canadian producers from this market.

European producers, and particularly German producers, can not compete, it is said, for the following reasons: (a) Their product is inferior. (b) It is not sized to conform to American requirements. (c) It is packed in drums with soldered covers instead of screw tops.

The first of these reasons would be important if supported by the facts, but we believe there is no ground for the assertion that the European or German manufacturers can not produce carbide of satisfactory quality. In fact, the specifications of the German Acetylene Association provide as high a standard as is required here, and German carbide now being offered in the American market is represented to be of a quality comparable with that of the American product.

The other two reasons are too insignificant to be offered seriously. With respect to the matter of sizing, European producers screen their product to sizes measured by millimeters instead of by inches and fractions thereof, as is customary here. But to change from one method to another is very simple and would not involve an expenditure of more than a few hundred dollars in the largest of the European plants. Likewise, the European manufacturer can easily equip his plant to duplicate the screw-top drums with which the American trade is familiar and at a very moderate cost not exceeding two or three thousand dollars.

#### WHY NO IMPORTS OF CARBIDE IN PAST.

Much stress is laid on the fact that there have been no imports of European carbide since 1913, when it went on the free list, and this is cited to support the claim that German carbide can not compete. The explanation of this is not hard to find. Prior to the war Germany's carbide-producing capacity was inadequate to meet home consumption, so that she was an importer and not an exporter.

During the war the carbide productive capacity of all Europe and particularly of Germany was greatly increased. Carbide was needed in the metal-working industries, but the great increase in plant capacity grew out of the necessity for high explosives. In 1909 the capacity of German plants was, approximately, 12,000 metric tons.<sup>2</sup> By the close of the war the German plant capacity had been increased to the enormous total of not less than 450,000 tons.<sup>3</sup> This situation is described in the following quotation from the Tariff Information Survey, prepared by the United States Tariff Commission:

"During the war Germany greatly increased her productive capacity for calcium carbide. This was done as a war measure for the fixation of atmospheric nitrogen,

<sup>1</sup> Department of Commerce and Labor Special Agents Series, No. 52, p. 155.

<sup>2</sup> Commerce Reports, Department of Commerce, No. 65, March 21, 1921, p. 1593. German calcium cyanamid plants at the close of the war have, according to this report, a capacity of 600,000 tons of calcium cyanamid. Every one of these plants is a potential carbide producer, and the capacity in terms of calcium carbide is 450,000 to 490,000 tons. See quotation above from Tariff Information Surveys.

and the calcium carbide was further manufactured into calcium cyanamid and then into ammonia for explosive purposes. With the war over, these plants are now available for uses other than military. The output of these plants may be marketed either as calcium carbide or converted into nitrogenous fertilizing materials, such as calcium cyanamid and ammonium sulphate. This would indicate that Germany will not longer be an importer of carbide but will likely become an exporter."

#### EUROPEAN AND AMERICAN PRICES.

The question as to whether or not European carbide will be imported is no longer an academic one, as importations are now being made. European carbide, which we are informed is of German origin, is being offered at New York in small lots at \$78 and \$80 per ton, which is more than \$20 under the price of the American product sold under similar conditions.<sup>4</sup> (See Exhibits A and B.) On larger quantities the price would unquestionably be several dollars less per ton. A carbide manufacturer stated before the subcommittee of the House Ways and Means Committee that they had received a quotation from the International Minerals & Metals Co., of 61 Broadway, New York, of \$64.50 per ton on large lots laid down in New York. This price is materially under the factory cost of the American product, without considering transportation costs, distribution, and selling expense.

One representative of the Canada Carbide Co. said before your committee that if they thought the German makers could tote the market from American and Canadian producers, they would say: "Go ahead and put the duty on." Another representative of the same company appearing before you at the same time said that the cost of carbide produced at their plant last year was \$91.91 per ton and that they received, therefore, an average of \$33.18 per ton. In the face of prices on German carbide of from \$64.50 to \$78 per ton, how can the Canadian manufacturers produce at a cost in excess of \$80, ship to New York or other points within four or five hundred miles of the seaboard, where the bulk of the carbide is used, and compete. We can not. With a duty of 1 cent per pound the European producer will still have an advantage in the territory along the entire seaboard, both on the Atlantic and Pacific, and competition with the imported article will be sufficiently active to prevent an artificial price basis, even if there were inadequate competition among the American producers.

The Canadian producer, in some respects, is in better position to meet European competition than is the American producer, because the production costs, particularly the costs of power, are somewhat less in Canada than in the United States, and at the present time he also has an advantage in the disparity in exchange between the two countries. There is also a duty of 17½ per cent ad valorem on importations of carbide into Canada.

But it will be ruinous to the American industry if the markets of this country are left open to the exploitation of European and particularly German producers, with their extremely low wage scale and with the enormous capacity of their war plants now available for carbide production, and, particularly, under present conditions with the exchange situation so greatly in their favor. Furthermore, we believe that if the markets of America are opened to competition with the world without imposing a duty which will in part equalize the costs of production here and abroad the ultimate result will also be disastrous to the Canadian producer, who now looks to America for his best market. The Canada Carbide Co. has said in correspondence with American warehousing and distributing companies, which was presented to the subcommittee of the House Ways and Means Committee, that they expected to establish a plant in the United States if a duty were placed on carbide. If such action were taken, it would dispose entirely of any vestige of the claims of the opponents of the duty that the productive capacity of this country is insufficient.

#### DUTY MODERATE AND NOT PROHIBITIVE.

The duty of 1 cent per pound, or \$20 per ton, as provided by the House bill, is moderate. It is extremely doubtful whether it is sufficient to equalize lower foreign production costs with our American costs. That the duty is not prohibitive is obvious from the fact that imported carbide is now being offered at seaboard at more than \$20 per ton less than the prevailing prices on the American products, which are now highly competitive and offer the manufacturer less than a reasonable margin of profit.

<sup>4</sup> The prevailing market prices on the American product are from \$98 to \$113 per ton in New York and throughout the eastern and central sections, the price varying with the quantity and size of packages. The price of \$98 is for delivery in car lots in large packages. The \$113 price is for small lots delivered from warehouses at consuming points and is comparable to the \$78 or \$80 quoted on German carbide in ton lots.

## MAINTENANCE OF GERMAN WAR PLANTS.

Wholly aside from the question of a protective tariff which will enable the American carbide manufacturer to produce under our American standard of costs and compete in his home market, there is a broad question of public policy as to whether the American market should be opened freely to the products of German plants built for war needs, and which may easily be converted again to such purposes. We believe that public policy demands that these plants should not be maintained by the patronage of the American public.

## EXHIBIT A.

IRON AND ORE CORPORATION OF AMERICA,  
New York, July 27, 1921.

GENTLEMEN: During last May-June we corresponded with you re European calcium carbide.

At that time you indicated interest in this subject.

We are now pleased to advise that our first consignment of calcium carbide left Europe July 26 and is due to arrive in New York the first half of August, and immediately following arrival we will be able to make prompt shipments from stock.

Our present consignment is packed in steel drums of 112 pounds net each and consists of the following sizes: One-sixth inch by one-fourth inch, corresponding to pea size; one-third inch by three-fifths inch, corresponding to miner's 1-inch special size; three-fifths inch by 1 inch, corresponding to nut size; 1 inch by 2 inches, corresponding to small lump.

The gas yield of our calcium carbide is rated at about 4½ cubic feet per pound.

Subject to being unsold, we renew to you our original price offer of \$78 per ton of 2,000 pounds net weight, f. o. b. cars New York City, for a trial quantity of any of the above-indicated sizes suitable to your purposes.

Payment terms are net cash 10 days from date of invoice.

Our extremely low price should attract you, and in anticipation of booking your trial order, we are,

Yours, very truly,

PAUL G. LEONI, *Managing Director.*

## EXHIBIT B.

IRON AND ORE CORPORATION OF AMERICA,  
New York, July 29, 1921.

GENTLEMEN: Your name is listed among houses supplying mines; therefore would like to ask whether you handle calcium carbide as used for miners' lamps.

We import European calcium carbide as exclusive New York representative of the manufacturers and have at present a consignment on the way, due here early August, out of which we could furnish you a trial lot.

The carbide is packed in steel drums of about 112 pounds each, and we can furnish you any of the following sizes: One-twelfth inch by one-fourth inch, one-third inch by three-fifths inch, three-fifths inch to 1 inch, 1 inch to 2 inches.

In order to introduce this carbide, we quote a price of \$80 per 2,000 pounds f. o. b. cars New York; payment, net cash upon arrival.

We will keep stocks of this carbide in New York, so that after you have convinced yourselves of the good quality of our material you will be able to obtain further supplies from us regularly on short notice.

The gas yield of the carbide is about 4½ cubic feet per pound.

Looking forward to receiving a trial order from you, we are,

Yours, very truly,

PAUL G. LEONI, *Managing Director.*

P. S.—You may have seen that the new proposed tariff, now before the United States Senate, provides a duty of \$20 per ton on calcium carbide imported from Canada or Europe.

Should you agree with us that this is a prohibitive and unreasonable duty, only tending to keep the prices on calcium carbide at an artificially high figure, we would suggest that you write or telegraph to the Senator of your State, requesting him to use his influence to have this duty reduced to a reasonable figure, say, \$5 per ton.

**MERCURIAL PREPARATIONS, CITRATE OF LIME, AND QUICK-SILVER.**

[Paragraphs 16, 46, and 383.]

**STATEMENT OF A. G. ROSENGARTEN, REPRESENTING POWERS-WEIGHTMAN-ROSENGARTEN CO., PHILADELPHIA, PA.**

The CHAIRMAN. Will you state your full name?

Mr. ROSENGARTEN. My name is A. G. Rosengarten, of Philadelphia. I am connected with the Powers-Weightman-Rosengarten Co.

My first brief is on paragraph 16, and is a joint brief by the company which I represent, the Mallinckrodt Chemical Works, of St. Louis; Charles Pfizer & Co., of New York; and the Norvell Chemical Corporation, of Perth Amboy, N. J., and with your permission I shall read this brief.

The CHAIRMAN. Very well, Mr. Rosengarten.

Mr. ROSENGARTEN (reading):

We respectfully draw your attention to the duties in H. R. 7456 placed on calomel, corrosive sublimate, and other mercurial preparations, paragraph 16, and on quicksilver, paragraph 383, namely, 80 per cent ad valorem on mercurial preparations and a specific duty of 35 cents per pound on quicksilver.

It is evident that in increasing the committee rate on quicksilver from 7 cents per pound to 35 cents per pound the House of Representatives overlooked enacting a compensating increase in rates on calomel, corrosive sublimate, and other mercurial preparations, for the reason that these mercurial preparations average approximately 90 per cent quicksilver content, and in their manufacture there is used not less than 50 per cent of the quicksilver consumed in the United States.

Should these duties become effective, the American manufacturers of the above-mentioned mercurial preparations will be forced to close their works and go out of business—

The CHAIRMAN. Where is most of this quicksilver imported from?

Mr. ROSENGARTEN. Most of the quicksilver, the largest percentage of quicksilver produced in this country, is produced in California and in Mexico. There is also quicksilver imported from abroad, which is mined chiefly in Spain and in Italy, the northern part of Italy, the part of Italy that was formerly Austria. [Reading:]

Should these duties become effective, the American manufacturers of the above-mentioned mercurial preparations will be forced to close their works and go out of business, and thus remove from domestic outlet 50 per cent or more of the quicksilver produced in the United States.

As the manufacture of these mercurial preparations require an average of 90 per cent by weight of quicksilver, the duty placed on them should be increased by a compensating duty of 90 per cent of the duty on quicksilver, which is equivalent to 32 cents per pound.

We respectfully submit that paragraph 16 be amended to read as follows:

"Calomel, corrosive sublimate, and other mercurial preparations, 25 per cent ad valorem and 32 cents per pound."

POWERS-WEIGHTMAN-ROSENGARTEN Co.,  
Philadelphia, Pa.  
MALLINCKRODT CHEMICAL WORKS,  
St. Louis, Mo.  
CHARLES PFIZER & Co.,  
New York, N. Y.  
NOVELL CHEMICAL CORPORATION,  
Perth Amboy, N. J.

I have another brief—

Senator REED. Are you going to leave that topic?

Mr. ROSENGARTEN. I have not sufficient copies, but I should be very glad—

Senator REED (interposing). No. I say, are you going to leave that topic?

Mr. ROSENGARTEN. Oh, yes.

Senator REED. If no one else wants to ask any questions I would like to ask one.

How much of the quicksilver is consumed in making calomel and corrosive sublimate—I believe you named those two. I am not entirely familiar with chemical matters and I may ask some ridiculous questions—that is, ridiculous from a chemist's standpoint. I hope you will correct me if I do.

Mr. ROSENGARTEN. With pleasure.

Senator REED. Do you use quicksilver in making calomel and corrosive sublimate and other mercurial preparations?

Mr. ROSENGARTEN. Yes, sir.

Senator REED. What proportion of that quicksilver do you use that is produced in the United States?

Mr. ROSENGARTEN. In the past virtually all has been produced in the United States. There have been times when the foreigners have been able to make quicksilver at much lower prices than the producers in this country were able to get it.

Senator REED. When was that? That was a good while ago?

Mr. ROSENGARTEN. No. Quicksilver was coming in from abroad—some quicksilver has been coming in, off and on, for the last seven or eight years, I should say.

Senator REED. How much; what proportion?

Mr. ROSENGARTEN. I have not those figures at my fingers' ends.

Senator REED. It has been very small, has it not?

Mr. ROSENGARTEN. Not very large.

Senator REED. What is quicksilver? Is it a natural product?

Mr. ROSENGARTEN. It is a metal.

Senator REED. Mined out of the earth in some form?

Mr. ROSENGARTEN. Yes, sir.

Senator REED. And then has to be treated, I presume, to make the commercial article?

Mr. ROSENGARTEN. It is a metallurgical proposition.

Senator REED. There are large deposits of it in the United States?

Mr. ROSENGARTEN. Yes, sir.

Senator REED. They ship large quantities abroad right along, do they not?

Mr. ROSENGARTEN. America has ceased to be an exporting nation as regards quicksilver. Forty or fifty years ago large quantities of mercury were shipped to Europe.

Senator REED. You mean mercury or quicksilver?

Mr. ROSENGARTEN. It is the same thing.

Senator REED. They are identical?

Mr. ROSENGARTEN. They are identical.

Senator REED. I thought mercury was quicksilver that had been treated.

Mr. ROSENGARTEN. No.

Senator REED. All right. Thank you for the correction.

What proportion of this quicksilver came into this country from abroad in 1920 and was used here?

Mr. ROSENGARTEN. A small proportion.

Senator REED. Can you state it in percentages?

Mr. ROSENGARTEN. I can not.

Senator REED. Was it as much as 1 per cent?

Mr. ROSENGARTEN. I have not those facts before me, Senator.

Senator REED. If nearly all the quicksilver is produced in the United States and if there happens to be a duty put upon quicksilver coming from abroad and your supply is here and does not have to pay that, why will that make it necessary to raise the duty upon these manufactured products into which quicksilver enters—calomel, etc.?

Mr. ROSENGARTEN. For the very simple reason that it is assumed that the producers of quicksilver will take advantage of the duty on quicksilver and raise the price and get it.

Senator REED. Do you think they do that ordinarily?

Mr. ROSENGARTEN. That has been generally the case.

Senator REED. Then, as a matter of fact, we might as well have the frank admission now that when you get a tariff on anything the American producer proceeds to boost the price according to the tariff. That is the situation, is it not, and you as a purchaser of these raw materials fear that?

Mr. ROSENGARTEN. Yes, sir.

Senator REED. And therefore you want a tariff put upon the things you make out of that raw material which will enable you to still buy abroad if necessary?

Mr. ROSENGARTEN. Will you kindly repeat that? I did not follow it.

Senator REED. I think the question was involved. See if I can state it in a plainer way.

Because you know that when a tariff was put upon an article which is domestically produced, the price of the domestic article is advanced approximately the amount of the tariff, you, as a consumer of these raw materials, want a tariff put upon calomel and corrosive sublimate and other mercurial preparations high enough so that when the domestic producer of quicksilver has boosted his price on account of the tariff you can continue to pay that price and continue to manufacture your goods?

Mr. ROSENGARTEN. Yes, sir.

Senator REED. You are asking a tariff of how much on the calomel above the 30 per cent?

Mr. ROSENGARTEN. Twenty-five per cent and 32 cents per pound.

Senator REED. What would that figure it in percentage?

Mr. ROSENGARTEN. That is 90 per cent of 36 cents plus 25 per cent.

Senator REED. Can you give us that in figures so it can go into the record?

Mr. ROSENGARTEN. The figure, of course, depends on the value of mercury—

Senator REED. Let us take the present value.

Mr. ROSENGARTEN. The present value of mercury is about \$45 a flask, and there are 75 pounds of mercury in a flask.

The CHAIRMAN. We have the Government actuary here if you want any figures, Mr. Reed.

Mr. ROSENGARTEN (after a calculation). Sixty cents a pound.

Senator REED. In the manufacture of mercury are you governed by any higher principles than are the men who produce and sell to you?

Mr. ROSENGARTEN. Have I greater virtue, you mean? I make no claims of that sort of thing.

Senator REED. You have said that the reason you want a tariff upon what you make out of quicksilver is because you anticipate that the gentleman who gets a tariff upon quicksilver will raise the price to you by the amount of the tariff. Accordingly, you ask now to have your tariff increased figured on a present price of 60 cents a pound?

Mr. ROSENGARTEN. Yes, sir.

Senator REED. If the other gentleman will raise his price because of the tariff, and if you are on no higher moral level than he is—and you do not claim to be—you are going to raise your price, too, are you not?

Mr. ROSENGARTEN. Of course.

Senator REED. You people who are engaged in the mercurial and quicksilver business act in accordance with the general rules that obtain among all business men—that is, you would add to your domestic price the amount of the tariff?

Mr. ROSENGARTEN. Yes, sir.

Senator REED. So we can quit talking, now, about the foreigner paying a tax and admit that the American people pay the increased price on the domestic product in order to collect something off the goods that filter in here despite the tariff. We can admit that?

Mr. ROSENGARTEN. Yes, sir.

Senator REED. I thought so. Thank you. That is all.

Senator WATSON. How much of the quicksilver produced in the United States is used in the United States?

Mr. ROSENGARTEN. I think all of it, Senator; practically all of it. Of course that is a commercial question, also.

Senator WATSON. Is there a sufficient supply of the home product to supply the home demand?

Mr. ROSENGARTEN. At the present time I rather doubt it. I think there will be some quicksilver imported; I think so.

Senator WATSON. In order to supply the American demand?

Mr. ROSENGARTEN. In order to supply the American demand.

Senator WATSON. What is the present tariff on quicksilver?

Mr. ROSENGARTEN. The present tariff on quicksilver is 10 per cent.

Senator WATSON. Are you familiar with the prices paid for labor in the production of quicksilver here and in competing countries?

Mr. ROSENGARTEN. I am not; I am not a producer of quicksilver. Senator WATSON. Why should there be a tariff on quicksilver at all?

Mr. ROSENGARTEN. Of course, Senator, that is a question that must be left to the miners of quicksilver. I have not discussed that question.

Senator WATSON. You have stated in general terms that the tariff is always added to the price of the article, and the consumer pays it.

Mr. ROSENGARTEN. Generally speaking.

Senator WATSON. And it continues that way right along, does it?

Mr. ROSENGARTEN. Generally speaking.

Senator WATSON. So that after an industry shall have been fully established in the United States competition among the home producers never cuts the price down at all?

Mr. ROSENGARTEN. Oh, no; I am not saying that. Of course, competition naturally does cut down the price.

Senator WATSON. After the institution has been established?

Mr. ROSENGARTEN. Unquestionably.

Senator WATSON. Are you familiar with the establishment of the great industries in the United States, the steel and crockery industries, for instance, going along down the list, and do you know whether or not the tariff has always added to the price that the consumer pays?

Mr. ROSENGARTEN. No; I am not sufficiently familiar, Senator. I was speaking specifically of this one item. My answer to that, Senator, is that the superimposed duty on mercury is so small, comparatively speaking, with the additional cost in this country, that it is necessary, in order to make a profit, that one should take advantage of the duty and bring the price up.

Senator WATSON. So far as you are concerned, there need be no tariff on quicksilver?

Mr. ROSENGARTEN. As far as I am concerned; no.

Senator WATSON. But inasmuch as there is a tariff imposed, then you want a greater differential?

Mr. ROSENGARTEN. Yes, sir; in order to maintain the industry in this country.

Senator WATSON. Why do you fix on this particular differential that you are asking for?

Mr. ROSENGARTEN. I state in my brief that the principal mercurial preparations contain on an average of 90 per cent of quicksilver, and therefore I have taken 90 per cent of 35 cents plus a duty of 25 per cent.

Senator WATSON. How much calomel is imported from abroad?

Mr. ROSENGARTEN. That depends on commercial conditions. There have been large quantities of all these materials just before the war.

Senator WATSON. And corrosive sublimate?

Mr. ROSENGARTEN. Yes, sir.

Senator WATSON. Where do they come from?

Mr. ROSENGARTEN. They are made in England, made in France, made in Italy, and also in Germany.

Senator WATSON. You know the difference in wages paid in your factories and the wages paid in factories in competing countries?

Mr. ROSENGARTEN. I have a general knowledge of the fact, sir.

Senator WATSON. Just general knowledge?

Mr. ROSENGARTEN. Yes, sir.

Senator WATSON. If you do not know the difference in the cost of production at home and abroad, how did you arrive at this particular differential?

Mr. ROSENGARTEN. Of 25 per cent?

Senator WATSON. Yes.

Mr. ROSENGARTEN. Because over a period of years I feel that that will just about cover the difference in labor between this country and Europe.

Senator WATSON. Then does this differential you ask relate wholly to labor and the wages paid labor?

Mr. ROSENGARTEN. To a large extent, yes.

Senator WATSON. To what extent?

Mr. ROSENGARTEN. I should judge, the full 25 per cent.

Senator WATSON. Practically the whole thing?

Mr. ROSENGARTEN. Yes, sir; I think so.

Senator WATSON. So that the differential that you are asking here relates wholly to the difference in wages paid here and in competing factories abroad?

Mr. ROSENGARTEN. Yes, sir.

Senator REED. Mr. Rosengarten, how many men are employed in your factory?

Mr. ROSENGARTEN. We are employing at the present time about six or seven hundred men.

Senator REED. You produce a very large production from your plants, if you have more than one plant?

Mr. ROSENGARTEN. We have virtually one plant. It is divided.

Senator CALDER. Where is your plant located?

Mr. ROSENGARTEN. In Philadelphia.

Senator REED. Can you tell me your gross annual production?

Mr. ROSENGARTEN. Our normal production in dollars and cents, do you mean, Senator?

Senator REED. Yes. Let us take 1920.

Mr. ROSENGARTEN. I can tell you, Senator; but we are a private company.

Senator REED. But you are here on public business, asking aid for your private company.

Mr. ROSENGARTEN. Yes, sir.

Senator REED. Then you must be frank.

Mr. ROSENGARTEN. I should be very glad to give you all these details, personally, but I do not really feel justified in making them public here, when my competitors are sitting about. They know nothing about my business.

Senator REED. But you are here on public business. You are asking protection.

Mr. ROSENGARTEN. Yes, sir.

Senator REED. We would like to know what we are going to protect.

Mr. ROSENGARTEN. Protecting the industry generally.

Senator REED. Yes; but we have got to know about the industry, and, therefore, I ask you how much you produced last year. You have been giving us a rough guess at wages, and the difference between here and Europe, and I want to find out what your production is. I am going to be frank with you. Then, I want to find out what your pay roll is. I want to find out the percentage of wages that goes into this production, because you are not asking a tariff upon wages; you are asking a tariff upon production.

Mr. ROSENGARTEN. I estimate at the present time, at least, 26 per cent of our wages go into production.

Senator REED. Twenty-five per cent of wages goes into production, but you are not willing to give me that production and give me your pay roll.

Mr. ROSENGARTEN. I am willing to give you them personally, or privately, with pleasure.

Senator REED. The trouble is that this is public business. I could not make use of it if you gave it to me privately.

Senator WATSON. Do you know whether there is a difference between your pay roll and the pay roll of your competitors?

Mr. ROSENGARTEN. No, sir; I do not.

Senator WATSON. You do not know whether they pay more or less?

Mr. ROSENGARTEN. No, sir; I do not know.

Senator REED. But 25 per cent of your production—I will proceed on that for a moment, although I am not abandoning the other request—is wages; and there is a difference of 25 per cent between the wages here and the wages abroad, in your judgment?

Mr. ROSENGARTEN. I think there is a great deal larger difference than that.

Senator REED. Did you not say a little while ago—

Mr. ROSENGARTEN. That would be figured back into dollars and cents.

Senator REED. Well, figure it back into dollars and cents. Let me state it again. You say that all your total production costs represent, in your judgment, 25 per cent labor. You have also said that there is a difference between American labor and European labor of 25 per cent—

Mr. ROSENGARTEN. No, sir; I have not said that. I beg your pardon. You must have misunderstood me. You go right down to basic facts and the wage that is being paid, we will say, in this country, is approximately equal to \$3.50 to \$4 a day, and in Europe there has been published by the Tariff Commission Wages in Industry—I think that was the title of it—which shows the difference in wages paid in the different countries. I have not that data at my fingers' ends.

Senator REED. You certainly did state that, or else my recollection has gone wide. You stated the difference between the labor cost here and the labor cost abroad as 25 per cent.

Mr. ROSENGARTEN. If I did state it in that way it was a misstatement.

Senator REED. Do you know what the difference is?

Mr. ROSENGARTEN. I can not answer that question without referring to the table.

Senator REED. If you are asking a protective tariff here to represent the difference between wages abroad and wages in this country you certainly can not tell us how much that tariff should be until you can tell us what the difference is, can you?

Mr. ROSENGARTEN. I can only perhaps put that on this ground, that by past experience and the price at which the foreigners are willing to sell this article in this country to compete with them, in order to maintain its production, we are asking for a 25 per cent tariff.

Senator REED. But that does not answer it at all. That takes in the question of investment, of interests, of salaries, of machinery, and all those other elements that enter into cost. I am trying to get the difference in wages, because the only argument you gentlemen come here with, practically, is wages, and yet none of you think it is fair to tell us the difference in wages. If the difference in wages between this country and Europe is 25 per cent and the entire cost of labor going into an American article is 25 per cent, and you need a tariff of 25 per cent upon the entire article, three-fourths of that tariff must inure to the benefit of the factory, and then 25 per cent of wages, one-fourth of the production cost, will balance against the European cost and enable you to take care of the difference between European labor and American labor. Then you take off one-fourth of the 25 per cent levied on the whole article here, and you would have an 8 per cent tariff, which would compensate you for the difference in wages, if I figure it right in my head as I go along, and yet you are asking for 25 per cent—

A VOICE. Six and a quarter.

Senator REED. Six and a quarter; yes. I wish you would find out for us what you are willing to testify is the labor cost on these articles that you produce, in Europe, and your own labor cost; and then I wish you would consider the question of whether you are going to tell us what wages you pay your men, and incidentally, tell us what the profits of your corporation were in 1919 and 1920, its capital stock, its surplus carried over, and how much excess profits tax you paid in 1919 and 1920; whether you have reduced wages any; give us the salary list of your officers, and then we can tell something about your business. I do not want to levy a tax on every man that takes physic, unless it is necessary.

Mr. ROSENGARTEN. I desire to speak now with reference to paragraph 46, page 16, of House bill 7456, on the subject of citrate of lime. [Reading:]

We respectfully enter our protest against the duty of 7 cents per pound placed on citrate of lime in House bill 7456. This is the crude material for the manufacture of citric acid, on which the duty is placed at 12 cents per pound, paragraph 1, page 2.

Should these duties become effective the eastern manufacturers of citric acid will be compelled to close their works and stop manufacturing. The crude material for the production of citric acid is citrate of lime, and, as approximately 2 pounds of citrate of lime are required to produce 1 pound of citric acid, it will be seen that a duty of 7 cents per pound on the same is equal to 14 cents per pound on the citric acid contained, and the 12 cents per pound duty on citric acid, the finished product, is therefore lower than the duty on the crude material.

The eastern manufacturers of citric acid draw practically all of their requirements of citrate of lime from Sicily, but should a duty of 7 cents per pound be placed on this product the result will be that the importation of citrate of lime must of necessity stop, thereby forcing the eastern manufacturers of citric acid to close their works.

In view of the fact that the California makers of citric acid are at present only able to supply a small portion of the total requirements of the United States, and do not expect for possibly five years to reach a point where they could even provide half the consumption, the situation resolves itself into the fact that a large part of the production heretofore made in the United States by American manufacturers will be surrendered to foreign producers and that the industry which has been conducted for the past 50 years in the East will be extinguished.

Although we fully realize and believe that the California producers are entitled to reasonable and proper protection, still it seems hardly justifiable that they are entitled to all o' the earth and part of heaven.

We respectfully submit that in order to provide adequate protection, with the duty on citric acid at 12 cents per pound, a duty of not more than 2 cents per pound be imposed on citrate of lime, paragraph 4C

POWERS-WEIGHTMAN-ROSENGARTEN Co.,  
Philadelphia, Pa.

CHARLES PFIZER & Co.,  
New York, N. Y.

That finishes my testimony, with the exception that I have before me a publication issued by the National Association of Manufacturers, which states in terms of dollars the wages in the chemical industry, both for process men and common laborers, in the United States, Germany, Japan, England, Belgium, and Italy, which I should like to read, with your permission.

Senator McCUMBER. We shall be very glad to have you insert that in the record.

(The matter referred to is as follows:)

Industry and occupation.	United States.	Germany.	Japan.	England.	Belgium.	Italy.
Process men.....	\$31.03	\$8.34	\$4.90	\$18.71	\$4.48	\$5.40
Chemicals: Common labor....	18.15	5.52	4.50	13.32	3.31	4.68
Pottery and chinaware: Pot- ters and kiln placers.....	30.94	6.60	6.00	15.59	.....	.....
Glass: Skilled workers.....	26.81-69.83	6.24	9.60-13.68	21.45-27.30	15.00	.....

Senator REED. Will you let me see that table, please?

Mr. ROSENGARTEN. Yes, sir.

Senator REED. What is this you have been reading from?

Mr. ROSENGARTEN. It is a circular issued by the National Association of Manufacturers.

Senator REED. Yes; but who gets it out?

Mr. ROSENGARTEN. I do not know, Senator Reed.

Senator REED. Do you know the source of information?

Mr. ROSENGARTEN. No, sir.

Senator REED. Well, if you do not know who gets it out, I suppose you do not know the source of information.

Mr. ROSENGARTEN. No, sir.

Senator REED. It is a propaganda sheet gotten out by the Association of Manufacturers for the purpose of boosting the tariff, is it not?

Mr. ROSENGARTEN. I do not know.

Senator REED. Who gave it to you?

Mr. ROSENGARTEN. It was given to me by Mr. Black, of New York.

Senator REED. When?

Mr. ROSENGARTEN. After the hearing this morning.

Senator REED. Is that all you know about it?

Mr. ROSENGARTEN. Yes, sir.

Senator REED. Who is the secretary of the National Association?

Mr. ROSENGARTEN. I do not know.

Senator REED. Is this the same institution that we investigated in the lobby hearings about seven or eight years ago?

Mr. ROSENGARTEN. I do not know, Senator.

Senator REED. And thereupon they moved their headquarters out of Washington?

Mr. ROSENGARTEN. I do not know.

Senator REED. You do not know whether the same man is running it who was running it then?

Mr. ROSENGARTEN. No, sir; I do not.

Senator REED. What do you call process men?

Mr. ROSENGARTEN. A process man is a man who is an expert and who has been trained to run a chemical process, as distinguished from a common laborer.

Senator REED. Do you know what the common labor is in the chemical industry in this country?

Mr. ROSENGARTEN. It is mentioned in that.

Senator REED. Oh, yes; it is mentioned here.

Mr. ROSENGARTEN. Yes.

Senator REED. That is all you know about it, is it?

Mr. ROSENGARTEN. Yes, sir.

Senator REED. Do you know what money they figured this in? Do you know what is the basis of the figures? It is figured in dollars, I see, but what is the basis?

Mr. ROSENGARTEN. No, sir; I do not know.

Senator REED. Is England able to make chemicals and sell them in this country; that is, Great Britain?

Mr. ROSENGARTEN. I have not that data at my command, Senator Reed.

Senator REED. You can not have been suffering very much from importations if you do not know whether Great Britain is an importer competing with you. You say you do not know about that?

Mr. ROSENGARTEN. No, sir.

Senator REED. The fact about the matter is—and I do not say this in an offensive sense—that you do not know much about the question at all. This morning you told me with reference to a certain chemical that only a small portion comes in this country. I looked up the figures and found that nearly as much comes into this country as we produce here.

The reason I asked about Great Britain is this: I wanted to know if Great Britain, paying these higher wages, still manufactures chemicals and ships them to the United States.

Mr. ROSENGARTEN. I think that the question can best be answered by stating that in certain instances where England is favorably situated it is able to ship to the United States certain chemicals.

Senator REED. But you said a minute ago you did not know whether they shipped at all. You are just speculating, are you not, or do you have some knowledge about it? I really mean to be entirely polite and courteous, but what the committee wants to get at is the real facts.

Mr. ROSENGARTEN. I have not got those facts.

Senator REED. Did you bring me the figures in regard to the capital stock of your corporation?

Mr. ROSENGARTEN. No, sir.

Senator REED. Do you know what it is?

Mr. ROSENGARTEN. Yes, sir.

Senator REED. How much is it?

Mr. ROSENGARTEN. I most respectfully decline to answer.

Senator REED. It is a matter of public record, is it not?

Mr. ROSENGARTEN. No, sir; it is not.

Senator REED. You came to this committee and asked to have your business protected and yet you decline to tell the committee even the amount of your capital stock.

Mr. ROSENGARTEN. Yes, sir.

Senator REED. Will you tell me what the gross profits of your corporation were last year?

Mr. ROSENGARTEN. I must respectfully decline to answer that question.

Senator REED. Will you tell me what the net profits were?

Mr. ROSENGARTEN. I must decline to answer that also.

Senator REED. Will you tell me who the vice president, the secretary, and the treasurer are?

Mr. ROSENGARTEN. I must decline to answer that question also.

Senator REED. Will you tell me whether you paid any excess-profits tax last year?

Mr. ROSENGARTEN. I must decline to answer that question.

Senator REED. Will you tell me the amount carried to your surplus?

Mr. ROSENGARTEN. I beg to be excused from answering that.

Mr. REED. Mr. Chairman, I insist that any witness who takes the stand and makes that sort of answers ought to have his petition denied and his testimony entirely stricken from the record, because he takes the stand to tell what he wants to tell and then refuses to disclose the other side of the question. I make that as a suggestion at this time, but I shall have something to say about it later.

### PRECIPITATED CHALK.

[Paragraph 18.]

**STATEMENT OF CARLETON H. PALMER, BROOKLYN, N. Y., REPRESENTING THE LOWELL M. PALMER CHEMICAL WORKS, YORK, PA.**

The CHAIRMAN. Whom do you represent?

Mr. PALMER. I am here in behalf of the Lowell M. Palmer Chemical Works, of York, Pa.

The CHAIRMAN. Do you desire to file a brief?

Mr. PALMER. I desire to file a brief, and I would like to have the privilege of making a few remarks. I will be very brief.

The Lowell M. Palmer Chemical Works was founded by my father in 1913. It was the first plant founded in the United States for the manufacture of precipitated chalk for medicinal use. I am the managing executive for my father's estate operating this plant.

Precipitated chalk is the main ingredient of tooth paste, tooth powder, and other products of that type, and is used as well in the manufacture of tablets for medicinal purposes.

The product here in question is an essential product for American industry. We are to-day the only manufacturers of medicinal quality precipitated chalk. This plant was started under the Payne-Aldrich tariff, which was then in effect, in 1913. The Underwood-Simmons tariff came in the succeeding year. Under the Underwood-Simmons Act there is a joker which enables chalk precipitated to be imported

under really two classifications, one classification requiring 25 per cent duty ad valorem and the other one-tenth of a cent a pound. It took some time, I think, for the importers and the European manufacturers to discover this; and owing to the protection afforded by the war we were able to operate during the entire period. At the present time our plant is absolutely shut down, and we will be unable to take up operation again unless we get a proper protective tariff.

What we are asking for here is to have the old tariff reinstated, with the addition of a half cent a pound on our product; that is, the old Payne-Aldrich tariff was 1 cent a pound. We ask for  $1\frac{1}{2}$  cents a pound to meet the higher cost of modern manufacturing under present conditions.

Senator SMOOT. And under American valuation also?

Mr. PALMER. Under the American valuation. The American valuation has a great many difficulties, from our point of view, sir, and I thought that perhaps you would permit me to express my views on that particular question. But before turning to that I would like to finish just one point.

Senator REED. I thought you were through.

Mr. PALMER. This product is imported, as I have said before, under several classifications, the medicinal product bearing one classification and bearing a duty of 25 per cent, while ground or bolted chalk, or otherwise prepared chalk, according to the Underwood-Simmons tariff, is one-tenth of a cent per pound. The Tariff Commission have expressed their opinion that it is impossible to differentiate satisfactorily, from the customs standpoint, between these different qualities of chalk. The answer to that proposition would be to reinstate the old tariff of 1 cent a pound on all kinds of prepared chalk. Under that tariff everything went along very satisfactorily, while if we tried to differentiate it is impossible to prevent the bringing into this country, under one classification or another, of precipitated chalk for medicinal use.

Senator CALDER. What proportion of the chalk used in this country, of the kind that you describe, is imported?

Mr. PALMER. I should say to-day that 99 per cent of it was, since we are practically shut down, and there is not any other chalk being used for medicinal purposes. About 5,000,000 pounds of chalk is used in the United States to-day.

Senator CALDER. A year?

Mr. PALMER. A year; and of that quantity the maximum we ever manufactured was about 1,700,000 in any one year. To-day we are not manufacturing at all; we are shut down absolutely.

Senator CALDER. You manufactured about two-fifths?

Mr. PALMER. Yes, at the maximum, the best year we ever had.

Senator CALDER. You say you are not doing any business at all, now?

Mr. PALMER. No, sir; we are shut down and have been shut down three months.

Senator CALDER. Is it because of the general dullness in business?

Mr. PALMER. No, but because we can not make chalk to-day at the present cost of production in competition with English manufacturers, when they only have to pay one-tenth cent a pound duty.

Senator CALDER. This chalk comes from England?

Mr. PALMER. It comes from England to-day. At the time the war began 50 per cent was coming from Germany; to-day 90 per cent of it comes from England.

Senator CALDER. There are no German importations?

Mr. PALMER. No German importations.

Senator REED. What is the price?

Mr. PALMER. It varies from 2½ to 4 cents a pound. When they run up against competition they cut the price; that is the answer to that.

Senator REED. What can you make it at?

Mr. PALMER. We can make it at 3½ cents a pound.

Senator CALDER. With a profit?

Mr. PALMER. And break even, that is all, sir.

Senator SIMMONS. Is that difference represented by labor cost or greater material cost also?

Mr. PALMER. We make it by a direct process, directly from limo and carbonic acid gas, while the imported product, we are advised, is a by-product.

The second point—

Senator REED (interposing). By-product of what?

Mr. PALMER. By-product of other industries, where they use limo and then recover the limo and purify it, and attempt to furnish practically that—

Senator REED (interposing). What?

Mr. PALMER. I am not fully acquainted, sufficiently to say, except I am able to report on their method of manufacture.

Senator REED. In other words, they have a better way than we have of making it—it is a by-product and they make it better.

Mr. PALMER. I would not say it is better—I would simply say their product is a good product; ours is an equally good product.

Senator REED. A better method?

Mr. PALMER. That implies a better product, does it not?

Senator REED. No. In other words, they produce this as a by-product of something else. Hence, they can produce it cheaper than the man who manufactures it directly; that is the answer, is it not?

Mr. PALMER. I think that is a conclusion which would hardly be definitely said to be an answer. They have a lower cost from every standpoint, whether made directly or indirectly; they would probably be able to make it at a lower cost, labor factors and other factors are all a part of the cost of the manufacturing operation.

Senator REED. But a moment ago you said, when you were speaking of the reason they could produce it cheaper, that theirs was a by-product and yours was a direct product.

Mr. PALMER. That is my understanding.

Senator REED. Do you think our people ought to be denied the benefit of the last word in manufacturing?

Mr. PALMER. Well, I think we ought, at the present time, since they operate it as a secret process. Nobody understands exactly how they recover that product.

Senator REED. You do not know?

Mr. PALMER. No.

Senator REED. They have a better process; that is, a cheaper process?

Mr PALMER. Well, I hesitate to commit myself on that score, for this reason, if they were manufacturing by our own process they might be able to make it just as cheaply, owing to labor conditions.

Senator REED. Let us see about that. The product sold in this country is 5,000,000 pounds.

Mr. PALMER. Yes, sir.

Senator REED. There was made in this country about 1,700,000 pounds the best year you have had?

Mr. PALMER. Yes, sir.

Senator REED. What was the aggregate value of that?

Mr. PALMER. You find all of those figures in my brief, in full detail, which I am filing.

Senator REED. Just this one item.

Mr. PALMER. I could give you the labor factor. Labor is about 1 cent out of 3 to 4 cents of the present cost; that is, without including any salaries, without including any overhead. I am speaking of the prime labor cost.

Senator REED. The labor cost is one-third?

Mr. PALMER. The labor cost is one-third; yes, sir.

Senator REED. What is the labor cost in England?

Mr. PALMER. I have no idea, except that wages are very much lower than here.

Senator REED. Well, now, how much?

Mr. PALMER. The committee itself can substantiate those figures very readily by getting at that basic labor cost. I am not prepared to quote labor costs in England to-day.

Senator REED. If the total labor cost of your product is one-third, then a tariff equal to one-third of the labor cost would equal the entire labor cost of this country, would it not?

Mr. PALMER. That is only one factor, sir.

Senator REED. It would equal that?

Mr. PALMER. Yes.

Senator REED. And if you were to deduct the unequal cost of labor from the American cost of labor, and had a tariff that represented that difference, then you would be on an equality, so far as labor is concerned.

Mr. PALMER. If I might, I would like to answer your question as to what it is going to cost the American people directly. May I?

Senator REED. No; you answer my question that I asked you in another question, please.

Mr. PALMER. Will you put that question again, sir? I do not know whether I understood it.

Senator REED. If the total labor cost of the American article is one-third in labor, then if you deduct the English cost of labor, making a similar article, and found the difference, and a tariff representing that difference would cover the difference in labor costs, of course?

Mr. PALMER. No, sir.

Senator REED. It would not?

Mr. PALMER. No.

Senator REED. Why not?

Mr. PALMER. For the reason that your intermediate products are also partly raised in cost owing to the labor on those. For example, let us take the cost of making lime. There is additional labor in

the production of lime in this country. You have to pay the quarryman for getting out his rock.

Senator REED. I asked you if that would represent the difference in labor. Now you are giving the difference of materials that go into it.

Mr. PALMER. That is partly labor, sir.

Senator REED. That has been protected.

Mr. PALMER. That is partly labor, sir. In other words, labor enters into the cost of raw materials that are used in making precipitated chalk before we get to the primary stage when the conversion is made from the lime into the chalk. Do I make myself clear?

Senator REED. Yes; you make yourself clear, but you get allowed for that in the difference in the raw materials, and I am now dealing simply with the labor costs. Is there a difference in the price you pay for your raw materials and what they pay in England for their raw materials?

Mr. PALMER. I have already explained we do not use the same raw materials they use. So that I am not in a position to judge what their cost is on raw material.

Senator REED. They have a secret process, and you can not get it?

Mr. PALMER. We can not get it.

Senator REED. All right.

Senator McLEAN. Where do you get your raw material?

Mr. PALMER. We get our raw material from our own plant, where we manufacture lime. We have one of the largest lime plants in the State of Pennsylvania.

Senator McLEAN. Where does your lime come from?

Mr. PALMER. From the lime rock in the ground. We burn it into lime.

Senator McLEAN. What section of the world?

Mr. PALMER. York, Pa.

Senator REED. What does the lime cost to produce?

Mr. PALMER. The cost of producing our lime is about \$9 a ton. This quality of lime, you realize, is the finest grade of chemical lime.

Senator REED. It costs you less than 1 cent a pound for your lime?

Mr. PALMER. Yes, sir.

Senator REED. How much chalk do you make out of a pound of lime?

Mr. PALMER. We have about 50 per cent wastage in the process of elimination of grit.

Senator REED. It takes about 2 pounds of lime to make 1 pound of chalk, then?

Mr. PALMER. There is about 50 per cent wastage; yes, sir.

Senator REED. And how much would that 2 pounds of lime be worth?

Mr. PALMER. Then we have to burn coke for carbonic acid gas.

Senator REED. Answer that question—what does that 2 pounds of lime cost?

Mr. PALMER. \$18 a ton.

Senator REED. The lime costs \$18 a ton?

Mr. PALMER. \$18 for the 2 tons required to make 1 ton suitable for chalk. There is 50 per cent wastage, as I explained.

Senator REED. That would be a cent—

Mr. PALMER (interposing). You will find all of these details right in this brief. If I have to resort to memory in calculations here, I am liable to make some slight inaccuracy, which I prefer not to make.

Senator REED. Very well.

Mr. PALMER. There is one point I would like to make in respect to the cost to the American consumer: Our product is used for tooth paste, and about 50 per cent of the tooth paste would be chalk. Taking the total additional cost at  $1\frac{1}{2}$  cents, which is what I asked for in protection, that would be on a pound of chalk, or about 2 ounces of chalk in a large-size 50-cent tube of tooth paste. You can calculate for yourself what the additional cost to the consumer would be. There would be no additional cost to the consumer whatever, but it would be taken up by the manufacturer, and it would be only a fraction of a cent per pound per tube of tooth paste.

Senator McLEAN. Would it not give the druggist an opportunity for adding about 10 cents for each tube of paste?

Mr. PALMER. No, sir; the druggist would never know it. The manufacturer has to take fluctuations in the manufacture of it, owing to the tubes and the variations of that sort, of so much greater seriousness that the actual factor of fluctuation would be negligible on the additional cost of chalk.

It simply means if we are to go ahead with this work as we are, as the only American producer to-day of medicinal precipitated chalk, we must have the protection that we ask for.

Senator CALDER. Is it not a fact that there are some manufacturers in this country that import the raw chalk, grind it, and then manufacture the precipitated chalk?

Mr. PALMER. No, sir; because you can not import the raw chalk and manufacture it into precipitated chalk. Precipitated chalk is a chemical product that is actually precipitated out of a liquid; that is, it is a milk-lime product to start with, and then through chemical process it is precipitated into flocculent precipitate. You can not make the calcium carbonate or chalk, for example, and precipitate it into any other kind of a product.

Senator WATSON. In the condition it starts with, it has an entirely different physical characteristic. If the precipitate was made abroad and you imported it into this country, could you then make the chalk from the precipitate?

Mr. PALMER. No, sir, you can not; the liquid is too great in quantity. This is a very cheap product at best, when you consider that 4 cents a pound is the highest price. I think that covers it, unless there are some questions.

The CHAIRMAN. All right. We are very much obliged to you, Mr. Palmer, for your information.

**BRIEF OF CARLETON H. PALMER, REPRESENTING THE LOWELL M. PALMER CHEMICAL WORKS, YORK, PA.**

To the FINANCE COMMITTEE, UNITED STATES SENATE,  
Washington, D. C.:

On behalf of the Palmer Chemical Works, now maintaining a plant at York, Pa., with offices at 80 Beekman Street, New York City, your committee is earnestly urged to increase the rate of duty levied by H. R. 7456, on precipitated chalk for medicinal and toilet purposes from 15 per cent ad valorem to a specific duty of  $1\frac{1}{2}$  cents per pound. The rate fixed by the House bill is substantially lower than that of the Underwood-Simmons tariff law, which is 25 per cent ad valorem, and even taking into account the proposed American valuation basis, the present domestic market value

of this product being but 3½ cents per pound. We violate no confidence when we say that we have substantial reason to believe that the rate fixed on precipitated chalk by the House bill was inadvertently placed at 15 per cent ad valorem, or much lower than the rates provided by the basket clause of paragraph 18 and the corresponding clauses of the chemical schedule and the general bill on unenumerated manufactured articles. We believe, therefore, that it is only necessary to present the facts regarding this industry to your committee to secure a satisfactory revision of the rate provided by the House bill.

So acute is the present crisis in this small and struggling industry engaged in supplying an absolutely essential product that, under the evasion of the 25 per cent duty provided by the Underwood-Simmons law which enabled chalk to be imported at one-tenth cent per pound (par. 60), our plant has been forced to suspend operations, and the production of precipitated chalk has passed wholly into foreign hands, upon which American manufacturers of standard pharmaceuticals, tooth paste, toilet powders, etc., are now obliged to depend for one of their most important materials. During the past few months the American agents of English producers of precipitated chalk have undersold us throughout the domestic market and have made contracts running for several months with practically all our former customers. Whether we are able to regain this business in whole or in part, or be forced to dismantle our plant at York, will depend solely upon the action of your committee respecting the moderate protective duty we are now seeking.

Precipitated chalk on the American market is of two varieties, domestic and imported. The American product is made by calcining limestone (calcite), slacking the resulting lime, freeing it from grit and other impurities by mechanical means and flotation processes, and carbonating the resulting milk of lime by passing a previously purified mixture of air and carbon dioxide through it. Gas is obtained by burning coke in a suitable furnace. The product so produced is a pure white microcrystalline powder.

#### ESSENTIAL CHARACTER OF THE INDUSTRY.

Viewed from any standpoint, your petitioner believes that the producers of precipitated chalk in the United States should be afforded such protection as will enable them to supply a large part, though not necessarily all, of the domestic demand. There can be no doubt of the essential character of the product from the standpoint of the health of the community. Precipitated chalk is of itself a medicinal agent of substantial therapeutic value and it is employed in the production of a considerable number of medicinal products of a highly ethical character.

Its largest use is in the manufacture of tooth powders and tooth pastes in which it is the chief ingredient without which these important aids to health and cleanliness can not be satisfactorily produced. Another highly important use is in the manufacture of medicinal tablets of all kinds in which it is employed as an ingredient to supply the necessary substance to carry very small quantities of more or less powerful drugs. It is an ideal product for this purpose because it is inert, stable, and not subject to decomposition, as has been fully demonstrated by tests of tablets four or five years after their manufacture. It is also widely used as an agent in clarifying and filtering processes. A characteristic of much importance with respect to its use in medicine is the fact that it is practicable to produce it in a great purity.

During the recent war, the United States, but for the Palmer Chemical Works, would have been absolutely dependent upon a single foreign producing nation for its supplies of precipitated chalk which were heavily drawn upon to furnish dentifrices for the use of our soldiers on the European battle front and in cantonments in this country. When it is remembered that our transatlantic transportation system was constantly menaced with interruption and indefinite delay, and that the American producers of pharmaceuticals, dentifrices, etc., were dependent upon the ability or caprices of foreign manufacturers to seal and ship precipitated chalk, the service to the country which this small plant was able to render will be appreciated and the necessity of maintaining it in the future duly emphasized.

It was with such considerations in view that the Palmer Chemical Works was originally established and the production of precipitated chalk undertaken. The industry held out no great inducements in the way of financial reward but its essential character was recognized and for years its operations were carried on at a loss but with the hope that by careful research, the employment of improved processes and the use of every device promising economy of production the plant could be made self-sustaining, although it has long been realized that additional tariff protection would be necessary to place the industry on a permanent basis.

HISTORY OF THE PLANT.

The Palmer Chemical Works, the operations of which are confined exclusively to the production of precipitated chalk, began operations in 1913 after two years spent on experimental work. It has an investment of approximately \$120,000 in plant, machinery, stocks on hand, etc. While the chalk plant itself can be operated to full capacity with a force of but 30 men, this by no means represents the number of persons employed in maintaining the industry. The Palmer Chemical Works is closely associated with one of the largest manufacturers of chemicals and pharmaceuticals in the country which provides the necessary business organization, selling force and research and control laboratories, the personnel of which are not included in the total of plant employees. In addition a large number of employees are engaged in adjacent plants in the production of lime from which the chalk is made; also in making the barrels, bags, etc., employed as containers. Considerable quantities of coke are made for consumption in this industry. Thus, while a comparatively small number of employees are engaged in the operations directly concerned with the manufacture of precipitated chalk, a much larger number depend upon the industry for the whole or a part of their livelihood.

The total annual production of precipitated chalk at the York plant of the Palmer Chemical Works since the manufacture was begun has been as follows:

	Pounds.		Pounds.
1913.....	184,785	1917.....	1,477,180
1914.....	693,934	1918.....	1,350,175
1915.....	1,204,875	1919.....	1,114,030
1916.....	1,273,340	1920.....	1,112,320

Throughout the brief history of this concern it has been obliged to meet the almost stalling competition of the imported article, chiefly the products of England, France, and Germany, but its operations, though carried on at a net loss, sharply checked these importations and demonstrated that with a reasonable degree of protection the industry can be kept alive in this country and the consumers of its product relieved of the serious menace of absolute dependence upon foreign sources of supply.

THE IMPORT MOVEMENT.

The following table, compiled by the United States Tariff Commission from official sources, shows the imports of precipitated chalk made by quantities (where given), and by values; also the duties collected and value per unit of quantity and the actual computed ad valorem rates:

*Chalk, precipitated, suitable for medicinal or toilet purposes, etc.—Imports for consumption.—Revenue.*

Fiscal year.	Rates of duty.	Quantities.	Value.	Duties collected.	Value per unit of quantity.	Actual and computed ad valorem rate.
		<i>Pounds.</i>				<i>Per cent.</i>
1907.....	1 cent per pound.....	329,969	\$7,653	\$,300	\$0.023	43.12
1908.....	do.....	709,967	22,526	7,099	.032	31.52
1909.....	do.....	1,363,005	32,225	13,634	.024	42.31
1910.....	do.....	2,728,382	69,293	27,283	.025	39.37
1911.....	do.....	3,826,118	92,423	39,261	.024	41.49
1912.....	do.....	3,809,841	88,890	38,098	.023	43.10
1913.....	do.....	2,536,621	79,731	25,369	.021	31.81
1914 (9 months).....	do.....	485,771	18,235	4,857	.029	26.64
1914 (3 months).....	25 per cent.....	( )	32,288	8,072	.....	25.00
1915.....	do.....	( )	35,499	8,874	.....	25.00
1916.....	do.....	( )	45,283	11,321	.....	25.00
1917.....	do.....	( )	33,141	8,284	.....	25.00
1918.....	do.....	( )	37,258	9,314	.....	25.00
1919.....	do.....	1,175,783	33,462	8,366	.028	25.00
1920.....	do.....	( )	86,176	21,544	.....	25.00

1 Prior to 1914 items shown did not include chalk for medicinal or toilet purposes.

2 Quantity not shown.

While the Tariff Commission, in presenting these figures, states that the statistics covering the period from 1907 to 1914 do not include chalk for medicinal or toilet purposes, it is believed that this is an error due to the fact that there was no specific provision in the tariff act of 1909 for chalk "suitable for medicinal or toilet purposes," such chalk, however, being embraced in paragraph 13 in the category of "ground, bolted, precipitated naturally or artificially, or otherwise prepared."

## EFFECT OF DOMESTIC COMPETITION.

Comparing these import figures with those covering the output of the Palmer Chemical Works, presented above, the salutary effects of the production of the American industry are seen at a glance. Beginning in 1914, the second year of operations in the plant of this company, the value of the importations of precipitated chalk declined heavily and not until 1920 did they resume the proportions reached in the period from 1910 to 1914.

By rearranging these import statistics so as to show the countries of origin of the precipitated chalk imported during the calendar years 1912-1920, we have a most interesting exhibit, as will be seen from the following table:

*Imports of chalk, precipitated, etc.*

Year.	England.	France.	Germany.	Other countries.	Total.
1911.....	\$41,302	\$5,372	\$31,969	\$12,618	\$92,461
1912.....	43,647	8,191	27,154	9,847	88,839
1913.....	33,998	7,124	26,749	13,081	80,941
1914.....	30,385	5,330	12,213	5,690	53,618
1915.....	25,709	2,732	5,221	2,642	36,307
1916.....	41,777	2,614	385	1,389	46,135
1917.....	29,265	4,377	.....	5,844	39,526
1918.....	35,623	5,028	.....	23	40,674
1919.....	47,716	236	.....	1,773	49,725

## A SERIOUS MENACE.

From this table it will be seen that while England to-day dominates this industry, and while France has from time to time supplied a substantial percentage of our total imports, Germany, in 1911, contributed more than one-third and evidently has only been prevented from increasing her share by the exigencies of the war.

In 1911 Germany supplied \$31,969 worth out of a total of \$92,461 shipped to the United States. With the remarkable efficiency in the chemical industry for which that country is noted throughout the world, with its comparatively low labor cost, with its well-known ambition to recover its lost prestige particularly in the production of chemicals and allied products and, finally, with its unprecedentedly low rate of foreign exchange, there would seem to be no reason why, under our existing rate of duty, Germany should not soon resume its former position as an important purveyor of this product. It would not be surprising should it speedily crowd out both French and English competitors. Surely the possibility that Germany may acquire a monopoly of this small but important industry, and may force a shutdown of the only important American plant now in existence, is not to be contemplated with equanimity. We can not believe that Congress, under the circumstances, will refuse the protection necessary to prevent such a disaster.

In considering the character of the competition which the Palmer Chemical Works has been able to sustain against foreign rivals, the extraordinary conditions under which it has been operating, its interdependence upon another more powerful organization, must be kept clearly in mind. At no time has the market price in this country afforded a reasonable profit to the domestic producer if due account were taken of the selling expense and other overhead costs which have been borne by another related corporation. In fact, it has only been at intervals that the actual plant cost of producing the packaged goods has been low enough to show a profit when compared with the selling price.

## FOREIGN-MADE CHALK PARTLY A BY-PRODUCT.

Statistics are not available covering foreign selling prices for precipitated chalk, but the official table above presented, embracing the duties collected during the years 1907 to 1920, show an invoice value per pound, ranging from 2.3 cents to 3.8 cents, the figure for 1919 being 2.8 cents. We are reliably informed that a considerable proportion of the foreign-made chalk is a by-product of other chemical industries, a fact which enables our European competitors to quote prices which can not be met by plants of which precipitated chalk is a primary product.

The following tables show the wholesale prices for precipitated chalk, both light and heavy, in New York for the years 1910-1920, from which it will be seen that the average market price in this country afforded the foreign producer whose goods were invoiced in accordance with the official figures already quoted, a very comfortable margin of profit:

*Chalk, precipitated, light, casks, prices per pound, wholesale, New York.*

[From Oil, Paint, and Drug Reporter.]

Year.	Jan. 1.	Apr. 1.	July 1.	Oct. 1.
	<i>Cents.</i>	<i>Cents.</i>	<i>Cents.</i>	<i>Cents.</i>
1910.....	4-6	4-6	4-3	4-6
1911.....	4-6	4-6	4-6	4-6
1912.....	4-6	3-4	4-4	4-4
1913.....	4-4	4-4	4-4	4-4
1914.....	4-4	4-4	4-4	18-10
1915.....	4-5	4-5	4-5	4-5
1916.....	4-5	4-5	4-5	4-5
1917.....	4-5	4-5	4-5	4-5
1918.....	5-6	5-6	5-6	4-5
1919.....	5-6	5-6	5-6	5-6
1920.....	5-6	4-5	5-6	5-6

1 Temporary, due to early war conditions.

*Chalk, precipitated, heavy, prices per pound, wholesale, New York.*

[From Oil, Paint, and Drug Reporter.]

Year.	Jan. 1.	Apr. 1.	July 1.	Oct. 1.
	<i>Cents.</i>	<i>Cents.</i>	<i>Cents.</i>	<i>Cents.</i>
1910.....	3-3	3-3	3-3	3-3
1911.....	3-3	3-3	3-3	3-3
1912.....	3-3	3-3	3-3	3-3
1913.....	3-3	3-3	3-3	3-3
1914.....	3-3	3-3	3-3	7-6
1915.....	4-5	4-5	4-6	4-6
1916.....	5-6	4-5	4-6	4-6
1917.....	3-5	3-5	3-5	3-5
1918.....	3-5	3-5	3-5	3-5
1919.....	5-6	4-6	4-6	4-6
1920.....	5-6	3-4	4-5	4-5

**NO MARGIN FOR PROFIT.**

Against these figures the cost of production at the Palmer plant, which it should be remembered is only a fraction of the cost of the delivered goods, graphically illustrates the necessity for a higher protective duty. During the earlier years of the development of the plant it was not practicable to segregate all its operations in such a way as to determine the actual plant cost of production, but during the past three years accurate figures have been made. For the last quarter of 1918 the prime cost of manufacture was 4.4 cents, while the selling price was 4.75 cents. In the first quarter of 1919 the cost was 4.12 cents, while the selling price was 4.5 cents. During the year 1919, through the exercise of every possible economy, the cost of production was forced down to as low as 3.49 cents, while the selling price was 4.25 cents. But in 1920 the cost of production rose steadily from 3.77 cents to 7.02 cents, while the selling price remained almost stationary at 5.38 cents—5.50 cents. It is hardly necessary to produce statistics to show that if the product of the Palmer plant had been obliged to carry the usual overhead of selling expenses, administration, etc., it could not have been produced.

While every effort has been made to reduce the cost of production and while important improvements have been made in processes which under normal conditions would have lowered substantially the plant cost of the product, these have been more than offset by advances in the cost of labor and all materials employed. In-

erased costs of approximately 300 per cent in labor, coke, and barrels, and of more than 200 per cent in the cost of lime are revealed in the following figures covering these items for the years 1913 and 1920:

	1913	1920
Labor, per hour.....	\$0.17	\$0.65
Coke, per ton.....	4.00	15.00
Barrels, each.....	.33	1.15
Lime, per ton.....	3.00	10.00

#### WILL PROPOSED DUTY PROTECT?

In view of the data here presented it might be asked whether the rate of duty of  $1\frac{1}{2}$  cents per pound on precipitated chalk, herein suggested, would enable the domestic producers of this country to continue their operations. We believe this question can be answered in the affirmative, but, as we have already stated, we do not believe that it would put an end to foreign competition. On the contrary, it is likely that with a specific duty of  $1\frac{1}{2}$  cents per pound, which would prevent the undervaluation that is always possible with an ad valorem duty, the foreign producers would succeed in sending enough material to this market to enable the Government to obtain the full amount of revenue it now enjoys, if not indeed a larger amount. At the same time, however, the American manufacturers would be enabled to place their enterprise upon a sound financial footing and insure to domestic manufacturers using precipitated chalk as a material a continuous supply, even under the most extraordinary conditions. This statement is made with confidence because of the fact that the cost of labor and materials is already declining, and because of the practical certainty that lower levels will soon be reached.

Should the question be raised as to whether the domestic consumers of products made from precipitated chalk would be injuriously affected by the proposed duty we would unhesitatingly assert that the influence of the proposed rate would be absolutely negligible. Even if the cost of the product were increased by the total amount of the duty, it would not add 3 cents per dozen to the manufacturer's cost of the usual retail package. It would be much less than the fluctuations from time to time in the cost of other materials, such as essential oils, etc., or tubes, bottles, cartons, and boxes. The manufacturers would undoubtedly absorb whatever slight increase there might be, recouping themselves, if necessary, with a small reduction in advertising expenses.

#### RECOMMENDATION OF UNITED STATES TARIFF COMMISSION.

In this connection our attention has been drawn to the following recommendation of the United States Tariff Commission in its survey of the chalk industry recently completed and laid before your committee:

"Although it is possible to from a judgment of quality and therefore of price based upon the fineness, color, and purity, there is no known method, macroscopic, microscopic, or chemical, to determine with certainty, the method of manufacture from the examination of the sample. It is therefore suggested that all varieties of chalk—ground, bolted, and precipitated—and whiting and Paris white be placed together in the same paragraph and at the same rate of duty. The best commercial grades are worth more than five times as much as the poorest and the rate therefore should be an ad valorem rate instead of a specific rate."

#### OUR RECOMMENDATION FOR A DUTY.

As a definite recommendation we would suggest that paragraph 15 of the tariff act of October 13, 1913, be amended to read as follows:

#### SUGGESTION FOR REVISION OF PARAGRAPH IMPOSING DUTY ON CHALK.

13. Chalk, when ground, bolted, precipitated naturally or artificially, or otherwise prepared, whether in the form of cubes, blocks, sticks, or disks, or otherwise, including tailors', billiard, red, or French chalk, 1 cent per pound; precipitated chalk when pre-

pared for medicinal use, 1½ cents per pound; manufactures of chalk not specially provided for in this section, 25 per cent ad valorem.

NOTE.—This is the exact language of the Payne-Aldrich act of 1906, except that the clause "Precipitated chalk when prepared for medicinal use, 1½ cents per pound," is inserted therein.

In conclusion, we desire to emphasize the disadvantage under which our industry—in common with many other domestic enterprises, the products of which are subject to ad valorem duties—is now laboring, namely, the abnormal state of foreign exchange. Our competition now originates chiefly in Great Britain, and with sterling at a heavy discount, the producers of English chalk are easily able to undersell their American competitors, all other things being equal. This can be accomplished even without manipulation of invoice valuations. As it would hardly seem practicable, under a tariff which it is to be hoped will remain in force for a considerable period of years, to adjust rates with a view to meeting the situation caused by the present rates of exchange, it would seem that some other device must be resorted to.

#### SPECIFIC DUTIES SHOULD BE ADOPTED.

We are strongly of the opinion that the adoption of specific duties wherever possible is the practical solution of this problem, and on that account we desire to emphasize what we have already said in favor of the duty we have proposed for precipitated chalk. The suggestion which has emanated from this committee from time to time, that domestic market value be substituted for foreign value as a basis for invoice valuations would undoubtedly improve the situation with respect to those commodities upon which it is absolutely necessary that ad valorem rates must be retained. We believe, however, that no such necessity exists with respect to precipitated chalk.

#### CHALK (CRUDE) AND WHITING.

[Paragraphs 18, 209, and 1543.]

#### STATEMENT OF HERBERT T. SPOONER, NEW YORK, N. Y., VICE PRESIDENT H. F. TAINTOR MANUFACTURING CO.

Whiting and Paris white and chalk, ground or bolted, are different grades of the same material—i. e., natural chalk, ground, washed, and bolted.

There are no deposits of chalk in the United States from which satisfactory whiting and Paris white can be manufactured. The raw material (crude chalk) is all imported, coming principally from England and France. It is known as crude block English chalk if it comes from England and crude block French chalk if it comes from France, etc.

There is some whiting made from domestic limestone and from by-products, but they are admittedly far inferior in quality and are not acceptable to the consumers of whiting made from the imported chalk.

The paragraphs in the tariff bill, H. R. 7456, which have a bearing on the American manufacturer of whiting are 18, 209, and 1543.

#### PARAGRAPH 18.

"Chalk or whiting or Paris white: Dry, ground, bolted, or precipitated, 15 per cent ad valorem; ground in oil (putty) or put up in the form of blocks, sticks, or disks, or otherwise, including tailors' billiard, red, and manufactures of chalk not specially provided for, 25 per cent ad valorem."

The paragraph of the tariff act of October 3, 1913, for which the above is made a substitute is paragraph 60, which is as follows:

"60. Whiting and Paris white, dry, and chalk, ground or bolted, one-tenth cent per pound; whiting and Paris white, ground in oil or putty, 15 per cent ad valorem."

We are convinced that the proposed duty on whiting and Paris white in paragraph 18, H. R. 7456, is not sufficient to protect the industry against foreign competition. The whiting manufacturers urge a duty on whiting and Paris white, or chalk, ground, bolted, or precipitated, of one-half cent per pound, or the equivalent in ad valorem.

It is believed, however, that a specific rate would be more satisfactory than an ad valorem, particularly so if the American valuation plan under section 402 of H. R. 7456 is adopted, because there would be a question as to whether "comparable or

competitive products of the United States" would apply to certain so-called whiting made from limestone and certain by-product whiting, or if it would apply to the whiting made in the United States from imported crude chalk. The price of the two former is as low as \$13.50 per ton, and that of whiting made from imported chalk ranges, according to grade, from \$22 per ton to \$36 per ton. The price of the imported whiting is now from \$17 to \$18 per ton c. i. f. here.

We feel that such duty is justified as a measure of protection to the American manufacturer, on the basis of the advantage the foreign manufacturer has in the items of raw material cost and labor.

The foreign manufacturer has his factory adjoining the chalk quarry. There is not extra handling of raw material. His freight to the United States is on his finished product, whereas the American manufacturer in importing crude chalk, pays freight upon the full weight, although 75 per cent only can be used, the remaining 25 per cent being flint, sand, and moisture, which are absolutely useless.

According to pamphlet, "Wages in the United States and foreign countries, 1921," prepared for the use of the Committee on Ways and Means, wages in our industry for common labor average \$0.062 per hour for a 48-hour week in Belgium, from which most of the whiting now appears to be imported, against \$0.382 per hour average for a 47.4-hour week in the United States; six times greater in the United States than abroad. Process men receive in Belgium \$0.083 per hour, against \$0.594 in the United States; seven times greater in the United States than in Belgium.

It is known that foreign whiting is being imported in increasing quantities and offered by jobbers here at less than the present cost of manufacture in this country.

Unless adequate protection is given the industry it can not be expected that additional investment necessary to improve methods and increase production will be forthcoming. There is keen competition among the United States manufacturers which would not permit of unduly high prices for whiting, but if the industry is forced out of business the result will, it appears to us, be higher costs to the American manufacturers who require whiting made from the crude chalk of England and France.

In addition to advocating the higher rate on whiting and Paris white for adequate protection, we urge that the wording of the paragraph be changed to the following:

"Whiting and Paris white, dry, and chalk, ground or bolted," etc., which is the wording used in former bills and differs from the wording in the present paragraph only in respect to where the word "chalk" is placed. The paragraph as worded in H. R. 7456 reads: "Chalk or whiting or Paris white: Dry, ground, bolted," etc.

This change is suggested in order that "chalk, dry," will not be interpreted as the dry crude chalk imported for making whiting, which is our raw material, and is—and should properly be—free under paragraph 1543, H. R. 7456.

#### PARAGRAPH 1543.

This makes crude chalk, our raw material, free of duty. This has always been the case, and we urge that the paragraph not be changed.

#### PARAGRAPH 209.

This paragraph mentions "French chalk, crude and unground," and places a duty of one-fourth cent per pound. This appears to be in conflict with paragraph 1543, mentioned above, which puts crude chalk, wherever it comes from, on the free list. It appears as if our raw material (crude chalk), if it came from France, might be applied under this paragraph 209, and carry a duty of one-fourth cent per pound, which we believe is not the intention of the act.

We urge that this paragraph 209 be so amended as to preclude the possibility of having any duty placed on crude chalk, which should come in free under paragraph 1543.

Signed by Southwark Manufacturing Co., Camden, N. J., and Pensacola, Fla., by William B. Griffiths; the H. F. Taintor Manufacturing Co., 2 Rector Street, New York, and Bayonne, N. J., by Herbert T. Spooner, vice president; Stickney, Tirrell & Co., Boston, Mass.; William Knappmann & Co., Brooklyn, N. Y.; Hammill & Gillespie (Inc.), New York, N. Y., and Stamford, Conn.; George D. Wetherill & Co., Philadelphia, Pa., by S. R. Matlack; Philadelphia Whiting Works, Philadelphia, Pa., by G. W. Mac Kenzie.)

## COAL-TAR PRODUCTS.

[Paragraphs 25, 26, and 1546.]

**STATEMENT OF LEVI COOKE, REPRESENTING THE MONSANTO CHEMICAL WORKS OF ST. LOUIS, MO., AND THE BAYER CO. OF NEW YORK.**

Mr. COOKE. If the committee please, I appear on behalf of two chemical companies which are manufacturers of fine coal-tar medicinals and synthetic organic drugs.

These two companies are the Monsanto Chemical Works, of St. Louis, Mo., and the Bayer Co., of New York.

The Monsanto Chemical Works manufacture coal-tar medicinals. The company has been engaged in that business for 20 years. Prior to the war they were manufacturers of chemicals from German intermediates which they were able to import under existing tariff duties for this purpose.

The Bayer Co. prior to the war was the American end of the Bayer Co., of Leverhusen, Germany.

The CHAIRMAN. Didn't the committee hear you in reference to these companies when the emergency tariff bill was being discussed?

Mr. COOKE. The committee heard me with respect to the Monsanto Works. I did not then discuss the Bayer Co., and I do not propose now to discuss this subject or to repeat anything that has already been said, except so far as it is absolutely necessary to present my views here to-day.

Senator SIMMONS. Mr. Cooke is not a voluminous talker except on the subject of antiprohibition, and I feel confident that he is not going into that question to-day.

Mr. COOKE. The Monsanto Chemical Works manufacture certain fine medicinal coal-tar products. They also manufacture certain synthetic organic drugs.

The Bayer Co. manufactures principally one coal-tar chemical that is a very well-known product. It is aspirin, its technical name being acetylsalicylic acid.

I wish to state that the Bayer Co., being formerly German owned, was taken charge of by the Alien Property Custodian, and that the stock of that company was sold, in 1919, by the Alien Property Custodian and was purchased by the present Bayer interest in this country—Americans engaged in the medicinal and chemical business—for the sum of \$5,310,000.

The CHAIRMAN. Mr. Cooke, I am not going to curtail your remarks or say another word to you about it, but is the exploitation of these companies necessary in connection with your testimony?

Mr. COOKE. I simply wished to show that American interests purchased the Bayer Co., transferred the nonmedicinal patents and property to one of the other chemical companies in the United States, and continued the medicinal and fine chemical operation.

There can be demonstrated, out of the experience of the Bayer Co., just exactly what has occurred in the chemical industry of Germany with respect to the American market.

The stock of the old Bayer Co., as I have said, was owned by the German parent company. The company owned some 150 patents for drugs, besides dye process patents.

They had never allowed one of the medicinal drugs other than aspirin to be manufactured in the plant at Albany, N. Y. A man in the employ of the company to-day, who was then in the employ of the company, undertook once to manufacture one of the colors, the patent for which the Bayer Co., of New York, owned. He was at at once threatened with dismissal and told that if he ever manufactured the color again, or attempted to produce under other processes owned by the company, he would be dismissed from his position.

The German Bayer Co. would not allow anything to be manufactured in the United States. It was their idea at all times that these chemicals should not be manufactured in the United States, and that no commercial chemical technical culture should be developed here.

The Bayer Co. in the United States desires now to manufacture some or all of the drugs, patents, or processes for which they own and have the technical ability of manufacture here. I am going to take a moment or two to bring to the attention of the committee some of these products, so that the committee can see the importance of the products which the company is manufacturing in the United States.

Veronal, which is one of the most important of the drugs now used in the treatment of nervous disorders, is one drug that they desire to manufacture.

Another is luminal, one of the most important drugs in the treatment of the insane. It is almost a specific for epilepsy.

Again, we have helmitol, a formaldehyde derivative, for the treatment of kidney disorders.

Sabromin, used in practically every insane asylum in the country is another.

Mesotan, a salicylic acid derivative, is widely used for the treatment of rheumatism.

Salophen, used as an antipyretic for children, may also be mentioned.

Every one of these articles can be manufactured by the Bayer Co. They were ordered by the Government to manufacture some of them to meet imperative demands; they are being manufactured by them at the necessarily higher cost of production found in introducing commercial production prior to full development of yield and reduction of overhead cost.

Senator WATSON. These are coal-tar derivatives?

Mr. COOKE. Some of the Bayer Co.'s products are:

Sajodin, widely used for the treatment of locomotor ataxia, is an iodine derivative.

Luminal; this most important epilepsy medicine is a urea derivative.

Helmitol, used largely in the treatment of kidney disorders, is a formaldehyde derivative.

Now, at the Monsanto Chemical Works illustrative products are: Acetphenetid, commonly known as phenacetin; phenolphthalein, and chloral hydrate, which is a synthetic organic drug.

With respect to the mass of their products, these two companies are unable under conditions here and in Germany, to compete with German production, and in their opinion Germans will destroy these American operations unless Congress acts to safeguard the industry.

Senator SMOOT. Can they compete under the American valuation clause?

Mr. COOKE. The American valuation, should it be ratified by Congress as a whole, might grant some additional protection. As we see the rates printed in the House act, which was based upon the conjunction of these rates with an embargo, I can state that whatever may be the condition regarding German wages, the condition regarding her fiscal affairs, as well as her commercial and manufacturing conditions, in the chemical industry they could, under those rates, absolutely outpoint the American manufacturers to-day, and crush the American industry.

The CHAIRMAN. You do not refer to American druggists?

Mr. COOKE. I do not wish to refer to the previous hearings. However, I laid upon the record at that time a resolution of the American Drug Manufacturers' Association, who are buyers of the products, and they urged what we were then asking—an embargo—so that they might be protected now and in the future from the enormous charges which the German manufacturers had in the past put upon the American people when German medicinal chemicals controlled the situation.

And I want to say right here that the Monsanto Chemical Co. has broken the prices of those medicines which it produced in competition with Germany.

The CHAIRMAN. That is, by wholesale?

Mr. COOKE. By wholesale. Taking chloral hydrate, for instance, they broke the price from \$2.50 to 70 cents and 80 cents per pound.

After the Underwood rates went into effect on chloral hydrate, the Monsanto Chemical Works found the price broken to 20 cents a pound and was compelled to dismantle its chloral hydrate plant after finishing what raw materials it had on hand.

Senator WATSON. Were they the only American competitor?

Mr. COOKE. The only American competitor, so far as I know, and they very decently brought that price down and never appreciably put it back during the war. No sooner was Monsanto's chloral hydrate plant dismantled in 1913 than the imported German product began to mount in price. Having seen Monsanto's plant put out of business by cutthroat competition, the Germans jumped the price, and would have sent it back to the old figures except that the war occurred with its blockade. Monsanto reinstalled its plant and supplied the country with this important drug throughout the war period.

I wish to point out in passing that on chloral hydrate the House committee and the House itself in this bill have left the rate at 25 per cent ad valorem. The Underwood bill brought that—

Senator WATSON. What paragraph is that?

Mr. COOKE. Paragraph 24, which reads:

Chloral hydrate, terpin hydrate, thymol, urea, and glycerophosphoric acid, and salts and compounds of glycerophosphoric acid, 25 per centum ad valorem.

Incidentally the Monsanto Chemical Works is now making glycerophosphoric acid, and if they do not get the protection they so much need it will be necessary for them to dismantle their glycerophosphoric acid and their chloral hydrate plant.

The Monsanto Chemical Works have tried to deal as fairly as they could with the American people and have never paid anything more

than 7 per cent on the original capitalization, and have put every dollar earned beyond that back into the plant.

To-day they are employing about 250 people, as compared with approximately 2,200 two years ago. Unless Congress acts they are about to be ruined and their plants dismantled; and after having done the great work that they did do and having made expenditures running into the millions of dollars, they will find it impossible to stay in business unless they get more protection than, in the judgment of those men who believe they know, will be afforded by the rates in this bill plus the American valuation.

Senator WATSON. Well, what do you propose?

Mr. COOKE. We propose an embargo.

Senator WATSON. Suppose you can not get that?

Mr. COOKE. Then, Senator Watson, we would want what they have been calling soaring rates. We want to save the chemical industry in America; we want to save the industry in synthetic organic drugs and in coal-tar products. We do not want to see the American people pay as much as \$12 a pound for German chemicals that we can make a profit on, to an extent, when selling at one-sixth, one-eighth, or one-tenth of what the Germans took before the war.

Senator WATSON. If you do not get an embargo, what rate of tariff would you have to have, in your opinion?

Mr. COOKE. I would go into long multiplication.

Senator WATSON. That is not an answer to my question.

Mr. COOKE. Senator Watson, I would say it ought to be a prohibitive tariff. The American people can depend upon the American chemical manufacturers, I am quite sure, not to rob them, and they can not depend upon the German manufacturers not to rob them. I believe if the Germans get one hack at this market—and I will not go into the question to show how easily they can get that—they will destroy it entirely, and all of those great plants that were built as a matter of war protection and war measures will have to be dismantled. If the Germans succeed in dismantling those plants as they dismantled Monsanto's chloral hydrate plant in 1913, they will start the most astute robbery of the American people that has ever been put under way.

Senator WATSON. Why not have a protective tariff?

Mr. COOKE. If we get a tariff that will really protect us, well and good, but how can that be devised, considering the multitude of chemicals we are dealing with and that are increasing in number from day to day?

I speak of two companies that could probably be protected by tariff duties. Other companies might be so protected by the rates that you might devise. I know that if the Monsanto Chemical Works and the Bayer Co. could get rates that this committee should give them, they would be protected and would be in a position to prevent the coming in from Germany of those things which these gentlemen can make as well as those made under German standards.

The CHAIRMAN. You have referred to prices per pound. Have you any figures to show what the druggists charge the consumers?

Mr. COOKE. Senator Penrose, I am not discussing that phase of the matter at this time, but I do want to say that the druggist is a law unto himself.

We know the price at which we sell a certain drug or chemical to Parke, Davis & Co., just as we know the price that we charge for drugs sold to Powers-Weightman-Rosengarten. What the druggist will charge is quite another question. For instance, I can buy a bottle of White Rock in the grocery store at the corner for one price. But I go to a drug store and I pay another price for the same White Rock. Now, I am sorry if there is an overcharge on the part of the druggist, but the Monsanto Chemical Works is not responsible for that.

Without attempting to go into an extended discussion, I shall mention several of the prices.

Acetphenetidin: The average prewar price was \$1.10. The Germans charged \$12 a pound for this article before their patent expired, and \$4 a pound after the patent expired. The Monsanto Chemical Works by manufacturing this coal-tar product broke the price to its prewar average of \$1.10 per pound. The present German price is 87 cents, while our present American price, due to higher costs of production, is \$1.65.

On phenolphthalein the average prewar price was \$1.20. The present German price is 45 cents, and our present American price is \$1.60.

Senator WATSON. Before the war, they did build up the industry, did they not?

Mr. COOKE. The home people?

Senator WATSON. Yes.

Mr. COOKE. They built it up to some extent, Senator. With respect to the intermediates, we could not make them here without breaking our backs.

Senator WATSON. Before the war they made some of these products. Was there any tariff at all afforded them?

Mr. COOKE. On phenolphthalein the Payne-Aldrich rate was 55 cents per pound, under a paragraph so taxing chemicals made with alcohol as an ingredient.

Senator WATSON. Before the time of the Payne-Aldrich Act, had they made them?

Mr. COOKE. Senator Watson, I do not know. That is before my time with them. I have represented them as counsel for nine years only.

Senator WATSON. I was trying to find out whether or not that particular interest had been built up by reason of the protective tariff.

Mr. COOKE. Absolutely. Mr. John Queeny used to have to go to Germany and use all the arts at his command to get his intermediates. Treating the intermediates as raw materials, the industry of making the finished products which were protected was fostered to some extent. Of course the Germans used every commercial device to prevent Monsanto from getting intermediates, the finished products from which competed with their old monopoly of the American market. They wanted to choke this whole thing to death. That was the idea.

Senator SIMMONS. I want to ask you some questions at this time.

Mr. COOKE. Very well, Senator Simmons.

Senator SIMMONS. Before the war it was stated at these committee hearings that the Germans were backing the dye industry for military reasons?

Mr. COOKE. Yes, sir.

Senator SIMMONS. And that they gave them vast capital. It was said that the German Government was interested in preventing the development of the chemical industry in other countries because of the effect in those countries, in case war should break out, of not being able to get certain elements that were necessary in the manufacture of explosives, and so on.

Mr. COOKE. Yes, sir.

Senator SIMMONS. It was then to the interest of the German Government to promote this in order to have their own supply for military purposes, and it was equally to Germany's interest to crush that industry in other countries.

Mr. COOKE. Yes.

Senator SIMMONS. Now, it is said that, by reason of the German Government's interest in this matter, that industry was able to come to this country, or any other country, and put its product down so low as to destroy the development of new industries, and in that way they crushed the competition in every other country.

Considering present conditions in Germany, do you see any such dominating world force as existed then and that enabled Germany to maintain this industry in her own country and prevent its development in any other country?

Mr. COOKE. Senator, I shall answer that in this way, using an illustration for the purpose. The illustration is, I think, a very fair one. We have a substantial monopoly in cotton production in the United States. Suppose we had that organized and in the hands of six great organizations coupled and tied together into one great cartel; that our Government supported that cartel; that you could not plant an acre of cotton without that cartel assenting to it; that holding a great reserve of cotton, we would meet production from other countries, say in Liverpool, with cut prices that would break the market, making the sale of such cotton unprofitable. In the meantime we could raise the price of cotton to other countries, and, having a great reserve of cotton, we could use that means to destroy competitive production in other countries, and then as soon as it was destroyed jack up the price to a dollar per pound. That is what the German chemical monopoly did in the 40 years of its wonderful development.

Senator SIMMONS. I am asking how they stand to-day.

Mr. COOKE. I understand, Senator.

Senator SIMMONS. No longer is there necessity for the German Government to finance this industry; no longer is there any reason why the German Government should finance it for the purpose of crushing out competition.

Mr. COOKE. The answer to that, Senator, is that they have copper riveted what they had before. Their chemical cartel is the most important thing in the German industrial world to-day. They expect to destroy our plants; that is their intention.

Senator SIMMONS. It is easy to say these things, but it is somewhat difficult to prove them.

Mr. COOKE. That will be demonstrated to you very shortly; that information will be furnished to you within two or three days.

In that connection, Dr. Jacoby, representing this Government, investigated this question some time ago. He talked with Herr Director Krell of the great Baedische Co., and according to Krell's statement, where the Baedische Co. had employed but 12,000 men before the war, they are now employing 32,000 men. In other words, their present force is made up of 32,000 men, whereas their prewar force amounted to 12,000. They purpose making the chemical industry the cornerstone around which they will rebuild.

Senator WATSON. It was the cornerstone before the war, was it not?

Mr. COOKE. It was, Senator, and they expect to leave no stone unturned to rebuild it.

Senator SIMMONS. In other words, do you mean to say that notwithstanding the withdrawal of the support of the Government, notwithstanding the elimination of the interests and the purposes that led the German Government into this industry, the industry itself, without Government assistance, will be sufficient to control the world?

Mr. COOKE. They have greater capital to-day than they ever had before, and that will be fully demonstrated.

Senator WATSON. I want to ask you what reason you have to believe that the German Government has withdrawn its support from this industry, Senator Simmons?

Senator SIMMONS. I do not know that it has. I supposed that it had. I knew the motive of the support before the war. I know that that motive does not exist to-day. Besides, before the war the German Government was in a financial position that enabled it to extend unlimited aid, but it is not in that position to-day.

Mr. COOKE. I think we had better not speculate on that subject.

Senator SIMMONS. I would be glad if you would not speculate so much. I may say that it is not a conclusion that satisfies me that somebody who is interested in this company has been over to Germany and has come back with such a story.

Mr. COOKE. We will bring the best data that we can furnish on that, and I think that will satisfy you.

The CHAIRMAN. Is Dr. Carl Julesburg a prominent chemist in Germany?

Mr. COOKE. I do not know.

Senator SIMMONS. While I am asking about these things I may say that I am in sympathy with the proposal to develop the industry in this country.

Mr. COOKE. Without speculating, Senator, let me suggest to you—

Senator SIMMONS. I do not want to see anything put over on the committee.

Mr. COOKE. There will not be anything put over on the committee. It is only to save for the United States not only a peace-time product but a war-time weapon.

I want to place great stress upon the fact that we will pay tribute to Germany in egregious quantity the moment we dismantle these plants here, to say nothing of the loss of hundreds of millions of dollars that were invested in these plants during the war.

Senator SIMMONS. But you say the only way in which we can protect our factories or our manufacturers is by embargo?

Mr. COOKE. Embargo or its equivalent. It comes down to as simple an issue as was ever presented to the Senate Committee on Finance. If you want a chemical industry in the United States, you have got to act within the next 30 days in order to protect that industry from the assault which will surely be made by the German chemical manufacturers, and it will destroy it.

Senator SIMMONS. You would have to have an embargo?

Mr. COOKE. You would have to have an embargo. You know that the temporary embargo expires on the 28th of next month. We have got to have a further temporary embargo in the interim between August 28 and the date of ultimate passage of the tariff act or some means that will at least give us the chance to find a way to resist the assault which is sure to be made.

The CHAIRMAN. These statements were made with equal emphasis a year and a half ago.

Mr. COOKE. Yes, Mr. Chairman; that is true, and we have succeeded in saving ourselves and the American people thus far. When we finally do dismantle, if that becomes necessary, we are going to say "Good-by" and quit a thankless job. So far as my client is concerned—the Monsanto Chemical Works—they are walking now along the brink of destruction.

Now, I want to conclude. I have used more time than I should. I have not gone into the details as they could be gone into. Myriads of figures, myriads of chemical statements and chemical academic propositions can be laid before this committee. I think, however, that in the long run they would serve only to confuse you. If this committee can take the statements of Americans as against those made by German manufacturers; if this committee can believe Americans as opposed to Germans in cases where facts are in dispute and where the committee itself is not able to decide the question because of a lack of knowledge along this particular line; if the committee will take American statements as against those made by Germans, generally speaking; if they will take the word of drug manufacturers of the United States, who are buyers of products we manufacture, and not the producers; if they will take what is the common, honest knowledge and opinion of the mass of the people, they will protect this industry.

There has been a quarrel about this proposition on the other side, in the House. For weeks there has been great activity, first, by those who wish to save the industry, and, secondly, by those who wish to destroy it; and every collateral issue imaginable has been urged. They have talked of monopoly; they have talked of lobbying; they have talked of everything except this single issue.

Senator SIMMONS. Do you wish us to understand that everybody over there wants to destroy an American industry?

Mr. COOKE. Senator, I realize that that is rather a harsh charge.

Senator SIMMONS. But you made it.

Mr. COOKE. I made it, and I am going to explain it. I do not think that some of the fine gentlemen whom I know wish to destroy this industry, but I think they are like men who are indifferent, and who will not go into the thing with the sincere study that would lead them to the correct conclusion. I believe that they do not give the

matter the study that it deserves and that as a result they resolve the thing against us.

Some American buyers of chemicals have fear that protection of the American industry might cause additional costs to them. I say to you that these men in their indifference have failed to study through to the conclusions which would demonstrate to them that they will surely destroy the American chemical industry unless they come and say to you, "Gentlemen of this committee, do what the manufacturers of these commodities say should be done."

Senator SIMMONS. That means that you think opposition is based upon ignorance?

Mr. COOKE. The respectable opposition is based upon ignorance; yes.

Senator SIMMONS. It is, you say?

Mr. COOKE. The respectable opposition is based upon ignorance, and the highly intelligent opposition is based upon a clear knowledge, full understanding, and thorough belief that if they can only fix some rates similar to those that we have in this bill here there will be no chemical industry in the United States.

Senator SMOOT. I may as well say to you that I am opposed to an embargo. I want to develop the industry.

Mr. COOKE. I am sorry to hear you say that you are opposed to an embargo.

Senator SMOOT. I want the chemical industry to be developed in this country, and there is no doubt in my mind that it will. I have tried to study this question just as thoroughly and as closely as you have.

Mr. COOKE. I know that, and I do not doubt that you know it a great deal better.

Senator SMOOT. With the American valuation rate put in this bill I think the industry will be developed in this country. I doubt that you could do it without the American valuation. I am ready to protect, but I am not ready to vote for an embargo.

Mr. COOKE. I do not care whether my client wears an ulster or a fur coat; but I do want him saved from freezing to death.

Senator SMOOT. I do not want to save him from freezing to death by simply saying that no goods shall come into this country.

Mr. COOKE. If I thought for a moment, Senator, that an embargo system could not be devised which would be absolutely safe to the American consumer, or if I thought that an embargo could not be devised that would take care of the necessary and proper importations, I would say no embargo.

Senator McLEAN. What policy does England follow?

Mr. COOKE. I was going to overlook that. I am very much obliged to you, Senator McLean, for calling my attention to it. There is nothing novel in an embargo, because it has already been created in England for a period of 10 years. They have embargoed German chemicals for 10 years. France, Italy, and Spain have embargoed these things from Germany.

Senator SIMMONS. What was England's situation with reference to the embargo after the war commenced?

Mr. COOKE. They had none.

Senator SIMMONS. I understood you to say they embargoed these things for 10 years. That antedated the war. My understanding

was that when the war started that England was in a very bad position with reference to chemicals.

Mr. COOKE. It was in the same deplorable situation in which the United States found itself because the Germans controlled the chemical business of the world. I said 10 years. That 10 years has just started to run.

Senator SIMMONS. Oh, you mean for the future?

Mr. COOKE. Yes, beginning with 1920.

With reference to that, they had already done to England what they will do to us next week or a little later unless we get protection here. We need this protection within the next 30 days. We know now what caused England, after the damage had been done and the destruction had been wrought, to pass this embargo. The Germans dumped chemicals into England in sufficient amount to load England up for one or two years, and of course British production ceased. Just as England was damaged and suffered, so are we going to suffer unless we have this protective measure.

Senator MCLEAN. And as to France, it was the same thing?

Mr. COOKE. The same thing; exactly the same thing.

I have here a statement from the British board of trade in relation to embargo on dyestuffs, under date of 1920. I could leave that with the committee.

Senator WATSON. With reference to this embargo, is it not a fact that when we were considering that question here in the subcommittee, of which Senator Simmons and I were members, that at that time England had lifted the embargo?

Mr. COOKE. I do not understand so.

Senator WATSON. England lifted the embargo, and then the German products went in there in such quantities that they were compelled to relay that embargo.

Mr. COOKE. They did have some war-power restrictions which were lifted, but they were in the nature of war-time operations. The opportunity was given to the Germans to dump their chemicals, and they filled the warehouses of London and Liverpool.

Senator SMOOT. There are two sides to that question.

Mr. COOKE. Yes.

Senator SMOOT. And they must be kept in mind.

Senator WATSON. I was chairman of the subcommittee that went into this whole thing, and after a very long and patient investigation, we reported out the bill that failed of passage in the Senate. I think it was an improvement over the House bill. It provided for an embargo, but my judgment is that if we can adopt the policy of American valuation with fair protection in addition, we can amply protect this whole industry, not only the dye industry but the synthetic chemical industry of the United States.

Senator REED. Why not under the other valuation?

Senator SMOOT. Because you can not do it with exchange against us as it is to-day without putting the rate so high that no one will stand for it.

Senator WATSON. There is the trouble about that, Senator Reed. You would have to have 1,500 per cent in some cases, and it would run even much higher than that on certain colors. It would be prohibitive.

Senator REED. If you are going to put on the American valuation you are going to get that same 1,500 per cent in the end, are you not?

Senator SMOOT. I do not think so.

Senator WATSON. However, that is a matter that we shall argue in the committee and not before the witnesses.

Mr. COOKE. I have already taken too much of your time and I wish to conclude.

I wish to thank Senator McLean for reminding me of the situation abroad, because, as I said to you a while ago, there is nothing novel in an embargo; there is nothing novel in having civilized countries to-day set up an embargo on chemicals.

Of course, the Germans want no embargo. They hate an embargo in any other country because it cuts them out of their business and upsets their purposes. They are now shut out of England and France.

Senator WATSON. Under the embargo of the war we developed this dye industry, this synthetic industry, and naturally now we have a large corps of skilled chemists in the country making 90 per cent of the dyes used in the United States.

Mr. COOKE. I did not wish to go into that matter. It was my purpose not to repeat. It is true that we have now a great organization of chemical experts who have been coaxed to these plants and paid large salaries and have been coordinated into genuine technical staffs, such as are hard to approach even in Germany. These men will, perhaps, return to teaching chemistry in the high schools.

Senator REED. You undoubtedly told us what I want to know before I came in, and while I do not want to go into the matter at length, I wish to ask you this question: Can this American industry ever be built to a point where it will not need protection?

Mr. COOKE. Absolutely, in our judgment.

Senator REED. What has to happen in order to get it to that point?

Mr. COOKE. I can say that it will reach a point where it will not need protection—high protection—within a reasonable time. Of course, we shall always need protection, some protection. I think we could soon expect to get to that day—and I know the Bayer Co. takes this view—when they can be producing these things reasonably which they are producing now at a much higher cost. They are producing now at four or five times the cost of the same drugs in Germany, but the price is constantly falling. As the processes are improved and as their yield increases, they feel that in the course of two or three years they will be in a fair position to go ahead and compete with their adversaries, provided, of course, that they have ordinary, common protection.

Senator REED. Just what do you mean by "ordinary, common protection?" Do you mean something that would represent the difference in wages?

Mr. COOKE. The difference in wages and the difference in all the elements that go into the American product compared with the Chinese or Japanese product or any other product where there is less than a fair cost. I do not wish to go into the principles of tariff protection because I know very little about that subject.

Senator REED. I am trying to find out what you mean by ordinary, common protection. Now, there is a protection that some people

advocate which they say represents the difference in wage costs. Do you think that this industry will ever be able to get away from the difference in wage cost?

Mr. COOKE. We doubt if we shall ever be able to do that. As an illustration, we hire an American college boy at a price which far exceeds that which the German manufacturer pays to the boy whom he hires. They really hire on a peonage basis. They really make their boys pay for using their plants. In the Monsanto Chemical Works at St. Louis college boys come in and are paid at the rate of \$2,000 or \$3,000 a year to start with, and while they are learning they spoil a great deal of valuable material. After he has spoiled material and has just begun to learn the business, he wants \$4,000 or \$5,000, and he gets it because he is entitled to it. On the other hand, the boy in Germany is paid at the rate of about \$1,500 per year on the old basis. I do not know what it would mean now considering the depreciation in marks. You can compute the difference as well as I can on the marks.

Senator REED. I do not want to go into the details nor do I wish to prolong the discussion.

Mr. COOKE. I just tried to explain the difference.

Senator REED. Do you have many of these high-priced men engaged in this work?

Mr. COOKE. The percentage of high-cost labor, if you call process men high-priced laborers, is much higher than in other factories. These men are trained chemists. The percentage of high-class men to common labor is much higher than it is in most other industries.

Senator REED. How many of these high-class men are you employing?

Mr. COOKE. The Monsanto Chemical Works, when they were running along with 2,000 men, were employing, say, two or three hundred of these chemical men.

Senator REED. The rest of them were hired at a common-labor wage?

Mr. COOKE. I would not say that they were. There were among them engineers, pipe fitters, and so on, besides the common labor. The chemical plant has in it all of the high-class labor that any other plant has plus common labor.

Senator REED. When you speak of labor costs, do you include in that the salaries?

Mr. COOKE. The Monsanto organization's salaries are very low. They are very low, naturally, because they meant to put the money back into the plant.

Senator REED. I am speaking about the business, Mr. Cooke, as a whole, not as a part of it now, and trying to arrive at the question of whether we can ever establish this industry in the United States so that it is able to take care of itself, or whether it has got to be taken care of always?

Mr. COOKE. If Monsanto thought it would have to live always under forced draft, they would liquidate now. We believe they can compete with Germany with no higher rate of protection than, say, you will find in the average industry of the United States.

Senator REED. Twenty-five per cent, or something like that?

Mr. COOKE. I will not name a figure, because that would not get us any place on Monsanto's position. The position of the gentlemen

I represent is that in due course the chemical industry of the United States can live right along with the woolen industry, it can live right along with the cotton industry or any other industry that has protection and at no higher rate; and while we might justify higher rates, I can say of the chemical industry that they believe they can live ultimately under the ordinary, common American protection which seems to have been the pretty general policy for the past 60 years.

Senator REED. Are they going to be able to ship abroad at all?

Mr. COOKE. Not under the present state of embargoes over there. They shipped some of their product during the war. Monsanto Chemical Works was given a citation of honor by the War Department for making drugs without which the Allies would have been unsupplied. They can not ship to England to-day the same things, because England has an embargo on America as well as on Germany, and France has an embargo; and if we do not get an embargo or such protection as will save us—

Senator REED (interposing). If there was not an embargo, could they ship?

Mr. COOKE. Not to England, because England is loaded up with German chemicals for three years to come.

Senator REED. Mr. Cooke, I am trying to get at the point. Let me state it so you can drive to that point; I want to know whether this industry is ever going to be in shape so that it can ship abroad—I am not speaking about legal embargoes, nor about some special condition that may have been created at a special time. I am talking about the general trade of the world. Are they going to be able to do that?

Mr. COOKE. We had hoped to do so some day. We had hoped to launch the fight in competition with Germany.

Senator REED. Let me get through with this, if you please. If you can ship abroad and sell abroad in competition with Germany and the other countries abroad, do you gentlemen think that at that time and under those circumstances you will need a tariff to protect you here at home?

Mr. COOKE. Personally, I would not, if you want my honest views. I am not in favor of terrific tariffs.

Senator SIMMONS. It has been said, during the war, after we had an embargo, that probably the thing that advanced the high level of prices in this country on all drugs that have elements that are produced either directly or indirectly in the dye industry—

Mr. COOKE (interposing). Will you not say the chemical industry, because I do not represent the dye industry?

Senator SIMMONS. That was when we had the embargo?

Mr. COOKE. That was the British blockade of Germany.

Senator SIMMONS. The prices went up to the highest level of any products in this country. That, I think, is a fact?

Mr. COOKE. Yes, sir.

Senator SIMMONS. Now, if the committee and Congress should decide to resort to this embargo, I assume that it would not extend any farther than the present embargo; that is to say, they would probably invest the Tariff Commission with the power to grant licenses to import under such cases. Do you not think if the committee should resort to this embargo principle as a permanent policy giving practically the industry in this country a monopoly of our

markets, with the experience that we had during the war, when we had a monopoly, do you not think it would be wise—

Mr. COOKE (interposing). Senator Simmons—

Senator SIMMONS. Let me finish my question. Do you not think it would be wise if we should do that, at the same time that we invest this power in the Tariff Commission, to grant these licenses under certain conditions, which would have to do with prices charged in this country as well as production in adequate quantities—to likewise give the commission the power to require this industry, or those engaged in this industry, to file with it regular statements as to their cost of production in this country; and having ascertained the cost of production, give them some power to prevent the imposition of the extortionate prices beyond certain amounts?

Mr. COOKE. I will answer that in just two minutes. The high cost—

Senator SIMMONS (interposing). Because the people certainly needed some protection during the war when the embargo was enforced.

Mr. COOKE. The great rise in chemicals, including dyes and drugs, immediately after the British blockade—it was not an embargo—was due to this: We then, for the first time, realized what Germany had done. They owned all production; we were depending absolutely on them; and of course you were dealing then with the disappearing spot supply of chemicals and drugs, and the prices soared. What did Monsanto do? With respect to saccharine, a very important agent in the treatment of diabetes, and also the sweetening element in articles like tooth paste, Monsanto had a process in their plant by which they could get around the use of a certain ingredient that was obtainable exclusively in Germany. They put that process in operation with the result that saccharine was sold by Monsanto at \$5.50 a pound to domestic buyers and the demand was met. Monsanto's price was \$5.50 per pound, yet spot saccharine was sold in New York at \$45 to \$50. Speculators and profiteers paid and took very large prices for what supplies of drugs were loose in the market. Such speculation caused the prices to soar.

You will never repeat the experience had during the war in mounting prices of drugs and chemicals, because if you will keep this industry here you will find Germany will not be the only producer, and that our American producers will give you these things at a fair price. The thing we were bemoaning in the past in the way of outrageous prices is the very thing we are trying to prevent now and in the future—dependence on Germany with tribute paid to Germany in the way of high prices on drugs and chemicals.

Senator SIMMONS. Leave out the price. Suppose we established by law what would be practically an American monopoly, protected absolutely from any foreign competition, absolutely?

Mr. COOKE. That is a monopoly to the American producers as a class.

Senator SIMMONS. If we by law established a monopoly it would be just as well by law to regulate it so as to permit somebody in this country to determine prices when they were supplying the people in the process of developing this industry under a monopoly principle?

Mr. COOKE. That is the second part of your question, which I was proceeding to answer, and the answer is this: The embargo provision that was in the House bill and knocked out in the House on final vote provides for the embargo only on those products that are produced in the United States at reasonable price and in quantity and grade. Now, whatever administrative power would administer those three tests certainly would ascertain the reasonable price and ascertain whether Monsanto Chemical Works was doing what it has never done in 20 years, and that is to profiteer on its products.

Senator REED. That is an indirect answer. Does this concern object to opening up its books to a Government agent and showing some Government authority just what it is doing, how much money it is making, and what it is doing with the money it is making?

Mr. COOKE. Senator Reed—

Senator SIMMONS (interposing). And how much it costs to make the product and how much it is selling it for?

Mr. COOKE. I thought I made a direct answer, but it may not be. "Reasonable price" means ascertainment of what reasonable price is. If a properly accredited man were to go out to Monsanto and say: "What does it cost you to make a pound of saccharine?" Mr. John F. Queeny, chairman of the board of Monsanto, would personally escort him and show every item of information.

Senator REED. In other words, they would have no objection?

Mr. COOKE. My clients would have no objection—

Senator REED (continuing). To having their business at any time investigated by the Government and making any reports the Government calls for and furnish all the information the Government's agent needs in order to ascertain that they are conducting their business in an efficient way and that their profits are reasonable?

Mr. COOKE. Absolutely. We will show you every book we have in the place.

The CHAIRMAN. Senator Reed, do you want them subpoenaed before the committee?

Senator REED. Oh, no.

The CHAIRMAN. He says they are willing, and let it go at that.

**STATEMENT OF WARD THORON, TREASURER OF MERRIMACK MANUFACTURING CO., LOWELL, MASS.**

The CHAIRMAN. Do you desire to speak at any length?

Mr. THORON. I think I can develop my argument in about three minutes.

The CHAIRMAN. Make it as brief as you can.

Mr. THORON. I do not know what questions the committee may want to ask me. I am the treasurer of the Merrimack Manufacturing Co., which operates textile mills at Lowell, Mass., and at Huntsville, Ala.

At Lowell we spin, we weave, and we dyo the cloths and finish them there. Our chief products are velveteens, corduroys, fustians, and khaki.

In the course of manufacturing we used in the last seven years an average of about \$420,000 a year worth of dyes, and dyes represent about 30 per cent of the cost of converting—that is, of finishing the cloth after it comes out of the looms—so it is rather an important factor. Our products are sold in this country in competition with English products, particularly our velveteens in competition with English velveteens, with German velveteens, and with Italian velveteens. I do not think French velveteens have come over here in any quantity. Their silk velvets come by preference. During the war we developed an export trade with South America, which last year amounted to about \$1,000,000. Our total business last year was about \$15,000,000, which is about three times in value what it would be in normal years; that is, owing to the higher prices at which everything was selling, as compared with prewar prices. I think on normal prewar prices the volume of our business is about \$5,000,000 a year.

Senator CALDER. So the volume of your business last year was no greater than prewar?

Mr. THORON. The volume was no greater; the values were very much larger.

Senator REED. What was it last year?

Mr. THORON. About \$15,000,000 was the total amount.

Senator WATSON. That is, the total amount that you manufactured for export?

Mr. THORON. The total amount we sold altogether, of which about \$1,000,000 was for export in South America.

The competition is not only one of price but one of quality. In certain low grades the price will gain the day; in the better grades price is not looked at so much as the quality; and what I have to say on the dye schedule refers chiefly to the better grades that we make and are trying to make in competition with the better grades that come over from Europe. The people who buy our velveteens—well, it is what you might call a poor man's luxury—buy a cheap substitute for silk velvets, and it is a very pretty cloth. But it is a luxury just the same. I think the experience in the past has been that a certain amount is imported whether the tariff has been high or whether the tariff has been low. Fashion to a certain extent controls it. The people who want English velveteens will buy them because they are English, no matter whether the American velveteens are as good or not. But no tariff has ever been framed which had the effect of checking the importations.

Senator REED. On anything?

Mr. THORON. On velveteens, as far as we know.

I want to explain to the committee that I understand the difficulty of the problems with which it is confronted, and my desire is to be helpful and to explain just the way the thing strikes us and to be perfectly fair about it.

Before the war we got our dyes almost entirely from Europe, and I imagine they chiefly came from Germany. They were inexpensive and they were of good quality and easily procurable.

Senator WATSON. Do you buy the browns, blacks, and blues principally?

Mr. THORON. On matters technical I am afraid you better not press me too closely. I look at results more than at the details,

but I have a general idea of my business, because I am responsible for it; I am the executive officer. The mere details of names of colors and the quantities of each I can not tell.

Senator SMOOT. With your business, like every other, of course, these dyes are the main ones?

Mr. THORON. I imagine black is very largely used in velveteens, and also blues and browns. Of course, we do not use the dyes as we buy them; we use them in combination, and our particular combination is our trade secret. We get a certain color out of combining these which we think is prettier than any other color of the same kind, and we sell our goods, and we do not tell people exactly how we make the combination.

When the war broke out, of course, the supply of European dyes was pretty quickly exhausted. In the colors which we did not have very frequent use for, we had a supply to last us for some time. But for the main colors we gradually had to come over and use the American dyes. We had great trouble with them. The American manufacturers of dyes succeeded extremely well with some, and pretty well with others; others they did not succeed at all with, or did not try to make.

Our experience probably is not as varied as the experience of the print-cloth manufacturers, because we dye in plain colors, and we do not use as great a number of dyes. Our experience with the American dyes was briefly this: It was satisfactory with those that they made perfectly well; with those that they did not make so well, the trouble was twofold; largely in our case it was due to the fact that one never received on two purchases the same thing, though it was nominally the same thing, and in endeavoring to work it into our combination and get our standard results there was an enormous amount of experimenting which had to be gone through with, sometimes without succeeding, but always making a great many failures and increasing the loss occasioned by making irregulars.

Senator SMOOT. You spoke of that as a past proposition. Does that still obtain?

Mr. THORON. It obtains very much less now. We are troubled very much less with the lack of standardization. Then, the second difficulty which we had in regard to dyes which they made was the lack of variety of shades. It is very important to us to be able in browns, or in any color, to have three or four almost identical shades to choose from in order to work up our combinations, and this was what the foreign manufacturers were very skillful in providing us with.

The American manufacturers have given us a very good brown which we have learned how to use, but we have not got any variety to choose from, and if we applied for permission to import a variety there is a good deal of machinery to go through with, and in nine cases out of ten, I should imagine, it would be very hard to persuade the licensing authorities that there was any difference between the two things which justified our asking for the permission.

Senator SMOOT. You said you "imagine." Have you tried it?

Mr. THORON. I can not say that we have tried it, because in the one case we did try it we got a little discouraged, and on this I speak more of the experience of other dye-using manufacturers, of their difficulties in getting it. Anyhow, it has not been a very prac-

tical question with us these years, owing to the fact that the situation created by the war resulted in a practical embargo on European exports to us of that class of competitive goods; and the American public were bound to buy what we had to offer; there was no choice; there was nothing else that came in competition. Of course, all the German product was eliminated by the war. The French textile mills were largely in the northeastern section of France and were destroyed by the Germans, and the English mills which made that class of cloth found they were obliged to supply the whole demand of Europe, owing to the disappearance of these other two sources, and they were so busy they could not send anything over here to speak of; and it was not really a very important question.

It made a good brown, and there was not the foreign competition against it to work against, and we could get along. But that situation is not going to last at all.

There were a certain number of dyes which were not made here. We do not use a great many of them. We use about a dozen, and we do not use them just at present in enormous quantities. I suppose our total annual consumption would be about 20,000 pounds.

Senator WATSON. Do you have reference to anthracene colors?

Mr. THORON. They are what they call, as I understand it, direct colors, and we do not use any vat dyes at all, and I should hate to commit myself on the technical names. I once tried to read the list in the tariff bill to our chemist, and I had to give it up.

But the main facts, I think, are covered.

Senator WATSON. Are you talking for a tariff on dyes or a tariff on your product?

Mr. THORON. No; I am now talking for a tariff on dyes, of a character which will permit us to get our supplies, if we are willing to pay the price, anywhere where these supplies are to be had, and I want to call the committee's attention to two phases of our problem.

Senator REED. You have entirely abandoned the theme you were talking on. You were telling us your experience about these dyes, and I think you were going to bring it down to date?

Mr. THORON. I practically had done so.

Senator REED. You had concluded?

Mr. THORON. I had concluded that. I now want to give the committee a picture of how it affects us. The important thing to us is that we are in competition in this country with European textiles that are dyed with European dyes, and we are in competition in foreign markets with the same. Now, unless we can produce quickly the varieties of colors which may become fashionable in Paris or London, because there is where the fashions are dictated, and to dye them in as durable colors with as good finish as our European competitors do, their goods are going to take possession of this market and drive us out, and we can not compete in any export market; and that is a serious situation. It is more important to us to be able to have the choice and to get the colors quickly, I think, than the question of price that we pay. The price that we pay may or may not become very important.

Senator WATSON. Have you needed any colors that you can not get in the United States?

Mr. THORON. Yes.

Senator WATSON. You have?

Mr. THORON. Yes. We had one case of discussion. Our first effort was through the War Board. We put in an application for certain colors. We were called upon—I think they took about 30 days to give us the necessary instructions as to what we should do, which included giving a letter of credit, which we promptly did, good for six months. At the end of six months they asked us to have the letter of credit extended, because they had not succeeded in getting us anything yet.

Senator WATSON. They had not decided the question in six months?

Mr. THORON. They had not gotten it yet. In nine months we received a portion of it, but by that time the whole character of the business had changed. We had no particular use for the balance, and we asked them to cancel the balance of the order, and we had that dye on hand.

The other case we had was a case of some particular dye; I do not know that the name of it makes much difference. We asked them for a license, and the board wrote back "So-and-so makes that." We then wrote to them—

The CHAIRMAN (interposing). That was an effort to throw business to that particular concern, was it?

Mr. THORON. Oh, I believe everybody is working in earnest and trying to do the square thing. But there are limitations on the intelligence of everybody, which is sometimes very trying to a person who is trying to do business. They referred us to somebody who made it here. We wrote to those people, and those people said, "We are only experimenting with that. We have not succeeded in making it commercially." It was not brought to my attention. Our purchasing agent decided he had enough to get along a little while longer, and he did not attempt to get it again for six months, by which time the board had discovered the thing was not to be purchased in this country.

Senator WATSON. Do you know what proportion of the dyes you use are produced in the United States of such a character as enables you to dye your goods with those dyes and compete in the foreign markets with the foreign competitors?

Mr. THORON. Offhand I should say the larger proportion was made in the United States now, and, as far as the result is concerned, the result is good. I assume they will be able to keep up the standardization which they seem to be working toward. But there are a certain number that we have to import. We have to keep a whole scale of colors. When we sell our cloth to a jobber, he buys so many thousand pieces a season, and then tells us later how he wants them dyed, and we have a color chart. We then dye them as he wants them in the colors which he indicates. We can not tell beforehand what he may ask for. But we have to carry a supply and be prepared to dye any of the shades.

The first difficulty, then, with us is that we foresee the present operation of the law under which we are working is going to make it extremely difficult for us to have easily at hand what we need—get it quickly in order to respond to the necessities of competition or changes of fashion and taste, etc.

So much for the question of quality. I think others are very much more affected than we are.

Senator WATSON. You can not tell us on the technical point?

Mr. THORON. I am not a technical dye man. I understand wool people have very much more trouble than the cotton people. I understand the people who make print cloths and have need of a great variety of colors have very much more trouble than we have, who run in comparatively few colors—perfectly simple.

Senator SMOOT. All of your dyes are piece dyes?

Mr. THORON. Piece dyes.

Senator SMOOT. Of course, the wool manufacturer has to dye the wool and put into the yarn and then blend those colors, and the difficulty of color would be multiplied many, many times over?

Mr. THORON. Yes. If the committee will allow me to pass to my second point. Of course, dyes are raw material to us, in so much as we are finishers of cloth, and, as I stated before, they represent in seven years about 30 per cent of the finishing cost. It has run as high as 41 per cent on an average for a year and as low as 18 per cent.

Senator McLEAN. Percentage of the total cost?

Mr. THORON. It varies very much, and any percentage I might give you might be misleading, because, for example, cotton is one of the chief raw materials in our product. If we are using 18-cent cotton and afterwards we are obliged to use \$1.25 cotton, the value of cotton makes a serious inroad into any proportions which you would get between the elements of cost. But I should say, generally, that the finishing costs, though they vary—in velveteens they are very much higher than in corduroys, and in corduroys they are higher than in khaki—I should say, as an average for all our business, the finishing costs are about 25 per cent of the total factory cost, and that the dyes represent 30 per cent of the finished cost.

Senator REED. Thirty per cent of the 25?

Mr. THORON. Thirty per cent of the 25. Of course, these dye manufacturers have put their shoulders to the wheel and have done good work, and we feel they ought to be protected. Our quarrel is not over the question of protecting them, though it may operate some hardship on us in competition with foreign-dyed textiles, where the dyers get their dyes more cheaply than we can.

Our objection has not been so much to the fact that they ought to be protected, but to the way in which they wanted to be protected.

Senator WATSON. You are against the embargo?

Mr. THORON. We are against the embargo. The committee has heard a great deal about embargoes, and I am not going to waste its time by discussing that particular feature any more. We are just against it. We are against it largely because it produces an economic situation which we think is unsound.

The ultimate cost of any article is a question of demand and supply; you can not get away from it. Dyes to-day are selling cheaper than they were last year. I do not believe that the dye manufacturer is a philanthropist. I am not a philanthropist myself. I believe the dye manufacturer is charging all that he dares to charge, and that the reason the prices have dropped is because the dye-consuming industry is dead, or has had a slump, and there is so little demand for his dyes that in order to move his stock he has reduced his prices to see whether he can find a point to which he can move it.

It is not a question of philanthropy, nor do I believe he is doing it with the idea of making a political play, by saying, "Look how

nice we are." I think it is simply the natural operation of the law of demand and supply.

I think we want to be given the benefit of the operations of that law, too, in the question of price. We are ready to have the dye manufacturers protected, but any scheme which has been so far devised and brought forward seems to me very bad, owing to the impossibility of the dye user being able to compute quickly what the alternative in cost is between using the American dye or the foreign dye. No scheme has as yet been suggested which makes it possible for the manufacturer to make that computation quickly, and yet he must make those computations quickly in order to answer questions and get business. There are certain people who dye in nothing but blue. That is one thing. They can buy a year's supply. But for people like ourselves, who dye in a variety of colors, and are asked to make frequent changes, to have to go through such difficulties and be halted by doubtful cases of whether or no proper domestic dyes really exist, it makes business absolutely impossible.

Taking the bill as it has come from the House, I do not pretend to know anything about whether the rates there proposed would be sufficient. But I do think that the method of applying those rates would be very difficult. It may be possible to discover quickly what the value of a competitive American dye is, but when you come to dyes that are not manufactured in America, I have not yet been able to work out in my own mind how anybody was ever going to find out what the American value was in order to guess what the duty would be when you come to importing the foreign thing.

Senator SMOOR. That is provided for.

Mr. THORON. I have not discovered it is provided for in a way which can be practically worked out as a matter of practice.

Senator SMOOR. Then, if you wanted to work it out this way, you must compel the importer to make affidavit as to the American valuation, what he sells it for, just the same as he is compelled now?

Mr. THORON. Suppose I am the importer. How can I get that data? I am struggling now and have been for months to get data to submit to the Ways and Means Committee, and while I have employed the resources of the Department of Commerce and of our friends abroad, I have not been able to get anything satisfactory, anything I would think would be worth submitting to the committee to form a basis for coming to a conclusion, and I doubt whether anybody can, because conditions are so abnormal abroad.

I should like to make a suggestion to the committee in connection with this dye schedule, that instead of working out the protection the way the bill now has it, you give those gentlemen a good, large specific protection on a sliding scale, because 7 cents a pound does not mean anything. You may have a 50-cents-a-pound dye or you may have a \$5-a-pound dye, and there is not sufficient variation there to mean anything. I should suggest—I do not know whether the figures mean anything or not, but simply as illustration of the idea—giving them a good high specific rate on a sliding scale plus an ad valorem rate.

Senator WATSON. How would you give specific rates on all the thousands of dyes imported, the different colors, shades, hues, and variety?

Mr. THORON. They are all based on their invoice value.

Senator WATSON. Then just changing the formula a very little, making the color very nearly like the color you use.

Mr. THORON. The color does not figure in it at all; it is only the question of the price of the color. The thing we are after is to have a tariff devised just so simple of application that the manufacturer who wants to use dyes can tell what his alternative is, either buying the American or buying the foreign, either because it is cheaper, or better, or because it is not made in America. But under the present arrangement no man can tell the cost until it has actually come in and gone through all the processes, and by that time it is too late to figure costs. I am not a chemical man; I have not the slightest idea of what would be sufficient protection, but I simply suggest this, as a working hypothesis, that colors of a value up to 50 cents should get 20 cents specific plus the 40 per cent ad valorem on the European value. The European value is easily ascertained under the present system of the consuls certifying to values in Europe. It is a perfectly clean-cut proposition, and anybody who is paying an honest price and putting it in his invoice can tell exactly what the things are going to cost.

Senator SMOOT. In other words, taking the value at 20 cents in Germany, which would be 100 per cent, you would give 20 cents a pound specific and 40 per cent ad valorem, which would be 140 per cent?

Mr. THORON. In such a case it would work out that way.

The CHAIRMAN. I suggest he be permitted to read his program without interruption.

Senator SMOOT. I am going to find out if I understand it as he understands it. I asked him that and I got his answer.

The CHAIRMAN. All right.

Mr. THORON. The next provision would be from 50 cents to \$1, 40 cents plus 40; from \$1 to \$2, 50 cents plus 40; from \$2 to \$3, 60 cents plus 40; from \$3 and above, 70 cents plus 40 per cent.

But we would suggest—

Senator SMOOT (interposing). Have you any idea how it would work out?

Mr. THORON. I have not the slightest idea of how that would work.

Senator SIMMONS. Just as a basis for illustration?

Senator REED. As an illustration of a method rather than a fixed rule?

Mr. THORON. As an illustration of a method which would be simple for us. We would suggest that as these rates are terrifically high, and as the necessity of the high protection decreases with time, that a provision be made to reduce the specific 10 cents each year to a minimum of 10 cents, and come back to normal. In other words, on the very high expensive dyes, which are probably those that they have not succeeded in making yet, it would take six years to get it down to a 10-cent protection.

Gentlemen, you must remember that manufacturers are not the hogs that we are pictured to be. Up in New England we have a very bad character, I am afraid, because of people thinking we want a good deal of protection for cotton and woolen industries.

Senator REED. Did you establish a factory in Alabama?

Mr. THORON. We established a factory in Alabama, because we found it impossible to make certain cloths in our northern mill on a competitive basis with the southern mills. The cloths we made in the South, part of them we finished in the North. None of them can we manufacture in the North on a competitive basis.

Our company is 99 years old. We celebrate our hundredth anniversary next year, and in the last 20 years our unfortunate common stockholders have succeeded in getting an average  $3\frac{1}{2}$  per cent on their investment. So we have not made exorbitant sums. We have had four very good years, and I do not deny it, and we are in very good shape now. We have paid the Government very much more the last two or three years than our stockholders have received in 20 years.

What I wanted to say is this: I do not believe any manufacturer can tell absolutely what protection he really needs. The amount of protection which will be satisfactory perhaps you can theoretically work out, various people have undertaken to do it, yet in actual practice it never comes exactly the way the theory points, because the law of demand and supply interferes, and a very abundant supply in a European country of the article will make the manufacturer very willing to part with his goods at a smaller price—even at no profit or at a small loss—and the mere difference in the cost of wages or raw material becomes obliterated for the time being under these cross currents which come in and affect it. I think this is one of the cross currents we are threatened with now.

He does not know how much protection he really needs. It is a matter of experience. He has the feeling that from his experience he is not getting enough or that he needs more. He does not know how much he needs, and he sees how important it is that he gets enough, that his industry should not be destroyed; and, taking no chances, he is apt to try to err on the safe side.

Senator WATSON. And always takes enough.

Mr. THORON. And always takes enough. I do not think that is badly against him. It is not through his covetousness; it is through his ignorance, and you can not get over that. You can figure till doomsday and the theory will not work out. I just want to say that apologetically.

I would suggest to these dye people that it is nonsense to say that they can not exist except by embargo. They are not worse threatened with an avalanche of German goods than we are threatened with an avalanche of cheap German textiles; and yet we are prepared to take our medicine, and hope that after the avalanche is over there will be enough of us left to keep going if we have decent protection.

I believe it is a fact that between 1870 and 1883 there was a sufficiently high tariff to induce certain people to indulge in certain branches of the chemical industry—the aniline branch—with success. They started rather late, and they found it profitable until 1883, when the tariff was changed, and that seemed to have put them out of business. But if in those days with no start at all a proper tariff act would make it possible for them to compete properly with Europe, there is no doubt to-day, with the experience which they have and the start they have, that a proper tariff ought to make it possible for them to continue.

I suggest this sliding scale, because if it is found that by postponing the application of the sliding scale it materially helps their situation so far as foreign commerce is concerned it will be a relatively easy matter to suspend the decrease for a year, because this must be an experimental matter. No person can actually tell what is going to-day to protect and what is not going to protect. But we want the amount found in such a simple way that we can tell what the things cost.

I shall not take any more time of the committee. I have here a mere outline of what I have said in this printed brief, which I beg leave to file.

The CHAIRMAN. It will be printed.

**BRIEF OF WARD THORON, TREASURER MERRIMACK MANUFACTURING CO.,  
LOWELL, MASS.**

The Merrimack Manufacturing Co. is engaged in the manufacture of cotton textiles, and uses dyestuffs for the purpose of finishing its product and making it ready for the domestic and foreign market.

The tariff bill, H. R. 7456, as originally reported to the United States House of Representatives contained (in par. 27) a provision for the protection of the dyestuff industries, in effect providing for embargo and licensing in addition to substantial tariff protection (in par. 26). This provision, before the passage of the bill, was struck out, and the question now comes before your committee whether or not it should be restored. In our opinion, to do so would be fatal to our industry and other dye-using textile industries.

Tariff and economic questions are at best very complicated, and no formula for solving them has yet been discovered that is more than sentimentally convincing. Conditions change so rapidly that what might be a good solution yesterday, ceases to be so to-day. The best one can offer is one's matured judgment founded on an extended business experience.

Before the war the dye-using industries were almost wholly dependent on the German manufacturers for their supplies of dyestuffs. The Germans had brought these industries to a high state of technical perfection; their product was uniform and good, and available, at not unreasonable prices, to everybody.

The American, the British, French, Swiss, or Italian dyer was consequently, so far as dyes were concerned, able to finish in as good and durable quality of finish as their German competitor. The dyes were freely exported, and were quickly procurable from importers or dealers in quantity and when needed.

The situation was entirely changed by the war. The supply of German dyes was more or less rapidly exhausted, and the chemical industries in England and America undertook to supply the deficiency by enlarging and perfecting their facilities, in certain lines with great success, in other lines with moderate success, and in still other lines nothing was attempted or the result of the attempt was unsatisfactory. If the dye users produced an inferior finish, the public was forced to buy, as there was nothing better available.

With the termination of the war and the probable availability from German sources of dyes temporarily nonexistent, of more standard dyes in competition with those manufactured at home with indifferent success, and of cheaper dyes in competition with the successful ones, the question of protecting this infant branch of the chemical industry became acute.

In England the Government had committed itself to doing something, and to redeem its promise, without committing itself to a protective tariff, imagined the embargo and licensing method, against the judgment of most dye users and over their protest.

Mr. Longworth and the Chemical Foundation seem to have received their inspiration from the English plan, forgetting, however, that in England there was a psychological objection to a protective tariff and that consequently the ordinary system of protection was not available.

Now our position as a dye-using manufacturer of textiles is most simply stated as follows:

1. To successfully compete in our home market or in any foreign market we must produce as fast and fine a color finish to our fabrics as our foreign competitors do.

If we do not, our goods will be driven from the market.

2. To do this we must have easily available as good dyes as our foreign competitors. This is absolutely necessary, and can not be dodged.

3. The question of price while important, is secondary to the question of quality and availability.

We recognize that the dye manufacturers are entitled to tariff protection.

4. The embargo proposed is deadly to our interests so far as it prohibits the importation of foreign dyes of more standard or uniform or better quality than domestic ones.

5. The licensing feature as originally planned, and as now in actual operation under temporary legislation, is equally destructive in causing impossible delays in obtaining dyes not made in this country. We are no longer able to go to a dealer and buy them as we need them and have them at once.

It seems to us that no very extensive experience in business is required to appreciate the correctness of the foregoing five propositions. And the conclusion is obvious that under the embargo and licensing plan a certain portion of the dye-using textile industry must be sacrificed, unless a similar plan be applied to foreign-dyed textiles which might come into competition. Even then it would not help us in an export competitive market.

6. We believe that the dye makers can be adequately protected by the usual protective tariff methods, and if it is shown that such protection, to be effective, must be unusually high, a corresponding protection should be given to dyed textiles.

Such a method will avoid putting dye users at the mercy of a monopoly at home, in the end more fatal than the much-feared German monopoly abroad.

The dye makers have put great stress on what we call the patriotic argument. This is a highly technical matter, and while they have been unusually active in collecting testimonials and printing them in the daily papers, we confess we have not found them convincing.

1. We are not convinced that the safety of the country depends on the dye-making industry.

2. That, while we admit a prosperous chemical industry may be of assistance, we do not believe this prosperity depends on embargo or licensing.

3. We believe the chemical industry will prosper perfectly on a proper tariff; and, so far as the dye end is concerned, in proportion as the dye users prosper.

4. If they hurt the dye users of the finer dyes, they will hurt themselves just where they insist they wish to develop.

It is absurd to suppose that the universal hostility displayed by textile dye users in England was prompted by anything but good business sense. And it is obvious the proposed legislation will insure great prosperity to German textiles dyed with their dyes at the expense of American textiles dyed with unreliable or inferior dyes.

The proponents of the embargo and licensing method of protection have already recognized the merit of some of the objections we have outlined, and have endeavored to overcome them by substantial modification of the existing law so far as licensing is concerned. We have had actual experience under the present temporary legislation. We know our fears are not imaginary; we know how bad the system is in practice. We think we are qualified to judge whether or not the proposed modification overcomes the difficulties we are now contending with. Our opinion is that the plan is not practical and is distinctly worse than what it is intended to improve.

Let us first examine the provisions of the bill as it has come from the House of Representatives, and then consider those contained in paragraph 27 of the original bill as introduced in the House of Representatives.

Coal-tar products are generally divided into two classes:

A. Those that are not "colors, dyes, or stains, etc.," which are to be dutiable at 7 cents per pound and 30 per cent ad valorem.

B. Those that are "colors, dyes, and stains, etc.," which are to be dutiable at 7 cents per pound and 35 per cent ad valorem.

As the bill now comes from the House of Representatives the foregoing summarizes the protection afforded. If the Senate is satisfied that protection is to be given the dye industry by the foregoing method, the only question which concerns the dye user is:

Is it reasonable, and what compensation will you give us to equalize the situation in competition with the foreign-dyed textiles where a less expensive and at least equally reliable dye is used?

So far as the dye users are concerned, dyes are a raw material and one of the primary factors of cost. An unintelligent tariff placed upon them may ruin a whole industry which uses them.

Let us, leaving aside the question of whether a protective rate can be found which will make it possible for the dye industry to survive at a profit, pass to a consideration

of the evils threatened in the proposed paragraph 27—evils, at least, from the dye-using manufacturers' standpoint; of those the importer may conceive in it, we are not competent to speak.

The proposed paragraph 27 proceeds on the assumption that, notwithstanding a high rate of protection, the foreign manufacturer will find it profitable to liquidate his surplus stock upon us at a lower price than the American manufacturer can hope to meet. Therefore the whole dye market must be turned over to the latter. Recognizing, however, that there are some dyes he has not succeeded in making at all, and others, for some reason or other, are not as dependable as foreign dyes, the following machinery has been devised to take care of the situation:

The coal-tar products are to be divided into two classes:

A. Those obtainable in the United States on reasonable terms as to quality, price, and delivery.

B. All the others.

Now, the first difficulty comes in determining what belongs in class A and what belongs in class B. About some dyes there will be no question as to their classification. If nonexistent as a domestic product, they go into B. If abundant in quantity, excellent in quality, and reasonable in price, they belong to class A. Unfortunately, there will also be quite a number on the border line, owing to scarcity or disputed quality or questioned reasonableness of price. As the defects are cured or recur, they will shift the dye affected from one class to the other. Disputes as to quality will frequently occasion protracted discussions. The consequent delays in persuading the Tariff Commission of its error will be the causes of losses of business and of money.

Certain dyes will shift from class A to class B, and vice versa, on account of price and delivery. How is price to be determined when the manufacturers state very frankly, and we assume very truthfully, that they can't tell what many of them cost? Delays in determining whether the terms of delivery are reasonable may make it impossible for the consumer to figure his own deliveries, to say nothing of his own costs. Can we wait 30 days for a hearing before we undertake any business and then be faced with the extra expense involved in presenting the evidence, in attending the hearing, which expense may frequently exceed the total cost of the dyes needed and increase the cost to the user beyond the possibility of using the dye at all?

No. Sections a, b, and c express a lovely ideal, but their provisions are absolutely impossible in actual operation.

Let us go a step further and forget for the time being the snares which a, b, and c lay for the unsuspecting dye user.

Class A may not be withdrawn from customs custody for three years.

Class B may be withdrawn under certain conditions.

When it comes to class B the manufacturer has the alternative of depending on an importer "for sale" for his supply or becoming an importer himself "for consumption."

As we do not know how readily an importer for sale will be willing to operate under the regulations proposed, nor how large or varied a stock he will care to keep in bonded warehouses, waiting upon the contingencies of whether a dye happens to be in or out of classes A and B, the manufacturer must be ready to become an importer for consumption and speculate himself on his chance of ever using some of his importations before the expiration of three years or of any extension of the period the dye maker may hereafter insist he may need.

Now to become an importer "for consumption"—

1. He must register with the Tariff Commission (sec. e).

We assume the registration will be granted on a general statement and the dye consumer will not be required to specify minutely what particular things or quantities he is likely to need.

2. Having done this, if we understand the provisions of section f, he may import all he wishes and store his importations in a bonded warehouse—at an added cost for storage and insurance and added risk of deterioration or other casualty.

3. To get them out as needed he must submit an affidavit that he wishes to use them himself, and that the quantity is not in excess of his needs for six months.

Should he at any time find that he no longer has use for what he has withdrawn, he must get permission to sell, but what will happen to what he has not withdrawn?

To have these privileges at all, he must be prepared to submit to the inquisition provided for in sections i and j, and he may be comforted by the provisions in l, annoyed by the provisions in m, have his conscience troubled by the provisions in o, possibly punished by those in p and q, and ultimately taxed to carry out the administrative machinery in r and s.

Such an arrangement will not encourage industries in the United States, and we can not grasp the optimism which conceived them.

## CRESOL OR CRESYLIC ACID.

[Paragraphs 25 and 1546.]

## STATEMENT OF T. E. CARUSO, REPRESENTING LEHN &amp; FINK (INC.), NEW YORK CITY.

Senator McCUMBER. Where do you reside, Mr. Caruso?

Mr. CARUSO. New York City.

Senator McCUMBER. What is your business?

Mr. CARUSO. Wholesale druggist and manufacturing chemist.

Senator McCUMBER. Whom do you represent?

Mr. CARUSO. I represent Lehn & Fink (Inc.).

Senator McCUMBER. On what paragraph do you desire to speak?

Mr. CARUSO. On paragraph 25, which is also linked up with paragraph 1546.

Senator McCUMBER. Will you kindly proceed in your own way to enlighten the committee?

Senator WALSH. What article do you want changed?

Mr. CARUSO. There is nothing definite enough in the bill at present as a basis of change. The first thing necessary is an unquestionable provision for cresol or cresylic acid under the free list. Cresol at present may come under several schedules.

We telegraphed Mr. Fordney and asked him whether cresol was still on the free list, and he answered, "See page 8 of the tariff, 30 per cent ad valorem on cresol, plus 7 cents per pound."

Page 8 of the tariff tells about orthocresol, paracresol, and metacresol. None of these cresols is the same as cresol or cresylic acid.

Orthocresol is a solid body which melts at about 31° C. Metacresol is a liquid which boils at about 201° C. Paracresol comes in colorless prisms, solid bodies, which melt at 36° C. Now, cresol is none of these. When we import or buy cresol we import or buy a distinctly different product.

We asked Mr. Jordan, of William E. Jordan & Co., New York, the largest importers of cresol or cresylic acid. He said that, in his opinion, cresol would come under paragraph 25. Do you want me to find these lines in paragraph 25, Senator Walsh?

Senator WALSH. Yes; please.

Mr. CARUSO. It is on page 9, line 9, reading:

All mixtures, including solutions, consisting in whole or in part of any of the foregoing products provided in this paragraph.

That is, in Mr. Jordan's opinion, cresol can be defined as a mixture of these three isomeric cresols—para, meta, and ortho. Mr. Jordan, however, is not a chemist. He is an importer and simply buys his materials to sell to users of cresylic acid. However, I represent his views when I advocate cresol on the free list. Cresol is not a mixture of these three "cresols" above. Cresol is a single distillate of coal tar. It comes over as one product. You do not buy paracresol and metacresol and orthocresol and mix them to make cresylic acid. You buy this one distillate of coal tar, namely, cresylic acid.

Senator SMOOT. It is specifically mentioned in the Payne-Aldrich bill.

Mr. CARUSO. Yes; under the free list. It has always been free.

Senator SMOOT. What do you want?

Mr. CARUSO. We want a special provision under the free list.

Senator SMOOT. What rate do you want?

Mr. CARUSO. We want it free.

Senator SMOOT. You want it free?

Mr. CARUSO. Yes.

Senator SMOOT. It will be free.

Senator WALSH. Where would you make the amendment?

Mr. CARUSO. I would put it under the free list following paragraph 1546.

Senator SMOOT. Do you want creosote oil on the free list too?

Mr. CARUSO. No, sir; we are interested only in cresol. Practically all cresol is imported. I believe that there were something like 10,350,000 pounds imported in 1920, and less than 11,000,000 pounds used altogether in this country.

Senator SMOOT. The wording of the law of 1913, or the act of 1919, under the free list would be satisfactory to you? In other words, if we put naphthaline, phenol, and cresol, all the foregoing medicinal and not colors or dyes free, would that be what you want?

Mr. CARUSO. No. There would be conflict then with other items in the present bill. Would you not have the same conflict as now with the definite mention of paracresol and orthocresol and metacresol?

Senator SMOOT. I do not think so.

Mr. CARUSO. A definite mention of cresol as in the law of 1916, under the free list, would suit us. I would say "cresol or cresylic acid not specially provided for in paragraph 25." In T. D. 36667, issued September 12, 1916, as an amendment to the tariff of 1913, cresol is mentioned by name in group 1 under the free list. When we refer to the law of 1916 we have in mind this amendment to the tariff.

Senator WALSH. You would put a separate paragraph for cresol?

Mr. CARUSO. Yes; for cresol or cresylic acid.

Senator WALSH. You claim that they are not included specifically in any definition on the free list?

Mr. CARUSO. They are not. They come, if at all, in our opinion, under section 1546, which mentions as free certain distillates of coal tar, but does not specify cresol by name.

Senator McCUMBER. Where do you want to include those?

Mr. CARUSO. Right after section 1546, as 1546(a).

Senator WALSH. In a separate paragraph for cresol or cresylic acid. Is that right?

Mr. CARUSO. Yes, sir.

### PHOTOGRAPHIC CHEMICALS.

[Paragraph 26.]

#### STATEMENT OF DR. MAX MUELLER, PRESIDENT RHODIA CHEMICAL CO., NEW YORK.

Senator DILLINGHAM. Mr. Chairman, I would like to know whom this witness represents and in what capacity he appears.

Mr. MUELLER. I represent the Rhodia Chemical Co., located at New York, with factory at New Brunswick, N. J. Our office is at 89 Fulton Street, New York City.

Senator DILLINGHAM. Are you an attorney or a member of the company?

Mr. MUELLER. I am president of the company. I am a chemist.

We are hereby submitting for your consideration certain recommendations and information relative to the two well-known coal-tar photographic chemicals, namely: Hydroquinone and monomethyl-paramidophenol sulphate (otherwise known as metol and rhodol).

These preparations are two of the most widely used chemicals in the developing of photographic films. Since the camera or kodak has become a universal household article and the moving picture has become practically a necessity in every city, town, and village in this country, these chemicals are essential to the public welfare of this Nation.

Inasmuch as these two preparations are derived from, respectively, aniline and paramidophenol, two coal-tar products, they are brothers and sisters to dyes, medicinals, etc., belonging to the coal-tar family, the production of which in this country is imperative to our welfare in peace and to our protection in war.

This company, since the commencement of the World War and since hydroquinone and monomethyl-paramidophenol sulphate, which are principally imported from Germany, became unobtainable, has constructed a plant at New Brunswick, N. J., at an expenditure of \$200,000 for the manufacture of these chemicals.

Monomethyl-paramidophenol sulphate is at the present provided for under the generic term, photographic chemicals, in Group III, Title V, dyestuffs, revenue act of September 8, 1916, at 30 per cent ad valorem and 5 cents per pound. We recommend that this photographic chemical be specifically provided for by name at a compound rate of duty of 30 per cent ad valorem and \$1.50 per pound. This article can be imported into this country, duty paid, at less than \$3 per pound, and our lowest cost of production is \$4.25 per pound.

Furthermore, the trade name "metol" used by foreign manufacturers for this product in this market prior to the war is copyrighted—consequently we are placed at a disadvantage in marketing our product under a distinct new name. The United States Tariff Commission in its Coal Tar Census of 1918 showed that there were three domestic manufacturers of this article during that year, and recent statistics obtained from that commission showed that during 1919 there were seven manufacturers. We can state with authenticity and with perfect knowledge that we are the only manufacturer of this article in this country and that the same article is now imported from Germany, England, and France, and is being freely offered for sale in our domestic markets. We, the lone manufacturer, to hold out against this competition, are now marketing our product at a financial loss, trusting that sufficient protection will be afforded in time to equalize the great difference in cost of production in this country and abroad.

In order that the coal-tar industry shall be a self-contained industry providing for the welfare of this Nation in peace and protecting its people in time of war, it is imperative that this industry be permitted to obtain a permanent growth. The raw materials necessary for this industry are obtainable in this country in ample quantities, and if sufficient protection is afforded, the industry can reach a development where it can satisfactorily produce sufficient quantity of this article to meet domestic consumption. The number of employees employed

in our plant is 25, and if all the monomethyl-paramidophenol sulphate consumed were manufactured in this country, it would require upward of 100 employees.

Our domestic production is approximately 18,000 pounds per year. The United States Tariff Commission's statistics show that 10,975 pounds were produced in the United States in 1918, and 59,024 pounds in 1919. We estimate that the total consumption of this article in the United States is upward of 75,000 pounds. Our costs have been considerably reduced in the period of time that we have been manufacturing, and are now \$4 per pound, but we are compelled to market our product at a financial loss to meet the annihilating foreign competition. This same article we know is now being produced in France for 68 francs per kilo, which, considering the present exchange of 8 cents per franc, is equal to \$2.68 per pound. Considering the exchange alone, no doubt this photographic chemical is now being manufactured in Germany at a still lower cost. Our average wage is \$5 per day, while the wage now being paid in France in this industry is 12 to 15 francs per day.

This chemical is now being imported from Germany, France, and England, and undoubtedly in a volume equal to the difference between our production and domestic consumption; that is, 57,000 pounds per annum. It is being offered for sale at \$4 and less per pound. The only Government statistics available showing imports are for the last prewar year, namely, July, 1913-July, 1914. During that year there were 42,962 pounds imported at an import price of \$2.08 per pound. Of the quantity imported, 68.7 per cent came from Germany, 30.8 per cent from France, and 0.5 per cent from England.

It is suggested that the term "photographic chemicals" be amplified to read as follows: Monomethyl-paramidophenol sulphate, 30 per cent ad valorem, and \$1.50 per pound; hydroquinone, 30 per cent ad valorem and 50 cents per pound; all other photographic chemicals, rate to be specified.

Hydroquinone is provided for under the generic term photographic chemicals, in Group III, Title V, revenue act of September 8, 1916, at 30 per cent ad valorem and 5 cents per pound. We recommend that it be specifically provided for by name at a compound rate of 30 per cent ad valorem and 50 cents per pound for our costs, not including selling expenses, are \$1.35 per pound, and hydroquinone can be laid down in this country for \$1.10 per pound.

Conditions with respect to the number of employees now working on hydroquinone and the number that would be employed were all of this chemical that is consumed manufactured in this country are the same as with reference to monomethyl-paramidophenol sulphate.

According to statistics obtained from the United States Tariff Commission the domestic production in the United States for 1918 was 305,774 pounds and for 1919 was 272,329 pounds. Our productive capacity is now approximately 250,000 pounds per year. Our costs are \$1.35 per pound, not including selling expenses, while the cost in foreign countries is considerably less than \$1.10 per pound. Our average wage is \$5 per day, while the wage paid in this industry in France is 12 francs per day, which, based on present exchange, is equal to 90 cents per day. In other words, our wage or labor cost

is 600 per cent more than the labor cost in France. Since our direct labor cost, without overhead, is approximately 50 cents per pound, the corresponding labor cost in France would be 7 cents per pound. The difference, or 43 cents per pound, should be taken care of by ample protection.

There are no statistics available as to sources of imports and volume except last prewar year, July, 1913—July, 1914, when 149,558 pounds were imported, at an average price of 48.6 cents per pound. Hydroquinone is offered for sale at \$1.30 per pound.

We further wish to bring forth the fact that German currency and exchange are about one eighteenth their old par value. German wages have risen on the average only seven or eight fold in their currency, not eighteen times, and therefore upon resumption of trade with Germany this latter country can ship goods to the United States at the old prices in dollars and get eighteen times as much for them in paper marks as formerly and produce these goods by paying only from seven to eight times as much in wages. It is obvious that the already cheap German labor before the war will become twice as cheap now, and the disastrous result of such a condition to our industry need not be explained further.

### PERFUMERY.

[Paragraphs 26, 56, 57, and 1625.]

#### STATEMENT OF HARRY C. WRIGHT, NEW YORK, N. Y., SECRETARY AMERICAN PERFUMERS' ASSOCIATION'S TARIFF COMMITTEE.

The CHAIRMAN. What is your full name?

Mr. WRIGHT. Harry C. Wright.

The CHAIRMAN. Where do you live?

Mr. WRIGHT. No. 118 Twenty-seventh Street, New York City.

The CHAIRMAN. What is your business?

Mr. WRIGHT. Secretary of the American Perfumers' Association's tariff committee.

The CHAIRMAN. Are you in the perfumery business?

Mr. WRIGHT. No, sir; I am employed by Morana (Inc.), who are associate members of this association, and my services are loaned by Morana (Inc.) to the association in order to present the feelings of the association in regard to tariff matters.

The CHAIRMAN. Will you state briefly just what you desire to submit to the committee.

Mr. WRIGHT. We have prepared a brief, which is being printed and will be laid before the committee, from which I would like to read to you. I will make it as brief as I can—

The CHAIRMAN. Is your brief printed?

Mr. WRIGHT. Yes, sir.

The CHAIRMAN. Then you do not have to read it.

Senator SIMMONS. What do you want to read it for?

Mr. WRIGHT. I want to emphasize a few points.

Senator SIMMONS. Pick out the points that you want to make.

The CHAIRMAN. Make any statement to the committee that you wish, but do not read your brief to the committee if it is printed.

Mr. WRIGHT. I want to refer particularly to the embargo and licensing plan which was voted down in the House but which we fear may develop later and be pressed for passage before the Senate.

We desire to emphasize briefly the considerations which have caused our members to register an absolutely unanimous opinion with respect to this project.

Since this plan was first proposed several years ago—

Senator SIMMONS. You say your members?

Mr. WRIGHT. We have about 200 members, all told, the principal dealers in the industry.

This association has given the matter careful consideration and has consistently opposed it. We have at all times recognized the equity of granting the fullest possible protection to domestic manufacturers producing the materials which it has been proposed to subject to this plan, and we shall cheerfully accept any schedule of duties which, in the wisdom of Congress, is deemed necessary to protect American producers of our raw materials.

The CHAIRMAN. All these propositions are conceded.

Mr. WRIGHT. It must be borne in mind, however, that it is absolutely essential, not only to the prosperity but to the very existence of the perfumery industry, that we should at all times have free access to any and every desired foreign source of supply of our raw materials.

The CHAIRMAN. Are you reading that?

Mr. WRIGHT. I am just taking parts from this.

The CHAIRMAN. It is not only printed, and available, but self-evident.

Senator SIMMONS. I understood, Mr. Chairman, that he wanted to read some extracts and then comment on them.

Mr. WRIGHT. That is what I should like to do.

The CHAIRMAN. All right.

Mr. WRIGHT. We wish to point out that the materials enumerated in paragraph 26, which affect our industry, are different from the definite chemical substances and dyes in the determination of their availability for use. In other words, a perfumer must have a specific quality of merchandise, something which will pass the odor test, either foreign or domestic; must show absolute purity; but there is a delicacy in odor which the American perfumer seeks for his work and these foreign goods would be absolutely prohibited if there were an embargo in effect which would prevent our bringing these goods into this country as required for the industry. It would necessitate the abolition of certain items in our line, and those would be the finest products on which we rely to compete with the finer imported grades. In other words, then—

Senator SIMMONS. I am not in favor of the embargo by any means and I had not understood that we provided for the absolute exclusion of any product. I thought we provided for exclusion unless that product was produced in this country in sufficient quantities to supply the demand.

Senator SMOOT. It is just the reverse, Senator.

Senator SIMMONS. It is ranker than I thought it was. It was rank enough, but this is ranker.

Senator SMOOT. That is what I thought when you voted for it. I do not know how you ever did it.

Senator SIMMONS. I have not voted for it.

Senator SMOOT. Yes; in the emergency tariff bill.

Senator SIMMONS. Oh, yes; I voted to extend an embargo that would be applied for three months, until we could have opportunity to adjust this matter in an equitable way.

Mr. WRIGHT. The feature in the embargo bill to which we object is the requirement relating to any article produced in this country of like quality, price, and delivery. Those are the three points made. But the point of it is that with aromatic chemical products the question of quality is paramount. We have to have the very finest product possible, as I pointed out before, in order to enable us to compete with the imported perfumes. Very few, if any, I will say, of the articles listed in paragraph 26 are produced in America of a quality equal to the foreign product, and I hold no brief for the foreign manufacturer.

Senator WATSON. Why can they not produce them here as well as they can in foreign countries?

Mr. WRIGHT. It is only a question of manipulation and having the proper labor, I imagine. It is not done, and it has been attempted. We have been working on them for a number of years.

For instance, the house with which I am connected, although I do not represent it here to-day, manufactures certain aromatic chemicals, and we have tried hard to make as good an article as some of our foreign supply houses. We would very gladly make them in our factory in New Jersey rather than import them from Switzerland or France, but so far we have not been able to do it.

Senator WATSON. Because of the lack of knowledge of the formulas?

Mr. WRIGHT. No; we have the formula. It is a definite formula, well known. We have a directing chemist who is very competent, but it seems to be a matter of getting proper results from the available labor.

Senator SIMMONS. Do I understand you to say that if you need a certain article in your business that is not produced at all in this country, that you can not get in this country, this embargo would prevent you from buying abroad? Of course, you would have to get a license, possibly; I do not know about that.

Mr. WRIGHT. Just referring to paragraph 26, one item noted there, artificial musk. I do not believe that an ounce of artificial musk is made in this country. Yet it is essential to the perfume industry.

Senator SIMMONS. Do you mean that if this embargo is adopted you could not buy it abroad or get a license to buy it abroad?

Mr. WRIGHT. As it is written now artificial musk would be absolutely barred from importation.

Senator WATSON. Why?

Mr. WRIGHT. As it is written in the law.

Senator WATSON. I do not agree with you about that at all.

Senator SMOOT. No; I do not either.

Mr. WRIGHT. That is, we would have to show——

Senator WATSON. Of course you would have to make your showing, but after you make your showing you can get it.

Mr. WRIGHT. We have been able to do that so far under the emergency tariff, under the licensing plan in effect until the 28th of August. We have been able to get certain items in, and others we have been refused licenses on because they claim that they are obtainable in this country.

Senator WATSON. Certainly. That is an entirely different proposition.

Senator SIMMONS. You mean you could not get them except by a very cumbersome and dilatory process?

Mr. WRIGHT. That is what I mean.

Senator WATSON. That is different from the statement you first made.

Mr. WRIGHT. The various paragraphs in which we are interested in the tariff will be indicated in the brief which will be before you, gentlemen.

I do want particularly to point out in paragraph 56 the added provision, which reads:

All mixtures or combinations containing essential or distilled oils or natural or synthetic odoriferous or aromatic substance 40 cents per pound and 40 per cent ad valorem.

There have been brought into this country certain compounded perfumes which are not quite in the perfumery state. They are materials which, by dilution with alcohol, could be made salable.

We want to see this provision put into effect, because under that, instead of the 20 per cent, as now being assessed on that class of materials, the higher rate would obtain.

Then, in paragraph 1625, the essential oils, we made certain recommendations before the Ways and Means Committee to have certain oils, bois de rose and cananga, specifically mentioned. We were told by the experts of the United States Tariff Commission that bois de rose was omitted for the reason that it was considered to be identical with linaloe, and that cananga was omitted on the ground that it was identical with ylang ylang. We are convinced that there is such an essential difference between these materials and those to which they are related by the commission that it would be a serious error if Congress should fail to specifically enumerate them.

In other words, these two oils, while they are scientifically similar in a practical application, are distinct oils and are commercially distinct. Bois de rose is used as a base in the manufacture of aromatic chemicals.

The CHAIRMAN. Were these matters submitted to the House committee?

Mr. WRIGHT. In part; yes, sir.

Senator SIMMONS. Mr. Chairman, I want to suggest that you might curtail these hearings if we could decide to take that question up and act upon it, whether we are going to continue this embargo proposition which the House has turned down. If we are not, all of this matter might be eliminated.

The CHAIRMAN. I am informed, Senator Simmons, without knowing the details of it, that two or three hearings have been requested on the embargo proposition, and I should think they could be disposed of very promptly; and early next week we will have to have an executive session to consider the whole subject of valuation, and we can take up the embargo then.

Senator SIMMONS. My idea was that you would have the valuation proposition, and I understand—unfortunately I could not be here during the last two or three days—that you have come to some sort of agreement by which you are going to decide with reference

to the American valuation. In advance of any further hearings why not adopt some rule with reference to this embargo proposition?

The CHAIRMAN. As soon as the two or three hearings on the embargo are disposed of I shall be very glad to work with you to secure a final disposition of the embargo question early next week. I entirely agree with you that it ought to be determined one way or the other to stop the discussion.

Senator SMOOT. Both the American valuation and the embargo question?

The CHAIRMAN. Yes.

Senator SIMMONS. I have no hesitation in stating my position on the embargo question.

During the war, the old administration, having regard for the situation of this new industry, imposed this embargo upon importations, and I think we acted very wisely about it. The war ended before we were ready to treat this matter through the tariff, and I was willing for that embargo, put on by the last administration, to continue for three months until you had that opportunity. But as a permanent proposition I think it is not to be thought of. That is my judgment.

Senator SMOOT. The only difference between you and me is that I thought it was very unwise in the first place.

Senator SIMMONS. I have had great sympathy with the development of the dye industry speedily in this country to the point where we can fully supply our peace-time demand and so that we will be in position to supply our demand in case of war. I recognized the difficulties under which the industry would labor, and I was ready and willing to go very far in legislation to establish that industry upon that broad basis that I thought was essential to the vital interests of the country.

The CHAIRMAN. Now will you submit the rest of your remarks, Mr. Wright?

Mr. WRIGHT. May I ask that we have the privilege of submitting a brief in connection with the embargo proposition?

The CHAIRMAN. Yes, you can.

Mr. WRIGHT. Do I understand that the American valuation principle will be up for discussion before the committee?

The CHAIRMAN. Yes; and determined.

Mr. WRIGHT. The American valuation plan?

The CHAIRMAN. Yes.

Mr. WRIGHT. I will not be able to be before the committee next week, and I would like to read a certain portion of my brief here—

The CHAIRMAN. It is in print, is it not?

Mr. WRIGHT. It is. May I emphasize this, then, that the first part of the bill as written requires that the appraiser shall take the value as sold in America of comparable or competing merchandise. It is identifying this competing merchandise that is going to make it so extremely difficult—

The CHAIRMAN. The committee has had that thoroughly presented, and what the committee is getting to the point of objecting to is the constant repetition by witnesses of things that have been gone over fully on the day before.

Mr. WRIGHT. I was not aware of that, sir.

The CHAIRMAN. It is your business to be aware of it, if you are undertaking to come before the committee. The hearings are printed every day.

Mr. WRIGHT. The point which we would attempt to present to you would be the application to our own industry. I appreciate that you have under consideration the broad industry of the country.

The CHAIRMAN. You may submit any matters you have in mind and they will be printed as part of your remarks.

Senator SIMMONS. He desires to make some oral statement about it.

Mr. WRIGHT. I can make those comments in a supplemental brief which I will put before the committee, emphasizing the points, based on my own experience of many years in the New York Customs Service, with reference to the practical application of the law as proposed. It would be an extremely difficult matter for an official to work out effectively.

**BRIEF OF HARRY C. WRIGHT, REPRESENTING THE MANUFACTURING PERFUMERS' ASSOCIATION OF THE UNITED STATES.**

In behalf of the Manufacturing Perfumers' Association, we desire to present to your committee certain considerations, which we trust will be borne in mind in the review about to be made of the tariff bill as passed by the House. In a general way, the provisions of the House bill are satisfactory to our industry, but this statement should be understood to be predicated upon normal conditions both in this country and in those countries producing our raw materials and competitive finished products. We shall undertake to state briefly the effect upon our industry of the present demoralized condition of foreign exchange, and we would particularly request that in the consideration of any device that may be in contemplation for the purpose of offsetting the present depreciation in foreign currencies, your committee will bear in mind the practical effect upon the American perfumery industry.

**THE EMBARGO AND LICENSING PLAN.**

In expressing our unqualified approval of the action of the House in rejecting the embargo and licensing plan embodied in the bill as originally presented by the Ways and Means Committee, we desire to emphasize briefly the considerations which have caused our members to register an absolutely unanimous opinion with respect to this project.

Since this plan was first proposed several years ago this association has given it careful consideration and has consistently opposed it. We have at all times recognized the equity of granting the fullest possible protection to domestic manufacturers producing the materials which it has been proposed to subject to this plan, and we shall cheerfully accept any schedule of duties which in the wisdom of Congress is deemed necessary to protect American producers of our raw materials. It must be borne in mind, however, that it is absolutely essential, not only to the prosperity but to the very existence of the American perfumery industry, that we should at all times have free access to any and every desired foreign source of supply of our raw materials.

The perfumery industry has been but recently established in the United States and has developed under the sharpest competitive conditions. Our chief rivals, the veteran manufacturing perfumers of France, have always been able to draw their materials from any desired source, and it has been a characteristic feature of the paternalistic policy of the French Government to assist the perfumery industry of that country in every possible way, even under the most trying conditions of the recent war emergency. It will be seen, therefore, that any measure which would restrict us in our access to desired raw materials would be most disastrous and would impose a handicap under which it would be futile to struggle.

We would especially stress the fact of the insuperable difficulties in the way of determining the question of the relative quality of foreign and domestic perfume materials. While it may be possible to make such determination according to standardized tests in the case of dyestuffs, it is impossible to do so with reference to materials employed in the production of perfumery. The salability of a product and its continued market may frequently depend upon an indefinable quality or attribute

obtained by long experience in the use of certain materials which have been combined as the result of experimentation without reference to any specific rule or standard.

In this connection we would mention the articles embraced in paragraph 26 of the House bill upon which a duty of 35 per cent ad valorem and 7 cents per pound is imposed, which were subject to the embargo and licensing provision in the original draft of the bill and which are of special importance to the perfume industry, as follows:

"Benzaldehyde suitable for medicinal use; artificial musk, benzyl acetate, benzyl benzoate, coumarin diphenyloxide, methyl anthranilate, methyl salicylate, phenyl-acetaldehyde, phenylethylalcohol, and other synthetic odoriferous or aromatic chemicals, including flavors, all of these products not marketable as perfumery, cosmetics, or toilet preparations, and not mixed and not compounded and not containing alcohol; natural methyl salicylate or oil of wintergreen or oil of sweet birch; and natural coumarin."

#### DUTIES ON PERFUME MATERIALS.

The provisions of the House bill covering the raw materials used in our industry are as follows:

##### *Dutiable materials.*

Par. 22. "Chemical elements and chemical and medicinal compounds, preparations, mixtures, and salts, distilled and essential oils, expressed and extracted oils, animal oils and greases, ethers and esters, flavoring and other extracts, and natural or synthetic fruit flavors, fruit esters, oils and essences, all the foregoing and their com-

<sup>1</sup> As indicating the attitude of the leading American manufacturers of perfume materials that would be affected by the proposed embargo and licensing plan, we quote the following:

##### *Circular issued by Morana Incorporated.*

##### WHERE WE STAND.

Over a year ago we drew the attention of the American perfume industry to the inherent dangers of the licensing system embodied in the Longworth bill. We say now what we said then: "The American perfumer should be permitted to have free and unrestricted access to the world's markets for his raw materials. Unless he has that freedom, he will be placed at a serious disadvantage in his efforts to produce goods equaling in quality those made by his foreign competitor."

As American manufacturers we would be the direct beneficiaries of a licensing system, in that it would offer us vastly greater protection against the competition of foreign products than even an extremely high tariff. However, in justice to the American perfumer and animated by a desire to cooperate with him in his efforts to maintain the quality of his goods on a par with those of foreign origin we are now, and always have been, unalterably opposed to any form of licensing system whatsoever.

While the Longworth bill failed to pass, the essence of it, the licensing system, is embodied in the emergency tariff act which is now in force. It is true that the licensing feature of the act is effective only for three months, beginning May 28; but it is planned to extend the life of the licensing feature for three years in the permanent tariff act, which has just been introduced by the Ways and Means Committee of the House of Representatives.

We earnestly suggest to every manufacturer who believes in having free and unrestricted access to his raw materials that he communicate his views immediately to his Congressional representatives.

*Extract from statement of Antoine Charis Co., published in the American Perfumer for July, 1921, page 153.*

The defeat of the Longworth license plan incorporated in the Ways and Means Committee bill H. R. 7456 is not surprising, neither is it alarming to me.

If as a manufacturer of aromatic chemicals, we consider the disadvantages of this plan from a selfish commercial standpoint, any licensing system that would serve to protect our industry would be an expensive and troublesome feature for us as long as it remained in effect, for it would keep us absolutely on the defensive, constantly submitting representative samples of our manufacture, and endeavoring continuously to prove to a Tariff Commission the superiority of quality, and any one knowing our business can understand how difficult it would be, especially as the majority of such aromatics are purchased for their odor value, and a minute addition of another product would make them more flowery and sometimes more suitable to the perfumer. Therefore, the question of chemical analysis would not be the sole deciding factor in determining the quality of an American aromatic chemical.

To offset the disadvantages, there are and have been a number of facts which must be met squarely when considering a "reasonable" protection of an organic chemical industry in America.

The condition of European exchange is unquestionably a large factor, for there is no specific duty or ad valorem duty that can be elastic enough to meet the fluctuations in exchange. The cost of scientific, technical and trained labor is so much more expensive in America than in any other country that it seriously affects the cost of the finished product. Strange to say, while chemists will work for a moderate amount in Europe they, however, demand from eight to ten times that amount immediately when they arrive in America.

There is no doubt but what the suggested licensing system was introduced to offset just these two factors, and while I have seen many disadvantages in such a bill, I was faced by the fact that to maintain an industry such as ours in this country, it was necessary to support the only plan under consideration by Congress.

There have been a number of suggestions made, one of which to my mind was the most equitable. It would open the markets of the world to the American consumers of our products and at the same time it would give us ample protection, and that is to have followed out a plan based on the so-called Moses amendment, which plan was for the Government to take as duty the difference between the European price and the American manufacturer's price, thus permitting the American to manufacture in America on an equal basis with European goods that are exported here.

binations when containing alcohol, and all articles consisting of vegetable or mineral objects immersed or placed in, or saturated with, alcohol, except perfumery and spirit varnishes and all alcoholic compounds not specially provided for, if containing 29 per centum of alcohol or less, 20 cents per pound and 25 per centum ad valorem, containing more than 20 per centum and not more than 50 per centum of alcohol, 40 cents per pound and 25 per centum ad valorem; containing more than 50 per centum of alcohol, 80 cents per pound and 25 per centum ad valorem."

Par. 54. "Oils, distilled or essential: Lemon and orange, 20 per centum ad valorem, cloves, eucalyptus, peppermint, patchouli, sandalwood, and all other essential and distilled oils not specially provided for, 25 per centum ad valorem: *Provided*, That no article mixed or compounded or containing alcohol shall be classified for duty under this paragraph."

Par. 56. "Perfume materials: Anethol, citral, geraniol, heliotropin, ionone, rhodinol, safrol, terpineol, vanillin, and all natural and synthetic odoriferous or aromatic chemicals, all the foregoing not mixed and not compounded, and not specially provided for, 35 per centum ad valorem; all mixtures or combinations containing essential or distilled oils, or natural or synthetic odoriferous or aromatic substances, 40 cents per pound, and 40 per centum ad valorem: *Provided*, That materials not marketable as perfume extracts or toilet preparations, and not containing more than 10 per cent of alcohol, shall be classified for duty under this paragraph: *Provided further*, That all the foregoing materials containing more than 10 per cent of alcohol shall be classified for duty under paragraph 57 as toilet preparations."

Par. 58. "Floral or flower waters containing no alcohol, not specially provided for, 20 per centum ad valorem; bay rum or bay water, whether distilled or compounded, 40 cents per pound and 60 per centum ad valorem."

#### *Free materials.*

Par. 1506. "Ambergris, castoreum, civet and musk, grained or in pods."

Par. 1566. "Enfleurage greases, floral essences, and floral concretes: *Provided*, That no article mixed or compounded or containing alcohol shall be exempted from duty under this paragraph."

Par. 1625. "Oils, distilled or essential: Anise, bergamot, bitter almond, camphor, caraway, cassia, cinnamon, citronella, geranium, lavender, lemongrass, lime, linaloe, neroli or orange flowers, origanum, palmarosa, pettigrain, rose or otto of roses, rosemary, spike lavender, thyme and ylang ylang: *Provided*, That no article mixed or compounded or containing alcohol shall be exempted from duty under this paragraph."

In our original recommendation to the Ways and Means Committee, we asked that the oils bois de rose and cananga be specifically mentioned in paragraph 1625 of the free list. We are advised by the experts of the United States Tariff Commission that bois de rose was omitted for the reason that it was considered to be identical with linaloe and that cananga was omitted on the ground that it was identical with ylang ylang. We are convinced that there is such an essential difference between these materials and those to which they are related by the commission that it would be a serious error if Congress should fail to specifically enumerate them.

We concede there is a scientific similarity between bois de rose and linaloe, but the difference from a practical commercial standpoint is such that a definite line might well be drawn by the official charged with the application of the law. Bois de rose is and has been for years definitely so known and is never confused commercially with linaloe, and under normal commercial conditions there is a difference of from 50 to 100 per cent in price. Bois de rose is largely used in the manufacture of aromatic chemicals, such as linalool and linalyl acetate, for which purpose linaloe is not suitable.

The relation between cananga and ylang ylang oils is scientifically very close, but commercially the difference is even greater than in the above-mentioned instance. Cananga oil is chiefly imported from Java, and the general type of cananga is a much coarser product in the perfumery sense than ylang ylang. Ylang ylang is chiefly produced in the Reunion Islands and the Philippine Islands and is sold commercially under a name classified with relation to its source, as Ylang Ylang Bourbon and Ylang Ylang Manila. The relative values under normal conditions of cananga, Ylang Ylang Bourbon, and Ylang Ylang Manila are as \$3 to \$10 to \$25.

#### DUTIES ON FINISHED PERFUME AND TOILET ARTICLES.

The rates in the House bill on the finished products of our industry are set forth in paragraph 57, as follows:

Par. 57. "Perfumery, including cologne and other toilet waters, articles of perfumery, whether in sachets or otherwise, and all preparations used in applications

to the hair, mouth, teeth, or skin, such as cosmetics, dentrifices, tooth soaps, pastes, theatrical grease paints, pomades, powders, and other toilet preparations, all the foregoing, if containing alcohol, 60 per centum ad valorem."

## APPLICATION OF AMERICAN VALUATION PRINCIPLE.

In expressing our general approval of the provisions of the House bill as applied to our raw materials and competing finished products, we desire to state that this approval is predicated upon the application of the rates of duty under practically normal conditions. In view of the possibility that the American valuation plan of the House bill may be amended before final passage of the measure, we desire to outline briefly certain considerations which appeal to us in this connection. We trust that the committee in its wisdom will bear in mind the conditions that prevail in our industry in any modification that may be made of the provision of the House bill relating to valuation basis.

As we read section 402, the appraiser in assessing duty on imported merchandise must employ as a basis the price at which comparable and competitive products of the United States are freely sold or freely offered for sale in the usual wholesale quantities on the date of the exportation of the imported merchandise and must make every reasonable effort to find comparable and competitive domestic products before he can resort to any other basis specified in this section. The practical effect of this provision will be to reduce the spread between the duties we shall have to pay upon our imported raw materials and the protective duties imposed by the bill upon competing foreign finished products. The raw materials of the perfume industry manufactured in the United States are almost uniformly higher in price than the same materials of foreign origin. For example, in the case of coumarin, the domestic article sells for a minimum of \$4.50 per pound, while the same material of foreign origin can be laid down in New York, duty paid, at from \$2 to \$2.50 per pound. It will be seen that the application of the American market value principle to importations of this material would very substantially increase its cost to the domestic perfume manufacturer.

In the case of importations of finished perfumes, however, the application of the market value principle would work practically in the interest of the importer. The long experience of the French manufacturer, his unlimited sources of supply for materials, the peculiar vogue which imported perfumery products have enjoyed for many years, have enabled the French manufacturer to command higher prices in the American market and in the leading markets of the world than the American producer of practically identical goods has been able to secure in the United States. As a result, the assessment of duty on imported perfumes on the American valuation basis would impose a rate substantially less than would be levied if the goods were dutiable on the wholesale price in the American market of comparable imported articles, as would be the case if the appraiser were free to apply the second alternative method of ascertaining a dutiable basis as provided in section 402. In some cases it might be that the application of the American valuation principle would result in the assessment of a duty substantially less than would be levied if the basis were the foreign market price in usual wholesale quantities in the country of origin on date of shipment, as under the present law.

We commend these suggestions to your careful consideration and trust that in any modification of section 402 they will be kept constantly in mind.

## MISCELLANEOUS PROVISIONS.

The American perfumery industry is materially interested in certain provisions of the House bill appearing in other schedules than that devoted to chemicals. We refer especially to the duties on talc (par. 209), pig tin (par. 386), and bottles (par. 218).

*Duty on talc.*—Paragraph 209 of the House bill imposes a duty of one-quarter of 1 cent per pound on unground talc and one-half of 1 cent per pound on talc ground, washed, powdered, or pulverized. Under the present law unground talc is free of duty and a rate of but 15 per cent ad valorem is assessed upon ground talc. Inasmuch as the average cost of ground talc at the mine is now practically \$20 per ton, the proposed duty is equivalent to 50 per cent ad valorem. This we submit as an excessive rate and far out of line with the general average of the House bill, being two and one-half times the basket class rate of 20 per cent ad valorem on unenumerated manufactured articles. Very large quantities of talcum powder are now sold at retail throughout the United States for 10 cents per package, distribution being generally through the 5 and 10 cent chain stores, which must maintain a hard and fast price limit. These goods are sold by the manufacturer upon an exceedingly narrow margin of

profit, approximately one-quarter of a cent per package. If the producers of these goods are obliged to absorb an import tax of \$10 per ton in place of \$3, as under the present law, it will work a great hardship, as it will go far to eliminate the very small margin of profit now secured.

In this connection we would say we heartily approve of the substitution of a specific for an ad valorem rate of duty, but in our opinion it should not materially exceed the equivalent of the rate of the present law.

*Duty on pig tin.*—In view of the efforts made by certain interests to secure the imposition of duty of 10 cents per pound on pig tin, we beg to call your attention to the fact that the effect of levying such a rate would be substantially to increase the cost of the collapsible tubes, tin cans, bottle tops, etc., so largely used in our industry. In our opinion, the rate of 2 cents per pound fixed by the House bill can be absorbed by the manufacturers of these articles and would not justify them in adding to the price charged us for these containers.

*Duty on bottles.*—We wish to express our great satisfaction with the action of the Ways and Means Committee in correcting the inconsistency in the present law concerning the duty on bottles, which has permitted the importation of cut or decorated bottles when filled at lower rates than plain containers. Paragraph 218 of the House bill provides that all containers and merchandise subject to an ad valorem rate of duty or a rate based in whole or in part on the value thereof shall pay duty at the rate applicable to their contents but not less than 40 per cent ad valorem. This will correct the condition that has arisen under the present law in which cut or decorated bottles containing perfumery have been assessed for duty at 45 per cent ad valorem, while plain containers filled with similar goods have paid 60 per cent ad valorem.

#### SUPPLEMENTAL BRIEF.

In the statement before the committee we registered objection to the embargo provision of the House bill, which, while voted down in the House, we understood would come up before the Senate for its action. We are opposed to any form of embargo which would restrict the American manufacturer in the choice of the ingredients he requires for his products, and we ask, particularly, that the articles in paragraph 26, known commercially as aromatic chemicals, which are noted in the bill as follows: "Benzaldehyde suitable for medicinal use, artificial musk, benzyl acetate, benzyl benzoate, coumarin diphenyloxide, methyl anthranilate, methyl salicylate, phenylacetaldehyde, phenylethylalcohol, and other synthetic odoriferous or aromatic chemicals, including flavors, all of these products not marketable as perfumery, cosmetics, or toilet preparations, and not mixed, and not compounded and not containing alcohol; natural methyl salicylate or oil of wintergreen or oil of sweet birch, and natural coumarin," be excluded from the operation of any embargo act, for the reasons that the aromatic chemical industry forms but an infinitesimal part of the coal-tar chemical industry and is conducted by only a very few specialty houses. None of the dye or intermediate manufacturers produce these aromatic chemicals and none of the houses that do so have or require equipment that make them, because of this line of manufacture, essential to our Government in case of war. The chief foreign sources are, in the order of their relative importance, Switzerland, France, Holland, and Germany, and certainly our chemical industry can not fear the competition of the first three.

The interests of the manufacturing perfumer in the United States lies solely in getting materials of the highest possible quality, and while it might be a difficult matter to prove the superiority of one product over another to a layman or to a chemist, to the professional perfumer the difference is outstanding. The solution would apparently be to have such a qualified person on the board which is charged with the passing of these applications, but, better still, to exclude the items mentioned from the embargo provision of the act and place them with the other aromatic chemical products in paragraph 50. The question of the rate of duty to be assessed is not so important to our industry as having available the products which we require in order to make our finished product as fine as those of our foreign competitors.

In the plan to make the American selling price the basis for assessment of duty, we would urge that particular consideration be given to defining the term "competitive." A \$1 article may be comparable, to its disadvantage, to one costing \$5, but still be competitive, and the legislative intent should be made perfectly clear. In our industry the necessity for this applies alike to our imported raw materials and to the competitive completed perfumes and toilet preparations.

## COLORS AND PIGMENTS.

[Paragraphs 26, 63, and 78.]

## STATEMENT OF A. S. SOMERS, REPRESENTING ASSOCIATION OF DRY COLOR MANUFACTURERS, NEW YORK CITY.

Mr. SOMERS. Thank you, Mr. Chairman. I will try not to burden you. I have a very brief statement I will make to the committee, and I will discuss it briefly with respect to just a few of the paragraphs.

The first paragraph in which we are interested is paragraph 26, the item of color lakes, which is included in this paragraph. We make a suggestion that this particular item, color lakes and pigments derived from coal-tar products, be taken from that paragraph and be incorporated in a new paragraph to read:

"Color lakes and all other pigments, whether dry or in bulk, made in whole or in part from coal-tar dyes, leuco acids, leuco bases, or any other coal-tar derivatives, 35 per cent ad valorem plus 7 cents per pound specific," as is provided in the bill now before you for consideration, for this reason, that under the tariff law enacted in September, 1916, provision was made that color lakes and pigments derived from coal-tar products were included with all coal-tar derivatives. That gave rise to considerable conflict in the appraiser's department, and I have here an exhibit that I will file with you showing that articles embraced within this paragraph were held dutiable at two different rates by two different appraisers, because of the ambiguity of the appraising of this particular paragraph read in connection with paragraph 63 of the tariff bill, which provides that certain colors and pigments are dutiable at 25 per cent. One appraiser held that a particular article, included under paragraph 26, was dutiable at 30 per cent ad valorem and 5 cents per pound specific; another appraiser held that a similar article, also embraced within paragraph 63, he had read into paragraph 63, and he returned it as dutiable at 25 per cent.

This paragraph, if allowed to stand, will give rise to no end of applications, and perhaps no end of claims that will be made by importers that seek to get their color lakes and other articles derived from coal-tar products under paragraph 63, and I believe it is the intention to classify color lakes and pigments under paragraph 26; and it is for the purpose of clearing up the atmosphere and allowing no misapprehension whatever that we have made the suggestion, and if we reduce it to the simple language I have just recited to provide for specific duty, all colors and pigments derived from coal-tar products.

Here is the item, paragraph 26.

Senator McLEAN. You presented this matter to the Committee on Ways and Means of the House?

Mr. SOMERS. Yes, sir.

Senator McLEAN. Why did they not do it?

Mr. SOMERS. I have not the slightest idea. They probably thought this was comprehensive enough. But I am presenting it to the Finance Committee here in the hope that you will consider my argument from the facts I have stated, and perhaps see your way

clear to embrace this within a specific paragraph, so that there will be no misapprehension as to the meaning of the paragraph and no conflict as to any decision that may be rendered by an appraiser which will have to do with determining the values.

Senator McLEAN. Then you think it was due to lack of attention on the part of the House committee and not for any valid reason?

Mr. SOMERS. I would not say it was due to lack of attention on the part of the House committee or for any specific reason. I really do not know. I was quite surprised that our argument did not bear weight. We thought we had put it very strong. We presented a brief; it may be that our brief, like many briefs submitted to courts, was regarded in the abstract rather than in the concrete.

Senator McLEAN. Have you had any report from the customs officials or experts who would naturally advise as to the feasibility of it?

Mr. SOMERS. I have not any advice from them. The only information I have is that articles embraced within this paragraph were held dutiable at two different rates by two different appraisers under the act of 1916 on these very items and are now included in paragraph 26.

I would also call your attention to paragraph 63, which includes:

Pigments, colors, stains, and paints—25 per cent ad valorem.

We are asking that your attention be directed to these two paragraphs in connection with the raw materials from which these articles are made that are included in the paragraph covering lead and lead products which are dutiable at specific rates, in the relation of about 35 or 40 per cent of the value, or, rather market value of those articles as sold in this country and abroad. We have been discriminated against to the extent of about 15 per cent, and we think that the rates on these paragraphs, if the rates on raw materials are allowed to stand as they are at the present time, should be increased at least to as great a proportion as that on lead and lead products, including lethag and other materials.

We also ask, as we did before the Ways and Means Committee, that special attention be given to the article Paris green, which is used very extensively in this country for agricultural purposes. When I was before the Ways and Means Committee, the chairman asked me if a tariff of about 15 per cent would be satisfactory on Paris green, and I said that it would; I thought that that would be about ample.

Senator McCUMBER. On the American valuation?

Mr. SOMERS. On the American valuation. That was predicated, however, upon the assumption that arsenic, which is the chief component part of Paris green, and which was then on the free list, would remain on the free list; but I see that the House in passing the bill has put a duty of 25 per cent on arsenic and retained but 15 per cent on Paris green.

They have also put a duty of 30 per cent on arsenate of lead, in which article arsenic or arsenic acid is very largely used. So that it is quite evident to my mind that the committee in considering the use of arsenic in insecticides lost sight of the fact that it was a vital component part in the manufacture of Paris green and directed their attention to the fact that it was used in arsenic lead.

Senator McLEAN. How much arsenic is there in a pound of Paris green?

Mr. SOMERS. About 75 per cent—about 775 pounds of arsenic will produce approximately 1,020 pounds of Paris green. And there is a considerably larger quantity of blue vitrol, or sulphate of copper, used in the manufacture of arsenic. That is still retained on the free list.

In my opinion, the committee considered the use of arsenic in the manufacture of arsenate of lead when in fixing a duty on arsenic of 25 per cent they put a duty on arsenate of lead, which is very extensively used for agricultural purposes, of 30 per cent, thereby giving a differential of 5 per cent in favor of the arsenate of lead; and it does seem to me reasonable that the same consideration should be given to Paris green that was given to the arsenate of lead, and I would ask the committee, if I might, that they would have in mind the correction of that particular item and give us the relief that we ask for.

Those, including paragraph 73, are the only paragraphs that I am directly concerned with as a manufacturer and consumer, and I might say that, aside from representing my own firm, which is one of the large manufacturing color houses in the United States, I represent about 50 manufacturers of dry colors and all of the manufacturers of insecticides in the United States, of whom there are approximately 86, so that whatever statement or whatever request I make, I make in behalf of those firms.

It is not so much—and this I want to make perfectly clear—as to the rates that will be levied, but as to the equalization of the rates between the raw material that we use and the finished product; in other words, we want to be protected to the same extent that those from whom we buy our materials are protected, and we ask that consideration be given to the fact that we are employing our laborers on a war basis, that is, to say, we are paying the wages to-day in our plants that obtained during the exciting days of the war. We have not reduced any wages, and it is not our purpose to reduce wages. We want to resist any tendency to reduce wages and, as compared with laborers in Germany, from which country we always have had the keenest competition, and from which we will get competition, our wages are approximately 600 per cent higher.

I have some figures—I do not know how authoritative, but I gathered them from a report of the United States Tariff Commission issued in 1920 (though I am not quite clear on that at the present time) indicating that while the wages we are paying range from \$4.50 to \$6 per day for ordinary labor in color plants, the same labor in Germany, working under exactly the same conditions, gets 60 to 70 cents per day.

Senator McCUMBER. This raises the question, Mr. Somers, that I think is quite important: If labor is going down in all other lines of business, why should we give you a protection that would allow you to hold up your labor to the war basis, while others must have the protection simply to meet the labor in the competitive field?

Mr. SOMERS. We would not ask that any exception be made for our industry whatsoever, Mr. Chairman. When I said that we are going to resist any effort to reduce labor in the matter of wages, that

is personal, that is a conviction I have that wages in this country have never been as high as they should be, and we hope we will never see the day when they will be as low as they were before the war in the laboring classes; that is a personal sentiment.

Senator McCUMBER. In most instances labor now is below the war basis?

Mr. SOMERS. Yes.

Senator McCUMBER. And probably will be still lower; certainly it will, unless we have a revival of business. Then we will assume, I should judge, that any industries must be content to pay the usual labor wages rather than the war labor wages.

Mr. SOMERS. While, if we are brought in contact with Germany—and from the information that comes to us from the men who have visited Germany—I speak of responsible men, then connected with a large banking institution—and the reports they bring back to us, that we may anticipate as soon as possible a revival of importations on a large scale.

Senator McLEAN. Is there any Paris green imported?

Mr. SOMERS. There was some imported, but it is not an easy thing, and I want to be candid with you about importations of Paris green, for the reason that the sale, as well as the manufacture of it, is regulated by a very strict Government and Federal act.

Senator McLEAN. What percentage of the arsenic is imported that is consumed in this country?

Mr. SOMERS. Very slight; so insignificant that I would not even guess at it. The most of it is produced here; very little of it is imported from the other side, since the smelting industries have developed means and processes to recover arsenic as a by-product.

Senator McCUMBER. Is there any danger from importations of arsenic?

Mr. SOMERS. No; I do not think so. Arsenic has always been free.

Senator McCUMBER. Then we would hardly need the duties mentioned in here for protective purposes, would we?

Mr. SOMERS. Of course, I am not in the arsenic business and have no interest in arsenic, but to answer your question as candidly as you think we ought to, I can not for the life of me understand that it should be protected.

Senator McCUMBER. That is one case of tariff for revenue only?

Mr. SOMERS. Yes.

Senator McCUMBER. You stated that your labor was 600 per cent higher than Germany's?

Mr. SOMERS. About that; yes.

Senator McCUMBER. You would not advocate that we should put a duty of 600 per cent beyond the difference in labor?

Mr. SOMERS. Not at all.

Senator McCUMBER. How would you meet it?

Mr. SOMERS. These conditions must change. It may be just as true that we will not be able to maintain wages in this country, but I hope we will, even at the present level; and it may be that conditions abroad will force those people to pay their laboring classes more than they paid them before the war, and that will bring a closer relationship between foreign labor and American labor. So that the difference will not be as wide as 600 per cent. It is not so in England. It is so in Japan, Holland, and some of the other coun-

tries, but not in England. England, I think, pays probably within 75 per cent of the American wages to-day to her working classes.

Another article that I want to call your attention to is the duty that was imposed upon quicksilver vermilion; that is, vermilion containing quicksilver. In the original House committee report a duty of 10 cents a pound was provided for vermilion containing quicksilver. In the same report a duty of 7 cents per pound was provided for quicksilver, thus giving a differential of 3 cents per pound in favor of the vermilion containing quicksilver. The bill as it finally passed the House, however, provides a duty of 35 cents per pound on quicksilver and a duty of 33 cents per pound on vermilion red containing quicksilver, under paragraph 73.

It is clear to me that that was an error; that if the differential was to be maintained at the rate provided for or recommended in the committee bill—that if quicksilver is dutiable at 35 cents per pound, quicksilver vermilion should be dutiable at 37 or 38 cents per pound. We are not asking for that rate unless quicksilver is retained at 35 cents per pound. But, in justice to the American manufacturers, vermilion red containing quicksilver ought to carry a duty slightly above the duty on the raw products, and there is considerable of it manufactured in this country, and there is quite some imported. We have by no means a monopoly of the business, and we do not seek to have a monopoly of the business. But we do seek to be put on a fair competitive basis. It is obvious that if quicksilver is kept out because of the duty of 35 cents per pound that the foreign manufacturer of vermilion red in which quicksilver is contained may use his quicksilver in the manufacture of vermilion red and bring it in here at the lower rate of duty of 33 cents per pound and thus suit the American manufacturer.

Senator McCUMBER. Is there any great amount of quicksilver imported at the present time?

Mr. SOMERS. According to a letter sent by the Secretary of War to the Ways and Means Committee, it appears that the importations were approximately 40 per cent of the total amount consumed in this country.

Senator McCUMBER. Do you know anything about the American fields of quicksilver, as to whether they are limited and whether they will in all probability be diminished in their supply in the future?

Mr. SOMERS. I do not know anything about it except in a general way, and I know something generally about it, because I am interested as a consumer of quicksilver. But I believe that the American mines are capable of far greater development and that the production can be very largely increased.

Senator McCUMBER. Sufficient to supply the American market?

Mr. SOMERS. I think so. I think that our mines in the West are fertile enough to produce sufficient quicksilver for home consumption.

Senator McCUMBER. You do not think, however, that the supply is at all inexhaustible?

Mr. SOMERS. I do not think so. That is all I have to say. I just wanted to draw your attention to these particular paragraphs.

Senator DILLINGHAM. Did I understand you to say what corporation you personally represented?

Mr. SOMERS. The Fred L. Lavanburg Co., of 100 William Street, New York, and I happen to be the representative for tariff matters of all of the manufacturers.

Senator DILLINGHAM. Yes; I understand that.

Mr. SOMERS. That is simply by designation; that is all.

**BRIEF OF A. S. SOMERS, REPRESENTING ASSOCIATION OF DRY COLOR MANUFACTURERS.**

Referring to H. R. 7450, now being considered by your committee, permit us to submit our comments on such items as vitally affect our industry.

We believe we can convince your committee that we are justified in asking for an increase in duties on certain items—

1. Because if this relief is not granted it will seriously jeopardize certain branches of the dry-color industry.

2. Because in the items enumerated below the raw materials we use receive greater protection than we receive on our finished product, a discrimination which is certainly a great injustice to our industry.

We make no criticism as to the duties you may grant upon our raw materials, but we certainly think we should get increased protection over and above the duties which the raw materials bear.

**COLOR LAKES.**

Paragraph 26 of the proposed bill provides for a duty of 35 per cent ad valorem and 7 cents per pound specific on color lakes and colors made from coal-tar products also provided for in the same paragraph and at the same rate of duty. Evidently no consideration has been given for the difference in labor costs between the United States and Germany, from which country most of our competition will be felt. With a due regard for the desire of your committee to guard against any evasion of the law, we think that paragraph 26, in the light of past experience, offers opportunity for various interpretations because of its ambiguity. There are many colors derived from the raw materials enumerated in paragraph 26 which might not be considered, strictly speaking, as color lakes, and may accordingly be thrown into paragraph 63, which reads as follows: "Pigments, colors, stains, and paints, \* \* \* 25 per cent ad valorem."

We call your attention to Exhibit A, citing two cases wherein the appraisers differed completely in their decisions as to the proper classifications of such colors as we have referred to. These cases embody the point that we make that under paragraph 26 there will doubtless arise many claims for classification under paragraph 63 that may or may not be allowed by the appraisers. It is fraught with great danger, and we call your attention to our supplementary brief marked Exhibit B, being a copy of the brief already filed with your committee, and in which we have given this matter some detail.

We would respectfully suggest, therefore, that for the purpose of directness and removing any doubt as to the proper classification of color lakes and pigments made from coal-tar products, covered in paragraph 26, that a new paragraph be inserted reading as follows:

"Color lakes and all other pigments, whether dry or in pulp, made in whole or in part from coal-tar dyes, leuco acids, leuco bases, or any other coal-tar derivatives, 35 per cent ad valorem plus 7 cents per pound specific."

We have given a great deal of thought to this matter, and are of the opinion that it clears the atmosphere and leaves no room for doubt as to the proper classification.

**PARIS GREEN.**

Heretofore Paris green and arsenic, used largely in the manufacture of Paris green, were both on the free list. The proposed bill puts a duty on arsenic of 25 per cent, and a duty on Paris green of but 15 per cent. It does seem to us that it was not intended by your committee to make any such unjust discrimination against an article manufactured in this country and in favor

of the raw material from which it is derived. We argued this before your committee, and felt quite sure that your disposition was to grant us some relief. We admitted that 15 per cent would be fair protection, but we had in mind at the time that arsenic would remain on the free list, as that matter was not discussed. It is a matter of very great concern to us to have this corrected, and we suggest that either arsenic be made free or that the duty on Paris green be increased in proportion to the duty levied on arsenic.

EXHIBIT A.

"DECEMBER 16, 1920.

"DECISIONS IN RE CLASSIFICATION OF PIGMENT COLORS.

"(T. D. 37429; G. A. 8110.)

"Before United States General Appraisers November 23, 1917:

"Claim made that duty should be 20 per cent on allzarine lakes.

"Judgment in favor of the Government overruling protest, making duty 30 per cent and 5 cents per pound."

"Before Board 1, January 28, 1918. No. 41770, Protest 842787:

"Under color lakes was found rose madder classified as a coal-tar color lake at 30 per cent ad valorem and 5 cents per pound under the act of September 8, 1916, and was claimed dutiable as a color lake at 20 per cent under paragraph 63, tariff act of 1913.

"Opinion by Sullivan, G. A. The paint boxes in question were held dutiable as artist's colors and the rose madder as a color lake at 20 per cent ad valorem under paragraph 63."

This is in absolute controversion of T. D. 37429 stated above.

In view of the ambiguous wording, we suggest that same should be changed to read as follows:

"All color lakes or other pigments made in whole or in part from coal-tar dyes, leuco acids, or leuco bases, or any other coal-tar derivatives."

	Underwood bill.	Dry Color Makers' Association brief.	New bill.	New bill paragraphs.
Ferrocyanide blues (dry or in pulp).	20 per cent.....	.....	12 cents per pound specific.	65
Chrome yellows and greens (dry or in pulp).	.....do.....	40 per cent and 5 cents specific.	25 per cent.....	67
Colors, lake.....	.....do.....	45 per cent and 10 cents specific, color lakes and all other pigments made in whole or in part therefrom.	35 per cent and 7 cents specific.	26
Vermillion: Containing quick-silver.	15 per cent.....	.....	33 cents.....	.....
Containing lead.....	25 per cent.....	.....	.....	.....
Paris green.....	.....	.....	15 per cent.....	.....
Pigments, colors, stains not specially provided for.	.....	.....	25 per cent.....	63
Prussiate of soda.....	1 cent.....	.....	2 cents.....	.....
Prussiate of potash.....	1 1/2 cents.....	.....	4 cents and 15 per cent specific.	.....
Arsenic acid.....	Free.....	.....	25 per cent.....	.....
White arsenic.....	Free.....	.....	do.....	.....
Blue vitriol.....	.....	.....	Free.....	.....
Litharge and white lead orange mineral.	25 per cent.....	.....	2 1/2 cents.....	.....
Barytes, manufactured.....	20 per cent.....	.....	\$7.50 per ton.....	64
Blanc fixe.....	.....	.....	1 cent specific.....	.....
Bichromate potash.....	.....	.....	2 cents specific.....	75
Bichromate soda.....	1 cent.....	.....	1 1/2 cents specific.....	75
Barium chloride.....	1 cent.....	.....	1 cent specific.....	.....
Quicksilver.....	10 per cent.....	.....	35 cents per pound.....	.....

## EXHIBIT B.

JANUARY 31, 1919.

Prof. F. W. TAUSSIG,

*Chairman United States Tariff Committee, Washington, D. C.*

DEAR SIR: We received a communication from you recently asking for our comments upon your report to Congress on dyes and other coal-tar chemicals, 1918.

We wish to present our views as same affects our line of industry in proposed "Bill to amend an act to increase the revenue, and for other purposes, approved September 8, 1916." We are giving you our criticisms upon this act from the standpoint of being large manufacturers of lake colors. However, in making any criticisms upon said bill we do not wish to be considered as approving in any way the original act approved September 8, 1916.

We assume it is your desire to have the amended bill do full justice to all lines of industry in which dyes and intermediates are chief raw materials, and therefore do justice to a large industry, namely, the manufacture of lake colors from dyes and intermediates.

A perusal of the act shows that lake colors are classified in Group III as color lakes. They are distinctly classified with colors; dyes for stains, whether soluble or not in water; color bases; color acids; leuco acids or leuco bases; whether colorless or not, etc., etc. All of Group III under section 500 are subject to a duty of 5 cents per pound on the same products. It provides, furthermore, that said duty of 5 cents per pound shall be based on standard of strength which shall be established by the Secretary of the Treasury, and on all importations of such articles that exceed such standard of strength a said duty of 5 cents per pound shall be charged on the weight that said article would have diluted to standard of strength.

Our objection to the act approved September 8, 1916, is based on the following fact: The manufacturer of color lakes receives a protection of 30 per cent plus 5 cents per pound. The cost of manufacture of color lakes, exclusive of labor and overheads, is probably 90 per cent thereof derived from purchase of the same ingredients as contained in section 500, Group III, which are also given a protection of 30 per cent and 5 cents per pound. In other words, we have to buy our raw material from American manufacturers of Group III items, on all of which said manufacturers receive a protection of 30 per cent plus 5 cents per pound. We in turn have to sell the products derived from said raw materials with no greater protection against foreign color lakes than what our raw materials have received. Therefore, we will have to buy our raw materials, which are highly protected under this act, and sell the finished product without any added duty whatever to protect us for the difference in cost of labor, overhead, and other manufacturing expenses between the United States and foreign countries.

What both the present and proposed acts practically do is to give high protection to all manufacturers of our raw materials and to give us no added protection whatever on the finished product.

To show you how this will wreck an important industry, we take for example one item, namely, a high grade geranium lake, generally known as Jacqueminot lake. This is made from a precipitation of eosine dye with acetate of lead. The cost of the eosine is probably 99 per cent, and the acetate of lead 1 per cent in value. The manufacturer of this geranium lake will have to buy his raw material subject to a protection practically of 30 per cent ad valorem and 5 cents per pound and will have to sell the finished product in competition with imported geranium lakes which will have to pay exactly the same rates of duty as our raw material. The manufacturer, therefore, gets no protection on the factory labor, office organization, salaries, increased cost of doing business, and other factors which are considered necessary to protect United States against foreign competition.

We could give you numerous other instances of the same character, but thought it best to give one typical example.

Now, as to the clause in section 501 to the effect that the Secretary of the Treasury shall set a standard of strength and that on any importation of articles that exceed such standard of strength a special duty of 5 cents per pound shall be paid, as if it were diluted to standard of strength, the same situation with regard to the raw material here applies as to the finished product. If the standard of strength set is a high one, it would inure to the benefit of the color maker, but at the same time would put a tremendous duty

on the eosine base, which is the color lake maker's raw material. If, on the other hand, the standard set is a low one, this, of course, would give less protection to the maker of eosine base, but at the same time would give exactly the same protection to the finished lake color. In other words, automatically, if a high standard were adopted for the color base, it would make the protection exactly the same as given to the maker of the raw material. You will readily see, therefore, that this protection clause is of absolutely no benefit to the manufacturer of lake colors, because he is put in exactly the same class as the manufacturer of his raw materials.

We want to state in concluding that we have given you one typical instance and we can give you dozens of the same character if desired. If you would like to hear from us as to what we believe would remedy the situation we will be very glad to give you our views any time that you request us to do so.

### LICORICE AND LICORICE ROOT.

[Paragraphs 33 and 45.]

**STATEMENT OF W. L. GEDDES, REPRESENTING MacANDREWS & FORBES CO., NEW YORK, N. Y.**

The CHAIRMAN. Will you state your residence?

Mr. GEDDES. I appear on behalf of MacAndrews & Forbes Co., 200 Fifth Avenue, New York City.

The CHAIRMAN. Where do you live?

Mr. GEDDES. Montclair, N. J.

The CHAIRMAN. In what business are the MacAndrews & Forbes Co.?

Mr. GEDDES. Primarily in the collection of licorice root and the importation of it into the United States and the conversion thereof into a commercial article called licorice paste.

The CHAIRMAN. Are you in this business yourself?

Mr. GEDDES. Yes, sir.

The CHAIRMAN. You are one of the firm?

Mr. GEDDES. Vice president; yes, sir.

The CHAIRMAN. Will you state in your own way, within 15 minutes as near as may be, your views on the pending question?

Senator WATSON. What paragraph are you interested in?

Mr. GEDDES. Paragraph 33. Before the war we imported into the United States about 50,000 tons of licorice root. We retained about two-thirds of it for our own use, that is, conversion into paste and by-products, and the remaining one-third we sold to other manufacturers for like purposes.

No licorice root is produced in the United States nor is it practicable to produce the same. We have experimented largely along these lines at great expense and found that it could not be produced. Therefore there is no factor of protection to home industry in this matter because there is no competing material grown in this country. Any duty on licorice root can be sustained only as a revenue measure, purely and simply. Furthermore, it is opposed to the principles of even a revenue tariff, in that licorice root is a raw material and any import duty imposed on it would tend to restrict rather than increase manufacturing in this country.

Prior to the enactment of the Underwood tariff there was a tax of 2½ cents per pound on licorice paste imported into the country, but no tax on licorice root, nor had there ever been, according to my

knowledge. On the contrary the policy of that law, enacted as it was by a Republican Congress and based on the Republican principle of protection, was to admit the raw material free of duty and to impose a tax on the finished product.

Senator SIMMONS. How much of the finished product is used in this country?

Mr. GEDDES. Probably 85 or 90 per cent of what we import is turned into paste.

Senator SIMMONS. I mean the domestic consumption.

Mr. GEDDES. About 20,000 tons per annum, I should say.

Senator SIMMONS. How many tons of licorice root does it take to manufacture the finished product?

Mr. GEDDES. Fifty thousand tons.

Senator SIMMONS. And this duty would be \$20 a ton? That is 1 cent a pound.

Mr. GEDDES. It is supposed to be one-half cent a pound.

Senator SIMMONS. Yes; that is right.

Mr. GEDDES. The Underwood tariff, passed by a Democratic Congress and based on the revenue principle—

Senator SIMMONS. Pardon me. What does licorice root sell for?

Mr. GEDDES. In this country now?

Senator SIMMONS. Yes.

Mr. GEDDES. It varies in price. I can give you a better idea of prewar prices than I can of present prices.

Senator SIMMONS. What was it before the war?

Mr. GEDDES. Before the war its value was about \$50 a ton, but at present it runs anywhere from \$100 to \$300 a ton.

The CHAIRMAN. Do I understand that you want the raw product brought in free?

Mr. GEDDES. Brought in free.

The CHAIRMAN. And a higher duty on the finished product?

Mr. GEDDES. No; we are not making any complaint on the issue of protection. That is ample, as fixed by the House in the present bill.

The CHAIRMAN. How much revenue would come from a duty on the raw product?

Mr. GEDDES. It would amount to about \$560,000 a year.

The CHAIRMAN. In the country as a whole?

Mr. GEDDES. Yes; probably six or seven thousand tons are imported by others in addition to what we import into the country.

Senator McLEAN. You had just come, in your remarks, to the Underwood tariff on this product.

Mr. GEDDES. The Underwood tariff, passed by a Democratic Congress and based on the revenue principle, reduced the tax on paste from 2½ cents to 1 cent, and, on the other hand, it imposed a tax of one-fourth of a cent per pound on licorice root, though as originally framed the law carried a tax of one-half a cent per pound and upon proper presentation of facts it was reduced to one-fourth of a cent. This is the first time in the history of the country that any import duty has been imposed on this particular element of raw material.

Senator LA FOLLETTE. None of it is produced in this country?

Mr. GEDDES. No, sir.

Senator WATSON. Is that half cent too high for a revenue tariff?

Mr. GEDDES. It amounts to what would be, in normal times, an ad valorem duty of 25 per cent on licorice paste and, in fact, on the root.

Senator WATSON. The paste is made from the licorice root, is it?

Mr. GEDDES. The paste made from the licorice root has a tariff of 1 cent a pound now on it.

Senator WATSON. Would this one-fourth of a cent a pound interfere at all with your purchase of it?

Mr. GEDDES. Not with our purchase of it.

Senator WATSON. And the price of the raw material?

Mr. GEDDES. We collect the raw material ourselves and import it to this country, but we either pay at the time it is entered or when we take it out of bond. Prior to the beginning of the war the price per pound of licorice paste sold by MacAndrews & Forbes Co. was for many years 8 cents per pound, but, owing to the high cost of raw material and of labor, as well as the imposition of duty, the cost at present is 22 cents per pound, notwithstanding the consistent efforts of the company to reduce the price. None the less, the company obtains from the higher priced paste only the same amount of profit per pound as for the 8 cent paste.

Senator CALDER. Twenty-two cents a pound to-day?

Mr. GEDDES. Yes, sir.

Senator CALDER. What is the duty?

Mr. GEDDES. The duty on that amounts to about three-quarters of a cent a pound.

The imposition of additional tax will operate very strongly as a hindrance to the desired reduction in price. In fact, the duty now proposed, if enacted into law, would be equal to a 25 per cent ad valorem duty on the prewar price of paste.

Then, again, I call your attention to the fact that although licorice paste is placed in the portion of the chemical schedule dealing with drugs and medicine and is indeed in the same paragraph with well-known drugs, yet the use of licorice paste and of licorice products generally for drug or medicinal purposes is negligible.

Senator WATSON. Is this licorice put in chewing tobacco?

Mr. GEDDES. Mainly into chewing tobacco, flavoring materials, and confections.

Senator WATSON. For what purpose do you use it?

Mr. GEDDES. We sell it. We manufacture the root into paste and sell the paste.

Senator WATSON. What is done with the paste that you sell?

Mr. GEDDES. It mainly goes into chewing and smoking tobacco.

Senator WATSON. You make a pretty fair per cent on that, do you not?

Mr. GEDDES. It is about 2½ cents a pound. We make no more now than we did before the war.

The CHAIRMAN. Mr. McCoy, what is the total revenue from this duty on the raw material?

Mr. MCCOY. \$141,000 last year.

Mr. GEDDES. The use of licorice paste and of licorice products generally for drugs or medicinal purposes is negligible as compared with its commercial use, and it is believed that possibly the proposed imposition of such a duty on licorice root was considered at all only because of a mistaken belief that the imported root would

be used for drug or medicinal purposes, whereas the fact is that much more than 95 per cent of it is used for commercial purposes.

Besides the licorice paste manufactured by MacAndrews & Forbes Co., there is produced in considerable quantities as a by-product the well known "Foamite," which is to-day the most important single factor in the extinguishment of oil fires and other fires involving inflammable material; and it is not believed that it will be the policy of Congress to impose an import duty on an article that plays so important a rôle in the protection from fire of this country's oil industry.

The CHAIRMAN. Do you happen to know why this licorice had a duty put upon it when it is not produced in this country?

Mr. GEDDES. It was put on by a Democratic Congress for revenue purposes, and the tariff on the paste was lowered—

The CHAIRMAN. In order to destroy the industry?

Mr. GEDDES. It came pretty near doing it.

Senator SIMMONS. You say a duty was put on the licorice root?

Mr. GEDDES. Yes, sir.

Senator SIMMONS. What was the rate?

Mr. GEDDES. One-fourth cent per pound.

Senator SIMMONS. This is one-half cent?

Mr. GEDDES. This is one-half cent.

Senator SIMMONS. The Fordney bill doubles it?

Mr. GEDDES. The Fordney bill doubles it.

I wish to say in connection with Foamite that we as well as other people consider that it is a very important factor. All of the oil-burning steamers are being equipped with Foamite installation.

The revenue to be derived from licorice root is almost negligible to the Government, being in the neighborhood of \$500,000 as against \$650,000,000 expected to be raised through the tariff bill.

Finally, to summarize the argument against the imposition of any tax whatever on licorice root, in the first place it is a raw material—

Senator McCUMBER. How much did you say the Government received in revenue?

Mr. GEDDES. It will receive under the proposed Fordney tariff \$500,000 a year.

Senator SUTHERLAND. I understood Mr. McCoy to say that the amount for the past year was \$141,000.

Mr. GEDDES. That is because during the war we did not import as much by one-fourth of what we used to.

Senator SIMMONS. The rate is only one-half a cent now?

Mr. GEDDES. Only one-quarter cent under the figures he quotes as against the Fordney proposal of one-half cent.

This important duty is in excess of the average amount of income and excess-profits taxes paid by us annually to the Federal Government, and is more than one-third of our entire net income.

We want to make a strong point, if possible, of having it removed from the chemical schedule and put in a schedule of its own, because it is not a drug nor is it a chemical.

Nearly all the large oil companies have installed Foamite equipment for the protection of their tank farms. Tank farms and ships are being equipped with permanent installations, and there are a large number of portable equipments of various kinds.

Senator Watson. That is made from licorice root?

Mr. GEDDES. Yes, sir. It is a by-product.

I started to summarize the argument against the imposition of any tax. The second point that I wanted to make in connection with that was that there is no competing local product to protect.

Third, the burden of any tax whatever would reduce the net income by practically one-third and would further have the effect in the case of this company of making its aggregate Federal taxes more than double the amount of income and excess-profits taxes imposed upon other companies making a like income.

The CHAIRMAN. How many companies are in this business?

Mr. GEDDES. The next largest one is in Baltimore—J. S. Young Co.

The CHAIRMAN. How many of them are there, altogether?

Mr. GEDDES. Probably three or four.

The CHAIRMAN. How many men are employed in the aggregate?

Mr. GEDDES. Probably 700 men.

The CHAIRMAN. Do you desire to file a statement?

Mr. GEDDES. I have this memorandum, which I will submit.

It would raise the price to the consumer not only of the licorice paste, but also of the most important and most effective fire protection solution now in use in the United States.

It would hinder the company's efforts to get back to the prewar price a product which it now sells for nearly three times the prewar price, but at no greater profit per pound than prior to the war.

The amount of the tax to be raised is negligible. I will submit this memorandum for a brief.

The CHAIRMAN. All right.

**BRIEF OF W. L. GEDDES, REPRESENTING MacANDREWS & FORBES CO., NEW YORK CITY.**

STATE OF NEW YORK,  
County of New York, ss:

W. L. Geddes, being duly sworn according to law, deposes and says as follows:

1. That ever since the organization in 1902 of MacAndrews & Forbes Co., a New Jersey corporation engaged primarily in the collection from the Near East and importation into the United States of licorice root and the conversion thereof into licorice paste, he has been connected with the production end of the business, and since the year 1915 he has been and now is vice president in charge of the manufacturing end of the business.

2. That said MacAndrews & Forbes Co. imports annually approximately 50,000 tons of root, whereof it retains about two-thirds for its own purposes to convert into paste and by-product, and the remaining one-third it sells to other manufacturers for a like purpose.

3. That no licorice root is produced in the United States, nor is it practicable to produce the same, experiments of MacAndrews & Forbes Co. conducted by this affiant at a great expenditure of money having so proven. Consequently the factor of protection to home industry in no wise enters into the question of imposing a tariff duty on licorice root. On the contrary any duty on licorice root can be sustained only as a revenue measure, and it would be purely and simply a revenue measure and in no sense a protection measure. Furthermore, it is opposed to the principles of even a revenue tariff, in that licorice root is a raw material and any import duty imposed on it would tend to restrict rather than increase manufacturing in this country.

4. That prior to the enactment of the Underwood tariff, there was a tax of 2½ cents per pound on licorice paste imported into the country, but no tax on licorice root, nor had there ever, to this affiant's knowledge, been a tax on licorice root. On the contrary, the policy of that law, enacted as it was by a Republican Congress and based on the Republican principle of protection, was to admit the raw material free of duty and to impose a tax on the finished product.

5. That the Underwood tariff, passed by a Democratic Congress and based on the revenue principle, reduced the tax on paste from 2½ cents to 1 cent, and on the other

hand imposed a tax of one-fourth of a cent per pound on licorice root; though as originally framed the law carried a tax of one-half a cent per pound; upon proper presentation of facts it was reduced to one-fourth of a cent. This is the first time in the history of the country that any import duty has been imposed on this particular element of raw material.

6. That the proposed present rate of one-half a cent per pound on root would involve a tax of approximately \$360,000 a year on the business of MacAndrews & Forbes Co. alone. Moreover, this import duty is in excess of the average amount of income and excess profit taxes paid by MacAndrews & Forbes Co. annually to the Federal Government and is more than one-third of its entire net income.

7. That prior to the beginning of the war the price per pound of licorice paste sold by MacAndrews & Forbes Co. was for many years 8 cents per pound, but that owing to the high cost of raw material and of labor, as well as the imposition of duty, the cost at present is 22 cents per pound, notwithstanding the consistent efforts of the company to reduce the price. Nonetheless the company obtains from the higher priced paste only the same amount of profit per pound as for the 8-cent paste. The imposition of additional tax will operate very strongly as a hindrance to the desired reduction in price. In fact, the duty now proposed, if enacted into law, would be equal to a 25 per cent ad valorem duty on the prewar price of paste.

8. That, although licorice paste is placed in the portion of the chemical schedule dealing with drugs and medicines and is indeed in the same paragraph with well known drugs, yet the use of licorice paste and of licorice products generally for drug or medicinal purposes is negligible as compared with its commercial use and it is believed that possibly the proposed imposition of such a duty on licorice root was considered at all only because of a mistaken belief that the imported root would be used for drug or medicinal purposes, whereas the fact is that much more than 95 per cent of it is used for commercial purposes.

9. That besides the licorice paste manufactured by MacAndrews & Forbes Co. there is produced in considerable quantities as a by-product the well-known Foamite, which is to-day the most important single factor in the extinguishment of oil fires and other fires involving inflammable material, and it is not believed that it will be the policy of Congress to impose an import duty on an article that plays so important a rôle in the protection from fire of this country's oil industry.

10. As showing the importance of Foamite in the oil and shipping industry, affiant mentions that some months ago the Cunard Line installed a Foamite system in the steamship *Aquitania*, which to-day is equipped with Foamite protection, while the steamship *Mauretania* which, according to newspaper reports, suffered a disastrous fire some weeks ago, was not at the time equipped with a Foamite system, but is expected shortly to be so equipped. Numerous other ships have been equipped with the system and contracts have been signed for the equipment of a great many more. Nearly all the large oil companies have one or more Foamite equipments for the protection of their tank farms. The tank farms and the ships are equipped with permanent installations. In addition to this, there is a vast amount of Foamite used for portable fire equipment of various kinds.

11. That the revenue to be derived from licorice root is almost a negligible item to the Government, being in the neighborhood of \$500,000 as against \$650,000,000, expected to be raised through the tariff bill.

12. Finally, the summarized arguments against the imposition of any tax whatever on licorice root are:

(1) There is no competing local product to protect.

(2) The burden of any tax whatever would reduce net income by practically one-third and would further have the effect in the case of this company of making its aggregate Federal taxes more than double the amount of income and excess profit taxes imposed upon other companies making a like income.

(3) It would raise the price to the consumer not only of the licorice paste but also of the most important and most effective fire-protection solution now in use in the United States.

(4) It would hinder the company's efforts to get back to the prewar price a product which it now sells for nearly three times the prewar price, but at no greater profit per pound than prior to the war.

(5) The amount of tax to be raised is negligible.

(6) It is a raw material.

W. L. GEDDES.

Subscribed and sworn to before me this 13th day of August, 1921.

(SEAL.)

AGATHA F. BRESLIN,  
Notary Public, Bronx County.

## SUPPLEMENTARY STATEMENT.

Since my testimony was given before the Senate Finance Committee on August 15, 1921, relative to the proposed import duty of one-half cent per pound on licorice root (par. 33), my attention has been called to the brief of the Italian Chamber of Commerce in New York filed before the Ways and Means Committee and reproduced, page 217, Part 1, Schedule A, hearings before that committee.

The interest of the Italian Chamber is to permit the importation of licorice paste or else of confections and other products into which licorice paste has entered. This can be aided by a tariff situation in which a proper balance as between the two exists. Presumably the rates of the Underwood tariff are regarded as satisfactory for this purpose, since their retention is being urged. It is obvious that if these rates do accomplish the purpose of encouraging the import of licorice paste and other licorice products, they are not the proper rates and do not represent the correct balance to permit or encourage the importation of licorice root as a raw product. This is particularly so in view of comparative labor conditions and rates of exchange. Therefore, we more strongly urge the elimination of duty on licorice root since importers of the finished product are urging its retention.

The interest underlying the brief of the Italian Chamber of Commerce is to permit the importation of licorice extract on a basis comparable with the licorice root; in other words, to have the manufacturing done in foreign countries rather than in this country. We can not agree, however, with the statement of the Italian Chamber that the differential of three-fourths of 1 cent between the rates on licorice extract and licorice root is a proper measure for equalization. On the contrary, under existing labor conditions and in view of the present rate of exchange it is essential to proper protection that the proposed rate on licorice paste be retained and that the root be admitted free.

## DYEWOOD EXTRACTS.

[Paragraph 36.]

## STATEMENT OF GEORGE L. TERRASSE, REPRESENTING J. S. YOUNG &amp; CO., HANOVER, PA.

Mr. TERRASSE. At Mr. Haffner's request, I have agreed to take his place and practically present his views of the articles in which he was interested and speak for him, representing the companies for which he was to speak.

Senator McCUMBER. What is your name?

Mr. TERRASSE. George L. Terrasse, of Hanover, Pa., chemist to J. S. Young & Co., also of Hanover, Pa.

Senator McCUMBER. Proceed, Mr. Terrasse.

Mr. TERRASSE. In making any comments relative to paragraph 36, I am authorized to speak for the following seven individual companies: Imperial Dyewood Co., Lynchburg, Va.; J. D. Lewis, Providence, R. I.; MacAndrews & Forbes Co., Camden, N. J.; Oakes Manufacturing Co., Long Island City, N. Y.; Taylor-White Extracting Co., Camden, N. J.; J. S. Young & Co., Hanover, Pa.; and The J. S. Young Co., Baltimore, Md.

Paragraph 36 of the House bill provides an ad valorem duty of 11 per cent on dyewood extracts and similar materials, and in petitioning your committee we ask if it is possible and, in your judgment, wise that that 11 per cent item be raised to, if we may so presume, approximately 25 per cent; and we likewise make a very simple and specific request that the word "sumac" be inserted in paragraph 36, which has always been mentioned in all tariff acts, irrespective of what the rate of duty be; as to the reason for its omission I can not speak. It is provided for, of course, in the general statement, but there is no specific mention of that particular extract.

In asking for an increase from the 11 to a 25 per cent ad valorem rate, I would call your attention to the fact that the industry is strictly

an American industry. It had its birth back in 1796; in other words, it has been in existence over 100 years, and since then there has been a continuous production of these materials in this country, and in spite of this age and in spite of the constant effort in recent years, other than the war years, there has been no very perceptible increase in the amount of the industry. The war period, of course, stimulated it enormously; in other words, the industry prior to the war did not hold its own. Its tariff protection has been on the down grade; in other words, there was a specific duty of seven-eighths of a cent per pound prior to the 1913 act, which was cut to three-eighths in the current act per pound specific, and some of the articles now mentioned and included in the House bill at 11 per cent ad valorem were and are absolutely on the free list.

In 1914, prior to the war, there was a production of 29,000,000 pounds of logwood extracts, valued at only a little over \$1,300,000, and there was imported during the years 1915, 1916, and 1917—during the war years—a large total of 120,000 tons of crude wood, corresponding to 60,000,000 pounds of extract for these years.

In other words, the output of logwood and similar extracts was tripled. The great aid given by these natural colors and similar colors during the war period is thus very strikingly shown.

So far as the extract of logwood is concerned, there is no synthetic color yet produced which equals it for certain specific work in points of fastness to light, and to brilliance, to depth of shade, and to washing. Moreover, during the war period there was a distinct step forward, and which had practically reached fruition in that the waste of this material was being turned into acetate of lime and acetone, and it began to provide a second series of supply over the ordinary sources for acetate of lime and acetone in the production of those important war commodities such as acetone and acetic acid.

In regard to the men employed in the industry as a whole, it is not a large industry. If you take one item, the logwood industry would not employ more than 500 men; so that we are not a major factor even in the dye business, and, of course, by no means a giant in the industrial world.

**Senator McLEAN.** Where is your business located?

**Mr. TERRASSE.** The extract plants—the seven which I represent and for which I am talking—are located, one at Providence, R. I., one at Long Island City, two at Camden, N. J., one at Baltimore, Md., one at Lynchburg, Va., and one at Hanover, Pa.

The average hours of labor in the industry in America is less than the average hours of labor from competing sources. We have nominally 8½ to a 9 hour schedule. In Britain the labor hours are longer, and in France longer still, and from one of our main sources of competition, the West Indies, the hours of labor are practically from sunup to sundown.

In addition to this, if you take it on prowar standards of wages, the American wages were higher than at any of the places just mentioned, and in active competition the present American wage rate of approximately 35 to 40 cents per hour for ordinary labor sounds very generous compared to the peon rate of wage in the West Indies of about that much per day; and that is not an exaggeration, because that figure has recently been confirmed through the Consular Service in Haiti.

If we approach it from purely patriotic motives, during the war period the industry provided in the extract of oak bark large amounts of yellows for both the American and the British market, going directly into the khakis and olive drabs of both these mentioned allies. So that from that angle the industry served during the early stages of the war a very splendid use, long before the synthetic industry had a chance to get its first lease of life.

In connection with asking for the increase from the 11 per cent ad valorem to about the 25 per cent ad valorem, we have scanned roughly the average prevailing ad valorem rate in the chemical schedule of the House bill as it reaches the Senate, and it is no exaggeration to say that in nearly all cases the average ad valorem rate there has been fixed at 25 per cent, which we consider none too high; and in the synthetic color goods it has been fixed at 35 per cent plus specific. We thoroughly agree with our competitors, the synthetic color men, and congratulate them on that figure. We believe it is none too big. But in comparison with that the rather small item of 11 per cent as against the 35 per cent and a 7 cent specific it looks rather small.

Senator McLEAN. What is the present rate?

Mr. TERRASSE. The present rate on some of the extracts mentioned in that paragraph is three-eighths of a cent of a pound specific.

Senator McLEAN. What would be the equivalent ad valorem?

Mr. TERRASSE. The equivalent ad valorem would depend entirely upon the market price, of course, of the article in question, because the articles vary. If you should take a concrete case, Senator, within the last few days one of the articles mentioned in that paragraph was purchased by me at  $4\frac{1}{2}$  cents per pound, New York. The 11 per cent ad valorem, at  $11\frac{1}{2}$  cents per pound, gives you roughly under a half cent a pound specific.

Senator SUTHERLAND. Four and one-half cents per pound?

Mr. TERRASSE. That was the purchasing price f. o. b. New York and  $11\frac{1}{2}$  per cent.

Senator SUTHERLAND. You said 11 cents per pound.

Mr. TERRASSE. That was my mistake. Thank you for correcting me; in that specific instance it would bring the present collectible duty on that article under a half cent per pound, which is under the specific rate provided prior to the tariff act of 1913.

Senator McLEAN. What was the rate in the Payne-Aldrich bill, do you know?

Mr. TERRASSE. If my memory serves me right, it was also about seven-eighths of 1 cent per pound specific. It was that, in any event, prior to the 1913 act.

Senator McLEAN. Why did they change from specific to ad valorem?

Mr. TERRASSE. The tendency of the House has been—and I can not, of course, speak for the Ways and Means Committee—the direction of a change from specific to ad valorem.

Senator McLEAN. I did not know but what some reason might have been advanced in the hearings.

Mr. TERRASSE. I heard no specific reasons why the tan extracts and dyewood wood extracts were shifted from specific to ad valorem duty.

I would like to ask the committee's permission to file, in line with the statements, printed copies of a brief which will put the material in a little more presentable form than just submitted orally.

Senator McLEAN. That privilege will be granted. Any brief you may file will be printed in the record.

**STATEMENT OF WILLIAM B. PACKER, TREASURER J. S. YOUNG CO., BALTIMORE, MD.**

Mr. PACKER. I do not know, Mr. Chairman, that I can say much more than Mr. Terrasse has said. He has covered it quite thoroughly. I can substantiate the labor figures in the West Indies, as I was there on two occasions and know that the labor down there will run 35 to possibly 65 cents a day, depending on the men; and they work from sunrise to sunset, whereas in our Baltimore factory our lowest wage is 40 cents an hour, and the equivalent, of course, would be \$4.80 a day, which is over eight times the wage paid in either Haiti or Jamaica.

The quantity of material used in the particular factory in Baltimore is not so terribly large compared with the quantity used in Chester. We use 8,000 to 10,000 tons of logwood a year. That is all I have to say.

Senator McCUMBER. The committee is much obliged to you. Now, we will hear the other gentleman. Your name, please.

**STATEMENT OF W. L. GEDDES, REPRESENTING MacANDREWS & FORBES CO., NEW YORK, N. Y.**

Mr. GEDDES. My name is W. L. Geddes. I represent MacAndrews & Forbes Co., 200 Fifth Avenue, New York, with factories at Camden, N. J.

I would like to corroborate what Mr. Terrasse has said in relation to this proposed tariff, but I would like to supplement his remarks that in comparison with the aniline industry the protection asked for is quite moderate and modest. The aniline industry is a new industry practically, and it is being suggested that it be protected by an ad valorem of 35 per cent plus 7 cents per pound, whereas the logwood industry, which I represent, is an old industry, and 25 per cent ad valorem is not too much to ask in the way of protection.

Senator McCUMBER. When you speak of ad valorem, you have reference to the American valuation?

Mr. GEDDES. To the American valuation. There is nothing more I have to add. Mr. Terrasse has covered the ground thoroughly.

**GLUE AND GELATIN.**

[Paragraph 39.]

**STATEMENT OF GEORGE UPTON, REPRESENTING THE NATIONAL ASSOCIATION OF GLUE AND GELATIN MANUFACTURERS AND AMERICAN GLUE CO., BOSTON, MASS.**

Senator McCUMBER. Please state your full name, business, and address.

Mr. UPTON. My name is George Upton, representing the National Association of Glue and Gelatin Manufacturers and American Glue Co., Boston, Mass.

Senator SMOOT. You are appearing on paragraph 39, is it not?

Mr. Upton. Yes; paragraph 39. I want to appear for the National Glue and Gelatin Association, which represents all the interests. In this connection, I would state there is no divergence of opinion as to what is wanted. It is a clean-cut statement on the whole situation.

The National Association of Glue and Gelatin Manufacturers is an association organized for the purpose of looking after the general welfare of these industries throughout the United States and represents approximately 90 per cent of the glue and gelatin manufacturers of the country.

The schedule as applied to glue as it is in the present bill is considered satisfactory and a reasonable protection for that commodity based on the American valuation and the conditions that exist to-day both here and in Europe.

However, the schedule as applied to gelatin is unsatisfactory, first, in connection with the language of the paragraph, which is a very essential point to the industry, and, second, the rates.

I am here to ask your committee to make a segregation between glue and gelatin. In previous tariff bills, namely, the Payne-Aldrich, and to a lesser extent in the Underwood bill, glue and gelatin were segregated for all practical purposes by price bracketing. In the bill which you have before you there is no price bracketing; both of these commodities were put in one bracket under one rate.

In our opinion it is utterly impossible to combine these two industries under one bracketing and rate and afford reasonable protection for both. If you give a reasonable protection for gelatin it would be entirely too high on glue, and reasonable protection for glue is inadequate for gelatin.

Gelatin is manufactured in entirely separate factories from glue. The cost of labor per pound of gelatin is approximately four times that of the cost of labor per pound of glue. The capital investment per pound of gelatin is about three times that per pound of glue. Furthermore, American gelatin manufacturers must comply with the United States pure food laws, necessitating heavy expenses.

The gelatin industry in the United States has grown from practically nothing to an industry of considerable importance in the last 8 or 10 years. Its invested capital is approximately \$15,000,000, and it employs about 3,000 men, quite a percentage of whom are technically trained, such as chemists and the like.

It is for these reasons that we ask for segregation between gelatin and glue and reasonable protection afforded to the gelatin industry based on the merits of the situation.

And, in this connection, Mr. Chairman, I would ask permission to file a brief with your secretary here to-morrow.

Senator McCUMBER. Without objection, that may be done.

We would ask the rewording of the paragraph along the following lines:

PAR. 39. Glue, and glue size, 20 per centum ad valorem and 1½ cents per pound; manufactures, wholly or in chief value of glue, casein glue, isinglass, and other fish sounds, cleaned, split, or otherwise prepared, and agar agar, 25 per centum ad valorem.

Gelatin conforming to United States pure food laws specifications, 20 per centum ad valorem and 7 cents per pound. Technical gelatin, gelatin in sheets, or other-

wise, with physical qualities to show a solidified jelly in mixture of 1.8 grams of gelatin to 100 cubic centimeters of water at 42 degrees Fahrenheit for six hours, valued above 30 cents per pound, 20 per centum ad valorem and 15 cents per pound; manufactures, wholly or in chief value of gelatin, 35 per centum ad valorem.

This paragraph segregates gelatin from glue, and in this connection I would state that that is only a suggestion of the wording of the paragraph. If it does not seem feasible to the experts of the committee, the next best thing would be to adopt some kind of price bracketing.

Senator SMOOT. Was the Payne-Aldrich provision satisfactory to you?

Mr. UPRON. The Payne-Aldrich bill, Senator, in reference to rates is satisfactory, but I think it could be improved on, from the fact that there was a great deal of abuse in the customhouse by people bringing in gelatin as glue. Since the Payne-Aldrich bill, the United States pure food act has been efficiently administered, and there is no reason why pure food gelatin should not be considered as such.

The bracketing as applied to technical gelatin which sets a minimum jelly strength is such that it includes the lowest grade of technical gelatin manufactured. Any gelatin that would have a lower jelling capacity than mentioned in the paragraph would be classified as glue and would be entitled to enter as such.

The fixing of a minimum jelly standard for technical gelatin we believe a simple and practical method of procedure and one that will operate without difficulty.

The Tariff Commission has given the question of segregation of glue and gelatin consideration, but I am informed that this segregation was not recommended on account of the difficulty of writing a paragraph that would have practical application. I have discussed this matter with members of the Tariff Commission staff and they are familiar with our ideas.

Dr. C. R. Smith, of the United States Bureau of Chemistry, who has specialized on gelatin, can undoubtedly check up our statements in reference to the feasibility of the operation of a minimum jelly strength standard for technical gelatin.

In reference to rates applying to gelatin, the bill as it stands before you presents a rate entirely inadequate for proper protection of the gelatin industry of this country based on American valuation. To substantiate the rates that we ask for in our suggested paragraph, the following information is placed before your committee:

In the manufacture of gelatin to conform to the United States pure food laws the principal elements which are the determining factors between European and American costs are --

1. Difference in labor.
2. Difference in cost of chemicals used in its manufacture.
3. Increased interest charges on capital investments to comply with pure food laws.

Referring to the above items a careful investigation of these cost figures has been made both in this country and in Europe, and the ratio based on a gold standard is approximately 4½ to 1 at the present time.

In this connection I submit Exhibit A, which will be filed with your clerk.

I do not want to go into the detail now and take up time in making a comparison between American and European costs.

In this relation I might state that the information concerning European and American costs is practically up to date, and I believe the information is good. This has been gathered by our company.

The study of these statistics shows that this branch of the industry covering gelatin conforming to the pure food laws should receive a rate of protection of 20 per cent ad valorem and 7 cents per pound, and a study of those figures by our experts shows that we are left to-day practically 4 cents a pound below the American wholesale market price with this protection; for example, I took the trouble last week to cable to London, to be put right up to date, and I have a cable reply showing a Belgian gelatin quoted at 39 cents c. i. f. New York. Using the rate as in the present House bill and the American valuation plan, we would have a net cost here, duty paid, of 52.9, whereas the American wholesale selling price to-day of gelatin of the same grade is 62 cents. In that connection we want to state that the gelatin industry has had a very severe shakedown, and, of course, competing against that discrepancy would be a very serious matter.

Applying the rate we have asked for, it would give us a net cost of the article, duty paid, of 58.4.

I will conclude this argument on pure food gelatin by a statement to the effect that the price of gelatin has had a very severe decline, and the large importations have resulted in a congested market condition with the result that practically every gelatin factory at the moment is closed down with great uncertainty as to when they are going to open up.

Senator WALSH. How many gelatin factories are there in the country?

Mr. UPTON. There are about seven.

Senator WALSH. Where are they located?

Mr. UPTON. They are located in Massachusetts, Michigan—Massachusetts is the largest gelatin-producing State; Michigan is next—and Indiana and Illinois, and there is also one in New York State, and a small one in Ohio, and so on—pretty well scattered around.

In reference to the volume of importations, we refer you to Exhibit C, Government statistics, which figures include all grades of gelatin. That is simply a rehash of Government figures. It shows how they are built up and how they have increased, and what they are at the moment.

Senator McCUMBER. Are the packing companies making gelatin now?

Mr. UPTON. Practically not at all. The only packing house that makes gelatin at all is Swift & Co., and it is producing it in a very small way. The American Glue Co. is the largest maker of gelatin in this country, and it is an entirely independent interest, and my family are represented there quite heavily. There is no connection at all with the packing industry.

Senator LA FOLLETTE. What proportion of that consumed in the United States is manufactured here?

Mr. UPTON. In the last four years, Senator, practically all of the gelatin that was consumed in this country was manufactured here. The importations from Europe during the war were practically nil.

Senator LA FOLLETTE. I understood you to say the import price now is 15 cents.

Mr. UPTON. No, sir; these cables show 39 cents is the quotation to-day.

Senator LA FOLLETTE. What is your selling price?

Mr. UPTON. The wholesale selling price of that product to-day is 62 cents, I think.

Senator WALSH. Where is it imported from?

Mr. UPTON. That market quotation was on Belgian gelatin, but the principal countries that export gelatin to the United States are Germany, Belgium, and France, and England, perhaps, is trailing along.

Senator LA FOLLETTE. What were the importations before the war?

Mr. UPTON. They would run approximately 1,500,000 pounds a year.

Senator LA FOLLETTE. And what is the total consumption of the country?

Mr. UPTON. I should say around 12,000,000 or 14,000,000 pounds a year, Senator. The importations now are running at the rate of about 2,500,000 pounds per year, by the last six or eight months' figures.

Senator WATSON. Do they make glue and gelatin in the same factory?

Mr. UPTON. No, sir; they do not. That is a very important point. About 8 or 10 years ago glue and gelatin were made in the same plant, and it had a very bad reputation. But the United States pure-food laws have really worked wonders for the industry. They have made it necessary to produce gelatin in up-to-date factories, and it has changed the whole situation.

Senator WATSON. You export glue, do you not? Do you manufacture glue or gelatin?

Mr. UPTON. My company is the largest manufacturer of gelatin, but we also manufacture glue.

Senator WATSON. Do you export any gelatin?

Mr. UPTON. There was some little gelatin exported during the war; not very much.

Senator WATSON. You are satisfied, then, with the tariff here provided on glue?

Mr. UPTON. Yes, sir.

Senator WATSON. But you want a distinction made between glue and gelatin?

Mr. UPTON. Yes, sir; an increased tariff on account of the items that I have mentioned.

Senator WALSH. You were heard before the House committee. Why did they not cover that?

Mr. UPTON. The National Glue and Gelatin Association were heard before the House committee, Senator, and they asked the committee to continue practically along the lines of the old Payne-Aldrich bill, and at least give us a price bracketing. But for some reason or other the whole thing was sidetracked, and I understood the reason was in connection with the customs officials.

Senator WALSH. You must have these prices practically in order to have the business adequately protected.

Mr. UPTON. I do not see how it can be otherwise, because glue is necessarily a cheap article, and gelatin is a high-priced article.

Senator WATSON. Were all the rates set forth in the Payne-Aldrich bill satisfactory?

Mr. UPTON. They were generally satisfactory; yes, sir; except that we suggested a little improvement in the wording; that your experts could work out.

Senator WALSH. Have you offered an amendment?

Mr. UPTON. I read an amendment.

Senator WALSH. I was not here.

Mr. UPTON. You were not here, I think.

There is another class of gelatin I want to touch on, and that is technical gelatin, high-grade technical gelatin. High-grade technical gelatins are practically a new product of American manufacture; in other words, prior to seven or eight years ago there were practically none made here. It is a new industry. Before this period mentioned Germany was first, and Belgium came along with a limited quantity. Germany practically monopolized the industry.

The situation in the technical gelatin branch of the industry can well be compared to the situation in the dye industry; 90 per cent of the high-grade technical gelatin produced in Europe is controlled by a German syndicate. The raw material is bought for the various factories collectively, and the product is sold collectively. With the American competitors of this syndicate out of business, the Germans would then have the field entirely to themselves as heretofore.

Senator WALSH. What is the technical gelatin as distinguished from the other?

Mr. UPTON. Technical gelatin is gelatin that is used in the arts, such as sizing of silk, and I have principal reference to photographic gelatin; that is, it is the gelatin that sensitizes the film that takes the picture. It is known in the trade as technical emulsion gelatin. That is the article that is practically controlled by Germany.

Based on the above, we appeal to your committee for adequate protection for this new industry.

In reference to what this protection should be, an investigation of costs in Germany so far as we can get at them, and a comparison of this information with the American costs shows a ratio based on gold standard of approximately five and one-half to one. They are higher than the ratio on food gelatin for the reason that labor is over three times greater than the labor on food gelatin.

Senator WATSON. Do you make this kind of gelatin in the same factory as you make the other?

Mr. UPTON. It can be made in the same factory.

Senator WATSON. Are you manufacturing it?

Mr. UPTON. Yes, sir. I might state, for your information, Senator, that there is practically only one company in the United States that makes this higher grade of technical gelatin, and that is the American Glue Co. factory at Peabody, Mass., where we have an investment of \$2,000,000.

These German costs that I referred to—

Senator WATSON (interposing). Do you come anywhere near supplying the American demand for that product?

Mr. UPTON. We did supply it during the war.

Senator WATSON. I know; but now? If you are adequately protected, as you are claiming, could you supply the American product?

Mr. UPTON. I think we can.

Another point that I would mention to you is that we are only asking for the same protection as the Payne-Aldrich bill, figuring that the American valuation should take care of the exchange situation. There was not any of this gelatin manufactured here during the Payne-Aldrich bill.

Senator McCUMBER. I will have to inform the witness that his time is up, and if he can, to just take a minute to close.

Mr. UPTON. Yes, sir; excuse me. In considering the rate we would ask you to give attention to the raw material which this industry consumes, namely, calf heads and other trimmings from calfskins. With adequate protection, the industry will continue to consume this material at prices well above what the material brought prior to the establishment of the enterprise in this country. And unless this industry is reasonably protected so it can continue to operate, that material will have much less value and drop down into the glue class, where it was 8 or 9 or 10 years ago. Attached is exhibit marked "D," setting forth the principal elements of difference between American and German costs of manufacturing technical gelatin.

We would ask, therefore, for a rate of 20 per cent ad valorem and 15 cents per pound on technical gelatin.

In conclusion we wish to call the attention of your committee to the fact that the rates we have asked for are practically the rates written in the old Payne-Aldrich bill and applying to gelatin as a whole, except that we are segregating the two classes of gelatin. We are depending upon the American valuation system which has been adopted by your committee to take care of the foreign exchange conditions.

I will just simply state that I put this matter before you in the most serious way, and we hope it will have due consideration, as ours is a new industry.

Senator LA FOLLETTE. What proportion of the gelatin do you produce?

Mr. UPTON. The production of photographic gelatin.—

Senator LA FOLLETTE (interposing). I am not speaking of the technical gelatin, because I understood you to say you produced all of that which was produced in this country?

Mr. UPTON. Yes, sir.

Senator LA FOLLETTE. But of the other—how did you designate the other?

Mr. UPTON. Food gelatin.

Senator LA FOLLETTE. What per cent of the total production do you produce?

Mr. UPTON. About 25 per cent.

Senator McLEAN. Is it not put to other uses besides food?

Mr. UPTON. Oh, yes, sir; very many other uses.

Senator McLEAN. Will you not enumerate them for the record? The other uses.

Mr. UPTON. You mean for the food gelatin?

Senator McLEAN. Yes, sir.

Mr. UPTON. It is used for gelatin powders, ice cream, medicinal purposes—for capsules, for candy making—marshmallows and items of that description; and the technical gelatin is used for photographic films, and in the arts, for sizing of silk, etc.

Senator WALSH. A good deal of it is used for food purposes in recent years?

Mr. UPTON. Yes, sir; that use has grown very much. It has had quite a remarkable growth, due to the United States pure-food laws, in my opinion.

Senator LA FOLLETTE. Do you have a large capital invested in your plant?

Mr. UPTON. The capital investment in the gelatin plant is very large per pound of gelatin, due to the requirements of the pure-food law, on account of heavy metals used in its manufacture; all the equipment is necessarily aluminum, bronze, or blocked tin.

Senator LA FOLLETTE. How much labor do you employ?

Mr. UPTON. You mean in the industry as a whole?

Senator LA FOLLETTE. In the gelatin industry, which produces one-fourth of our consumption.

Mr. UPTON. That is, you mean glue companies?

Senator WALSH. The whole country.

Senator LA FOLLETTE. I mean your company.

Mr. UPTON. We employ about 750 men and women, chemists, etc., without considering the office staff.

Senator DILLINGHAM. How much capital have you invested?

Mr. UPTON. Roughly speaking, something over \$2,000,000; that is, in plant machinery. Of course, working capital, stocks of raw materials, etc., will run up another million.

Senator McCUMBER. The committee is much obliged to you.

**BRIEF OF GEORGE UPTON, REPRESENTING THE NATIONAL ASSOCIATION OF GLUE AND GELATIN MANUFACTURERS.**

I appear before your committee on behalf of the National Association of Glue and Gelatin Manufacturers in reference to paragraph 39 of H. R. 7456, concerning glue and gelatin.

The National Association of Glue and Gelatin Manufacturers is an association organized for the purpose of looking after the general welfare of these industries in the United States and represents approximately 90 per cent of the glue and gelatin manufacturers of the country.

The schedule, as applied to glue, is satisfactory to the manufacturers and is considered a reasonable protective tariff for the glue industry.

However, the schedule as applied to gelatin is unsatisfactory (1) in connection with the language of the paragraph and (2) the rates.

I am here to ask your committee to make a segregation between glue and gelatin. In previous tariff bills—namely, the Payne-Aldrich, and to a lesser extent in the Underwood bill—glue and gelatin were segregated for all practical purposes by price bracketing. In the bill which you have before you there is no price bracketing. In our opinion it is utterly impossible to combine these two industries under one bracketing and rate and afford reasonable protection for both. Gelatin is manufactured in entirely separate factories from glue. The cost of labor per pound of gelatin is approximately four times that of the cost of labor per pound of glue. The capital investment per pound of gelatin is about three times that per pound of glue.

Accordingly we submit the following paragraph for paragraph 39:

"PAR. 39. Glue, and glue size, 20 per cent ad valorem and 1½ cents per pound; manufactures, wholly or in chief value of glue, casein glue, isinglass, and other fish sounds, cleaned, split, or otherwise prepared, and agar agar, 25 per cent ad valorem. Gelatin conforming to United States pure food laws specifications, 20 per cent ad valorem and 7 cents per pound. Technical gelatin, gelatin in sheets, or otherwise, with physical qualities to show a solidified jelly in mixture of 1.8 grams of gelatin to 100 cubic

centimeters of water at 42° F., for six hours, valued above 30 cents per pound, 20 per cent ad valorem and 15 cents per pound. Manufactures, wholly or in chief value of gelatin, 35 per cent ad valorem."

The above paragraph segregates gelatin from glue.

Gelatin conforming to the United States pure food laws is a commodity well known to our customs officials and no confusion can arise in administering the tariff.

The bracketing as applied to technical gelatin which sets a minimum jelly strength is such that it includes the lowest grade of technical gelatin manufactured. Any gelatin that would have a lower jelling capacity than mentioned in the paragraph would be classified as glue and would be entitled to enter as such.

The fixing of a minimum jelly standard for technical gelatin we believe a simple and practical method of procedure and one that will operate without difficulty.

The Tariff Commission has given the question of segregation of glue and gelatin consideration, but I am informed that this segregation was not recommended on account of the difficulty of writing a paragraph that would have practical application. I have discussed this matter with members of the Tariff Commission staff and they are familiar with our ideas.

Dr. C. R. Smith, of the United States Bureau of Chemistry, who has specialized on gelatin, can undoubtedly check up our statements in reference to the feasibility of operation of a minimum jelly strength standard for technical gelatin.

In reference to rates applying to gelatin, the bill as it stands before you presents a rate entirely inadequate for proper protection of the gelatin industry of this country based on American valuation. To substantiate the rates that we ask for in our suggested paragraph, the following information is placed before your committee:

In the manufacture of gelatin to conform to the United States pure food laws the principal elements which are determining factors in the difference between European and American costs are:

1. Difference in labor.
2. Difference in cost of chemicals used in the manufacture.
3. Increased interest charges on capital investments to comply with pure food laws.

Referring to the above items a careful investigation of these cost figures has been made both in this country and in Europe and the ratio based on gold standard is approximately 4½ to 1 at the present time.

To confirm our position further we quote under Exhibit B cable quotations received August 9 giving foreign quotations on various grades of gelatin and also equal quality of American make with the present American selling price.

We will conclude this argument on pure-food gelatin by a statement to the effect that the price of gelatin has had a very severe decline, and the large importations have resulted in a congested market condition with a result that practically every gelatin factory in the country at the moment is closed down with great uncertainty as to future operations. In reference to the volume of importations we refer you to Exhibit C, Government statistics, which figures include all grades of gelatin.

#### TECHNICAL GELATIN.

High-grade technical gelatins are practically a new product of American manufacture. Prior to seven or eight years ago they were principally produced in Germany, Belgium, and France, Germany practically monopolizing the industry.

Large investments have been made to promote this new industry in the United States.

The situation in the technical gelatin branch of the industry can well be compared to the situation in the dye industry. Ninety per cent of the high-grade technical gelatin produced in Europe is controlled by a German syndicate. Raw material is bought for the various factories collectively, and the product is sold collectively. With the American competitors of this syndicate out of business, the Germans would then have the field entirely to themselves as heretofore.

Based on the above, we appeal to your committee for adequate protection for this new industry.

In reference to what this protection should be, an investigation of costs in Germany so far as we can get at them and a comparison of this information with the American costs shows a ratio based on gold standard of approximately 5½ to 1.

In considering the rate we would ask you to give attention to the raw material which this industry consumes, namely, calf heads and other trimmings from calfskins. With adequate protection the industry will continue to consume this material at prices well above what the material brought prior to the establishment of the enterprise in this country. Attached is exhibit marked "D" setting forth the principal elements of difference between American and German costs of manufacturing technical gelatin.

We would ask, therefore, for a rate of 20 per cent ad valorem and 15 cents per pound on technical gelatin.

In conclusion we wish to call the attention of your committee to the fact that the rates we have asked for are practically the rates written in the old Payne-Aldrich bill and applying to gelatin as a whole, except that we are segregating the two classes of gelatin. We are depending on the American valuation system which has been adopted by your committee to take care of the foreign-exchange conditions.

I wish to thank your committee for the attention given me in this matter, and if there is any further information that any of your members desire in giving this matter consideration we will be glad to furnish same.

**EXHIBIT A.**—*Comparison between European and American costs of a few principal elements which are determining factors in the difference between European and American costs of manufacturing gelatin conforming to the United States pure-food laws.*

	European.	United States.
Interest on invested capital.....	\$0.0123	\$0.0344
Chemicals.....	.0048	.0264
Labor.....	.0180	.0851
Per pound of gelatin.....	.0351	.1603

Ratio, 4½ to 1.

*Wages per hour.*

	Cents.
Average of French, German, and Belgian.....	10.9
United States.....	49

The American figures were obtained at the National Gelatin Manufacturers' meeting held in Boston, July 20, 1921. The foreign figures were obtained by a foreign representative of one of our large American producers of gelatin.

**EXHIBIT B.**—*Comparison of foreign and American selling prices of gelatin of equal quality.*

[Foreign quotations received by cable August 9, 1921.]

	Cents.
Belgium gelatin quotation (c. i. f. New York).....	0.39
Wholesale American gelatin of equal quality.....	62
H. R. 7456, par. 39:	
C. i. f. New York.....	39
20 per cent ad valorem, 1½ cents.....	13.9
	<hr/>
	52.9
Proposed rate:	
C. i. f. New York.....	39
20 per cent ad valorem, 7 cents.....	19.4
	<hr/>
	58.4
French gelatin quotation (c. i. f. New York).....	32
Wholesale American gelatin of equal quality.....	51
H. R. 7456, par. 39:	
C. i. f. New York.....	32
20 per cent ad valorem, 1½ cents.....	11.7
	<hr/>
	43.7
Proposed rate:	
C. i. f. New York.....	32
20 per cent ad valorem, 7 cents.....	17.2
	<hr/>
	49.2

EXHIBIT C.—*Gelatin imports.*

Year.	Total pounds.	Average price per pound.	Sheet and emulsion not included.	Amount.
1920 <sup>1</sup> .....	2,148,805	\$0.5377		\$1,144,793
1919 <sup>1</sup> .....	447,865	.5305		\$259,818
June, 1918, to January, 1919.....	8,933	.4705		\$4,209
June, 1917, to June, 1918 <sup>2</sup> .....	399,119	.8628		183,873
1916 to 1917 <sup>2</sup> .....	976,520	.3197		309,524
1915 to 1916 <sup>2</sup> .....	1,637,065	.3177		518,173
1914 to 1915 <sup>2</sup> .....	2,708,833	.3353		916,868
1913 to 1914 <sup>2</sup> .....	2,439,440	.3149	\$23,162	768,215
1912 to 1913 <sup>2</sup> .....	1,085,940	.2543	492,493	278,892
1911 to 1912 <sup>2</sup> .....	701,949	.1931	447,875	135,693
1910 to 1911 <sup>2</sup> .....	1,327,970	.2960	91,931	393,164
1909 to 1910 <sup>2</sup> .....	1,289,393	.3141	35,730	389,307
1921.				
January.....	113,178	.5251		59,429
February.....	153,693	.5144		81,637
March.....	123,994	.6591		69,333
April.....	135,607	.4236		57,447
May.....	299,467	.4399		130,856

<sup>1</sup> Calendar year.<sup>2</sup> Fiscal year.<sup>3</sup> Underwood tariff, Oct. 3, 1913-1921.<sup>4</sup> Payne-Aldrich, Aug. 5, 1909, to Oct. 3, 1913; Dingley tariff.EXHIBIT D.—*Comparison between the principal elements of difference between the American and German costs of manufacturing high-grade technical gelatin.*

	European manufacturing costs.	American manufacturing costs.
Power, fuel, etc.....	\$0.0250	\$0.0675
Repairs, expense, etc.....	.0054	.0375
Chemicals.....	.0051	.0260
Labor.....	.0150	.1150
Interest on invested capital.....	.001	.0953
Per pound of high-grade technical gelatin.....	.1006	.5413

Ratio is approximately  $\frac{1}{5}$  to 1.

Labor in United States in this industry is approximately 49 cents, and in Germany approximately 7½ cents. It must be remembered that labor is one of the principal items of cost in manufacturing high-grade technical gelatin.

This ratio indicates that a protection of 35 cents per pound is reasonably adequate. The American figures are taken from the cost sheets of the largest American producer of high-grade technical gelatin, and the cost figures represent the actual cost per pound of high-grade technical gelatin.

The foreign figures were obtained by the foreign representative of one of our largest American producers of technical gelatin.

## EPSOM SALTS.

[Paragraph 47.]

## STATEMENT OF P. W. DRACKETT, CINCINNATI, OHIO, REPRESENTING MANUFACTURERS OF EPSOM SALTS.

The CHAIRMAN. Please state your full name and where you reside.

Mr. DRACKETT. P. W. Drackett, Cincinnati, Ohio.

The CHAIRMAN. What is your occupation?

Mr. DRACKETT. Manufacturer of chemicals, of which Epsom salts is one.

The CHAIRMAN. Do you represent any other concerns besides your own?

Mr. DRACKETT. Yes, sir. I represent eight different concerns.

The CHAIRMAN. Where are they located?

Mr. DRACKETT. The Victor Chemical Co., of Chicago, Ill.; Clark Chemical Co., of Cleveland, Ohio; Lennox Chemical Co., of Cleveland, Ohio; Ohio Chemical & Manufacturing Co., of Cleveland, Ohio; P. W. Drackett & Sons Co., of Cincinnati, Ohio; Crystal Carbonic Laboratory, Atlanta, Ga.; Sweetser & Bainbridge (Inc.), Albany, N. Y.; and Pacific Silicate Co., San Francisco, Calif.

The CHAIRMAN. Did you have a hearing before the House Ways and Means Committee?

Mr. DRACKETT. Yes, sir.

The CHAIRMAN. What do you want from this committee?

Mr. DRACKETT. Under the Payne-Aldrich bill the duty was one-fifth of 1 cent a pound. In 1913 it was made one-tenth of 1 cent a pound. The Fordney bill gave us one-half of 1 cent per pound. We had asked for a duty of 1½ cents a pound. However, in granting us a duty of 50 cents per 100 pounds they also added to the raw material from which Epsom salts are made 50 cents per 100 pounds on the crude magnesite and 75 cents per 100 pounds on calcined magnesite. They therefore nullified the duty that was granted us on the finished Epsom salts. We come before this committee with the request that if the half cent is continued, an ad valorem duty, on the American basis of valuation, be imposed of 35 per cent ad valorem.

Never before in the history of the United States have we had an opportunity to manufacture Epsom salts so that it might be demonstrated what could be done in this country until during the war. Previous to that time great quantities of Epsom salts used in the United States came from Germany. There were about 14,000,000 pounds in 1914, the American manufacturers producing 29,000,000 pounds.

In 1915 there were imported into this country 7,000,000 pounds. and in 1916, 1,000,000 pounds. The importations then ceased excepting a ton or two per year that came from England.

About that time the Medical Departments of the Army and Navy called upon the manufacturers in the United States for about 5,000,000 pounds. The demand from the consumers in the United States forced them to a production to take up that part that had been imported before the war and the natural increase in the consumption. We called upon the manufacturers of the United States for about 55 to 60 million pounds of Epsom salts. The manufacturers already in existence improved and increased their plants. Two plants were opened at Cleveland, Ohio, one at Cincinnati, Ohio, one at Albany, N. Y., and one at San Francisco, Calif. The money invested by United States citizens to bring about these results was about three-quarters of a million dollars.

German manufacturers have always been a menace in the production of Epsom salts. Under that Government's subsidized control they can sell their products far below the cost of production in this country and, if necessary, ruin any industry in this country, their profit being made good through a trust of which all German chemical manufacturers are members.

As an evidence of this, in 1908, German Epsom salts imported into this country were valued at 32 cents per hundred pounds, while the cost of production in the United States was 90 cents per hundred pounds.

In 1913, the valuation of German Epsom salts was 45 cents a hundred pounds and American production cost \$1.

In 1914 the German valuation per hundred pounds was 35 cents. The United States production cost \$1.10.

In 1915 the German valuation was 47 cents, and in the first half of that year the cost of production in the United States was \$1.75 a hundred pounds. In the latter half of that year it was \$2.25 a hundred pounds.

The cost of production in 1920, even with the very large quantity that was produced in that year in the United States, was \$2.875 per 100 pounds.

Germany at the present time is bringing into the United States Epsom salt which they are laying down in New York at \$1 per 100 pounds.

Senator CALDER. What is your cost laid down in New York.

Mr. DRACKETT. Our cost laid down in New York would be \$2.875 plus the freight from Cincinnati. However, understand that the cost in New York would be governed by the freight rate from the nearest point manufacturing Epsom salts, which in this case would be Albany, N. Y., and that would probably make the f. o. b. New York price about \$2.95 or \$3 a hundred pounds.

However, if the duty is continued on magnesite, either crude or calcined, it means an increased cost of production to the American manufacturer of \$3 or \$3.10 a hundred pounds.

Senator CALDER. What is the duty provided in the Fordney bill?

Mr. DRACKETT. The Fordney bill provides one-half of 1 cent per pound. That would be 50 cents a hundred pounds.

Senator CALDER. With an ad valorem duty and American valuation it would make quite a difference in the duty?

Mr. DRACKETT. We have not taken our valuations in that way. Our valuations are taken on the ground that our competitors will make the price. German Epsom salts are offered, freight and duty paid to New York City, at the present time, at \$1 per 100 pounds.

Senator CALDER. Duty paid?

Mr. DRACKETT. Freight and duty paid, \$1 a hundred pounds. Deducing from that price the present duty that is in existence, 10 cents per 100 pounds, would make the German price in New York at 90 cents per 100 pounds. That is what it is selling for. Ninety cents German salt price, plus one-half cent per pound and 35 per cent ad valorem based on United States valuation, which we take in at this time as \$2, would make the cost of the German goods \$2.10. We therefore ask for a 35 per cent ad valorem in addition to what is offered by the Fordney bill on that ground.

The CHAIRMAN. Do you know why the Ways and Means Committee did not comply with your request?

Mr. DRACKETT. I do not. At one time it was reported in New York, and had quite an effect upon the market, that the Ways and Means Committee had passed a cent and a half duty per pound on Epsom salts. When it was reported out it was at one-half a cent per pound. The manufacturers of Epsom salts of the United States are in a position to produce 75,000,000 pounds if necessary. Therefore, they are able to take care of the entire consumption of Epsom salts in the United States for many years to come and the quantity named would provide a competition sharp enough to govern the market price.

The CHAIRMAN. Well, the committee will print in the record your brief.

## BRIEF OF P. W. DRACKETT, CINCINNATI, OHIO, REPRESENTING MANUFACTURERS OF EPSOM SALTS.

We offer for your consideration and submit to you such recommendations as will permit the continuation of the manufacture of this most important chemical by American manufacturers, for which the raw materials are all available in this country.

It is recommended that tariff bill H. R. 7456, page 16, paragraph 47, item 21, be amended to read "sulphate or Epsom salts, one-half of 1 cent per pound and 35 per cent ad valorem."

The reason for this recommendation lies in the fact that the cost of labor entering into the production of Epsom salts in the United States is fully 1 cent per pound greater than the cost of the same labor in Germany, the principal importing country of Epsom salt. Added to this the German manufacturer has an advantage of fully one-quarter cent per pound in his raw material costs, thus making the German cost of production  $1\frac{1}{4}$  cents per pound less than the cost of production in the United States.

Magnesi sulphas (Epsom salt) has been known in medicine since 1676, and recent investigations and experiences have proven it to be one of the most important agents in materia medica, both for internal and external application. The importance of Epsom salts is fully recognized by the Medical Department of the United States Army and Navy, in adopting it as one of its most important remedial agents for the American Expeditionary Forces. Because of this fact, Epsom salts was classed by the War Industries Board as an essential industry during the recent war. Epsom salts is also a valuable remedial agent much used in veterinary medicine.

Besides its use medicinally Epsom salts enters technically into several important industries. It is used very largely in the process of tanning leather and is also employed in the textile and enameling industries. Under these conditions the United States should not be compelled either in time of peace or war to depend on foreign countries for so important and necessary a product as Epsom salts.

In the year ending June 30, 1914, there were manufactured in the United States 29,265,115 pounds of Epsom salts, and a report just completed by the manufacturers of this country shows that during the year 1920 this quantity was increased to approximately 50,000,000 pounds. This remarkable increase is due to the fact that during the war-time period Germany was unable to manufacture Epsom salts in such quantities as would enable her to dump any surplus stock into the United States. This menace removed, American capital, employing American labor, clearly demonstrated its ability to supply the American market, the raw materials coming direct from the mines of California, Washington, Louisiana, and Texas.

If this industry is afforded the necessary protection so that it may be placed on the same basis as that of the foreign producers in the matter of manufacturing cost, it can supply the entire needs of the United States and provide for an increased demand up to 150 per cent of the amount produced in 1920 with little or no addition to the present equipment.

At the present time there are employed in the manufacture of Epsom salts in the United States about 300 men in direct production and 140 men in indirect production, to which must be added the usual pyramided labor employed in the process of converting the raw material in the mines to the finished product ready for the market.

During the past year, while plants were in full operation, the average cost of production in the United States, as determined by the manufacturers of this country, amounted to \$2.78 $\frac{1}{2}$  per 100 pounds, of which \$1.12 represents labor cost.

The average wage paid by manufacturers in the United States is \$5 per day of 10 hours. According to the latest information obtainable the average daily wage for similar labor in Germany at the present time is but 56 cents per day.

All of the Epsom salts produced in Germany is made from kieserite, a natural product from the Strassfurt mines obtained in the mining of potash, which mines are more or less controlled by the German Government.

The sale of German Epsom salts is controlled by a so-called "cartel"—an aggravated trust of gigantic dimensions, the policy of which is to market Epsom salts at a high price on the European continent and throughout Great Britain, and to dump at ruinously low prices its surplus on the market of the United States.

The policy of this trust was to compel any American buyer negotiating for the purchase of German Epsom salts in large quantities to give a bond guaranteeing that he would not resell either on the European continent or in Great Britain. That the same prewar tactics and policies are again being put in force to the detriment of American industry and American labor is evidenced by a signed letter now being generally mailed to prospective buyers throughout the United States, a photographed copy of which is herewith attached.

Particular attention is directed to the maximum price quoted in that letter, which, including freight and duty, is \$1.40 per 100 pounds f. o. b. New York, or \$1.38 $\frac{1}{2}$  per

100 pounds less than the cost of production in the United States. The explanation for this quotation is to be found in the last paragraph of the letter, which—with remarkable candor—announces the fact that “German manufacturers of Epsom salts belong to a trust which prohibits any underselling under heavy penalty,” thereby indicating a price control by a foreign trust which is not amenable to American laws, and contrary to them.

Your attention is also called to a letter herewith attached from a London, England, correspondent who confirms the “dumping” of Epsom salts in the United States and of German price control.

There were imported into the United States in the year ending June 30, 1914, 13,759,598 pounds of Epsom salts, of which 85.5 per cent were imported from Germany, 5 per cent were imported from Belgium, 3.3 per cent were imported from Italy, 3.1 per cent were imported from England, 3.1 per cent were imported from France, which, according to Department of Commerce, Bureau of Foreign and Domestic Commerce, Miscellaneous Series No. 82, page 36, was valued at \$49,281, or 36 cents per 100 pounds.

While it may be possible that the recommended increase of duty on imported Epsom salts may not result in a decrease of imports of this commodity, yet, granting that it may cause a decrease of 50 per cent, the amount of revenue still would be a little more than seven times greater to the United States than that derived during the year 1914 at the present rate of one-tenth cent per pound duty.

Under our recommendation there will be added to the income of the Government not only increased revenue on imports but also the income derived through the internal-revenue taxes on corporations and individuals who will thus be enabled to carry on the manufacture of American Epsom salts.

NEW YORK, December 27, 1920.

P. W. DRACKETT & SONS CO., Cincinnati, Ohio.

GENTLEMEN: At this time we are in a position to book your orders on Epsom salts, technically pure quality, for prompt shipment from Hamburg. The following prices are given in marks per long ton of 2,240 pounds f. o. b. Hamburg:

In single jute bags of 200 pounds, 1,300 marks.

In double jute bags of 200 pounds, 1,500 marks.

In barrels of 800 pounds, 1,500 marks.

Figuring at the present rate of exchange, 1.39, you will note that the price ranges from \$18 to \$21 per long ton, dependent upon packing. Adding to this the freight rate to New York, which amounts to about \$8 per ton, and the import duty of one-tenth cent per pound, you will readily see that the above quotations leave a good margin for profit.

Prices could not be cheaper, as German manufacturers of Epsom salts belong to a trust which prohibits any underselling under heavy penalty. In view of the low rate of exchange and our connection we could negotiate very favorable transactions at this time. Prices are subject to fluctuation and we would therefore appreciate it if you took up the matter with us at once.

Yours, very truly,

ALLCHEM CO.

VICTOR BLAGDEN & CO.,  
London, April 12, 1921.

C. B. HALL, Esq.,

Cleveland-Cliffs Iron Co., Cleveland, Ohio.

MY DEAR HALL: I am in receipt of yours of the 23d March in regard to Epsom salts, and have interrogated the department working this article, from whom I have ascertained that Germany is not exporting any Epsom salts to any of the Allies, who are deducting 50 per cent of the value of the goods delivered, and in order to find another outlet for their make they are apparently dumping the same in the United States and other countries not affected by the reparations bill.

I may say that with a guaranty that goods would not be shipped to the United Kingdom one could buy commercial crystal quality Epsom salts at 140 marks per 100 kilos, f. o. b. Hamburg, in jute bags.

If there is any further information you would like me to try and obtain for you on this subject, please do not fail to let me know, when I shall be only too pleased to do all I can.

Very truly, yours,

R. WILKINS.

## MAGNESITE.

[Paragraph 47.]

## STATEMENT OF REEVES T. STRICKLAND, REPRESENTING MAGNESITE MINING &amp; MANUFACTURING CO., WASHINGTON, D. C.

Senator McCUMBER. Please state your full name for the record.

Mr. STRICKLAND. Reeves T. Strickland, attorney for the Magnesite Mining & Manufacturing Co., an American corporation incorporated under the laws of Delaware. It has mines on the island of Margarita, off the coast of Venezuela. It is an importer of the crude magnesite. It does not bring in anything else.

I appear here for the purpose of objecting, on page 16 of the bill, line 24 and through line 25, to the words "and magnesite, crude or ground, one-half of 1 cent per pound."

We produce only the raw material, and object to any duty on it at all.

Senator SMOOT. You want it free?

Mr. STRICKLAND. Yes, sir. It always has been free, and it is a very important product.

Senator SMOOT. Where are your mines?

Mr. STRICKLAND. On the island of Margarita, off the coast of Venezuela.

The purpose of appearing here is to ask that this duty of one-half of 1 cent per pound be taken off. If there is a duty placed upon it, the company can not continue business.

Senator SMOOT. That is, continue your business of shipping it into this country?

Mr. STRICKLAND. Yes.

Senator SMOOT. You could ship it to some other part of the world, could you not?

Mr. STRICKLAND. I do not know. Arrangements have not been made for any other shipping than to the eastern seaboard of the United States.

Senator SMOOT. All you do is to have your offices in New York and ship the product in here and then sell it.

Mr. STRICKLAND. Sell it east of the Mississippi River.

Senator SIMMONS. You are an importer?

Mr. STRICKLAND. Yes, sir.

Senator WATSON. Your factory is located in Venezuela?

Mr. STRICKLAND. We have no factory. We have our mines there. We bring in only the crude stuff, not the calcined.

At Runyon, N. J., there has recently been erected, I understand, a million dollar plant for calcining. This company does not desire to do anything other than to bring in crude stuff; but if the rate of one-half cent a pound is placed upon it the company itself would have to go out of business. It is entirely an American company, and the stock is owned in New York. The money is American money.

Senator DILLINGHAM. What does it cost in New York per pound?

Mr. STRICKLAND. The cost of production, as I understand it, in Venezuela, is about \$7 a ton. The freight rate is approximately \$10 a ton to bring it in in vessels.

Senator DILLINGHAM. That makes \$17?

Mr. STRICKLAND. It would appear to be \$17; yes, sir.

Senator SMOOT. What do you sell it for?

Mr. STRICKLAND. It varies at different times. Recently there have only been 2,300 tons sent in on account of war conditions and other conditions.

Senator WATSON. Does this compete with the magnesite mined in California and Washington?

Mr. STRICKLAND. No, sir. That which is taken out of the mines there is used largely on the other side of the Mississippi River. The freight rate is prohibitive when it comes to sending it east.

Senator SMOOT. What are you selling it for to-day?

Mr. STRICKLAND. I can not answer that question at the present time.

Senator SMOOT. Who can?

Mr. STRICKLAND. I will give you the information in just a moment, sir. Let me ask a question of my colleague here. [After a brief conference.] I am advised that the selling price is \$9 plus the freight.

Senator WATSON. That is, \$9 in New York?

Mr. STRICKLAND. \$9 in New York plus the freight.

Senator LA FOLLETTE. \$19. You say the freight is about \$10.

Mr. STRICKLAND. The freight is approximately \$10.

Senator SMOOT. Do you know what you sold it for in 1910?

Mr. STRICKLAND. I could not give you that price; no, sir.

Senator SMOOT. Or in 1917?

Mr. STRICKLAND. I think about the same.

Senator SMOOT. In 1917?

Mr. STRICKLAND. No; not 1917. In 1910, I think, it was about the same. As to 1917 and 1918 I could not give you the figure.

Senator SMOOT. Is there any way that we can get that information? I want to check this up, because we have the price that was testified to in the hearings before, and I want to see if the prices are the same.

Mr. STRICKLAND. There was none brought in during those years by this company.

Senator SMOOT. That came from Japan?

Mr. STRICKLAND. It came from Greece and Italy—probably from Italy.

Senator JONES. Who is your competitor now?

Mr. STRICKLAND. Only those companies, if we have any competitors, which are in California and Washington.

Senator JONES. You stated a moment ago in answer to a question of Senator Watson that you did not think they were competitors.

Mr. STRICKLAND. I think they are not competitors, for the reason that they are all west of the Mississippi River and the freight rates would be so high to the Atlantic seaboard that they could not ship.

Senator JONES. What is there to prevent your paying this tax?

Mr. STRICKLAND. It would prevent it in this way: That to get calcined magnesite you have to have 2½ tons and reduce it. With a freight rate now of \$10 and then a duty of \$10, which would be \$20, it would cost \$40 to reduce it down to the calcine.

Senator JONES. Who are your competitors in the calcine?

Mr. STRICKLAND. They would be the western companies; that is, in California and Washington.

Senator JONES. So that, in the last analysis, they are your competitors?

Mr. STRICKLAND. They would be if it was calcined, but we do not ask with reference to calcine. We only bring in the crude stuff on the free list. It has been on the free list.

Senator WATSON. Is your magnesite used for furnace linings the same as the western magnesite is used?

Mr. STRICKLAND. Yes, sir.

Senator WATSON. They do ship that magnesite, do they not, from California East and use it all over the Pittsburgh district?

Mr. STRICKLAND. I think you will find in the reports from the different departments here they say that it is mostly shipped to places west of the Mississippi River. The report of the Geological Survey makes such a statement.

Senator SMOOT. Who has a calcined magnesite plant east of the Mississippi River?

Mr. STRICKLAND. There is one over at Runyon, N. J.

Senator SMOOT. I meant to say, west of the Mississippi River.

Mr. STRICKLAND. I do not know, sir.

Senator SMOOT. Then, of course, calcined magnesite would be shipped from the East to the West?

Mr. STRICKLAND. I think they have their own plants. They do in California and Washington.

Senator McCUMBER. Is there anything further?

Mr. STRICKLAND. Just a few more remarks. I have a brief here that I would like to submit to the committee.

Senator SMOOT. Do you desire to make it a part of the record?

Mr. STRICKLAND. Yes, sir.

Senator SIMMONS. I want to ask the witness a question. I do not think I understood him. Is this material in which you are interested produced east of the Mississippi River?

Mr. STRICKLAND. I think not, sir. I think the only places are west of the Mississippi River, in the States of California and Washington.

Senator SMOOT. There are some other States that have it.

Mr. STRICKLAND. But it has not been developed.

Senator SIMMONS. You import this and supply the district east of the Mississippi River?

Mr. STRICKLAND. Yes, sir.

Senator SIMMONS. If the Atlantic seaboard district had to buy this material from California and bring it across the continent, what would it cost them in addition to what you could sell it to them for?

Mr. STRICKLAND. I have not the freight rates on that. I can not answer that question, because I do not know the freight rates. I have understood that they are very high, of course. It depends largely upon the freight rates, because the cost of production is pretty nearly the same.

Senator SIMMONS. It would mean this, that if you are not permitted, by reason of the high tariff rate, to import this stuff the consumers on the Atlantic seaboard will have to transport it across the continent at probably very high freight rates?

Mr. STRICKLAND. Yes, sir.

Senator SIMMONS. The freight rates would be many times the ocean rate?

Mr. STRICKLAND. Yes, sir; many times the ocean rate, and it would perhaps cost a great deal more.

Senator SIMMONS. I think you ought to get the information about it, because it is very important. It does not seem to me that we want to make the people of one seaboard unnecessarily bear the great burden of this transcontinental transportation at the present rates.

Mr. STRICKLAND. It would appear now that the California and Washington magnesite takes care of it west of the Mississippi.

Senator WATSON. There are large importations from Canada, so much so that they interfered with our production in California and Washington.

Mr. STRICKLAND. Yes, sir; there is quite an amount that comes from Canada.

Senator SUTHERLAND. Is it practicable to ship the California and Washington product around by water to the eastern seaboard?

Mr. STRICKLAND. It could be done through the Panama Canal. It is a considerable distance, though.

Senator WALSH. Would this tariff leave an open, noncompetitive market to the California and Washington interests?

Mr. STRICKLAND. I think it would.

Senator WALSH. And that would have a tendency to increase the price?

Mr. STRICKLAND. I feel very confident that it would, sir.

Senator WALSH. Do you know how many companies there are that are producing this product?

Mr. STRICKLAND. I think there are three or four in California and two or three in Washington.

Senator WALSH. Do they have an organization?

Mr. STRICKLAND. Yes, sir.

Senator WALSH. I mean, do they act in unison in fixing prices?

Mr. STRICKLAND. They have some agreements and do act in unison on their prices, of course, but they are independent companies.

Senator WALSH. If this tariff is too high it would leave you at the mercy of these western companies?

Mr. STRICKLAND. It would, as far as Washington and California are concerned.

I would like to have my brief go into the record.

Senator McCUMBER. It will be printed as a part of your testimony.

Mr. STRICKLAND. I would like to call the committee's attention to the fact that in 1919 this same question was up for the purpose of placing a tariff on magnesite, and this is taken from the United States Geological Survey report, in which it says:

Representatives of companies producing magnesite in Washington appeared in favor of the proposed tariff, and representatives of companies manufacturing refractory products opposed the bill.

It also says that on January 13, 1920, a hearing was held before the Committee on Finance, United States Senate, and practically all the witnesses representing manufacturers of composition floors and other users of imported magnesite opposed the bill.

The users would always oppose the bill, because to confine it to this country and not allow it to be brought in would make it almost impossible for them to use it, because the rates would be so high.

I have a letter here from the Zenitherm Co., of New York City. This company manufactures heat, sound, and fire resistive building materials, and wishes to present its reasons for protesting against the prohibitive duty on importations of crude magnesite, as proposed by the tariff bill which recently passed the House and which is now before your committee for consideration. I especially call the attention of the committee to paragraph 3 and ask that the letter be also printed in the record.

Senator McCUMBER. That will be printed.

Senator WALSH. Did you state the total consumption in this country?

Mr. STRICKLAND. No, sir; I could not do that.

Senator WALSH. What percentage is produced here? Do you know, Senator Smoot?

Senator SMOOT. In the year 1913 there was produced in the United States 9,632 tons, value \$77,566; 1914, 11,000 tons—I will not give the exact figures—1915, 30,000 tons; 1916, 154,000 tons; in 1917, 316,000 tons.

Senator WALSH. That is the amount imported?

Senator SMOOT. No; that is the amount produced in the United States.

Now, the imported: We imported in 1913, 347,428 tons; 1914, 256,988 tons; 1915, 102,913 tons; 1916, 93,885 tons; 1917, 34,322 tons.

As our home production increased our exports decreased during those years. I will say, Senator, that the amounts shown for 1915, 1916, 1917 were on account of the war. There was virtually an embargo, with the exception of the shipments that came from Greece.

Senator WALSH. There has been so much testimony presented here by witnesses that there have been terrific increases in imports on certain articles within the last few months that I think this committee ought to have presented to it the names of the articles that have been imported and the extent and the amount. The general public seems to think that there has been a decrease in imports and exports, but from the testimony presented here we are being flooded with certain kinds of materials and merchandise that are being imported.

Senator SMOOT. If you will take the Monthly Summary for June, 1921, it will give you the information for three or four years.

Senator WALSH. I mean since the 1st of August.

Senator SMOOT. It will give you those figures.

Senator WALSH. Every witness that has been here says that in the last two or three months there has been a great flood of imports. If that is going on, there must be a terrific business being carried on that we do not know about in this country.

Senator WATSON. How much did you import yourself?

Mr. STRICKLAND. The importations have been very little.

Senator WATSON. Do you produce the Austrian red magnesite or the white magnesite?

Mr. STRICKLAND. Only that that comes from Venezuela.

Senator WATSON. There are two kinds of magnesite, red and white.

Mr. STRICKLAND. We produce the white. We do not have the red.

Senator WALSH. Nearly every witness that has come here this morning has referred to a great flood of importations, and that there

have been imports coming into this country in the last few months, and I think we ought to have those tables.

Senator WATSON. This gentleman is not afraid of imports; he is afraid there will not be any.

Senator WALSH. No; it does not apply to him at all.

**BRIEF OF REEVES T. STRICKLAND, REPRESENTING THE MAGNESITE MINING & MANUFACTURING CO.**

By paragraph 47 of H. R. 7450, Sixty-seventh Congress, first session, it is proposed to place an import duty on crude or ground magnesite of "one-half of 1 cent per pound," and as the Magnesite Mining & Manufacturing Co. is an importer or only crude or raw or unimproved magnesite and believes that such a duty would completely ruin its business and make a total loss of the capital heretofore and now invested, files this brief in opposition to any duty whatsoever upon imported crude or raw or unimproved magnesite, there now being no duty placed upon such importations, with the following explanations and arguments:

The Magnesite Mining & Manufacturing Co. is a Delaware corporation, and has extensive mining rights on the island of Margarita, off the coast of Venezuela, from which has been extracted magnesite.

Some years ago when considerable difficulty was encountered in the United States in obtaining a regular and sufficient supply of magnesite from Greece, extensive investigations were made to ascertain a satisfactory source of supply. These investigations disclosed satisfactory magnesite deposits in Venezuela, whereupon approximately \$300,000 were expended by the Magnesite Mining & Manufacturing Co. and its predecessors in connection with developing these mining properties and providing for means of shipping the same in markets of the United States.

Title to the mines is held in the name of Magnesite Mining & Manufacturing Co., and its properties consist also of a railroad, which is built for the shipment of magnesite to the United States, buildings, lighters and tugs, and mining rights.

This entire undertaking and the investments of the company was for the sole purpose of supplying the eastern markets of the United States, where magnesite thus far mined had been exclusively sold.

The Magnesite Mining & Manufacturing Co. is an American corporation, promoted by American money and in everything is American just as much as companies operating in California and Washington, except in the location of mines; just as much entitled to protection as companies whose mines are located in the United States, and it is argued that if a duty must be placed upon imported magnesite in the crude or raw state, the duty should be placed on foreign corporations or importers, and not upon American corporations or importers.

The rapid growth in the number of these industries using magnesite in the last few years has been phenomenal, and as yet the use of these articles seem to be still in its infancy. Magnesite in one form or another is being used in the following industries for the following purposes:

1. Building industry. (In the production of sanitary and fire-proof flooring, wall and window slabs, artificial marble, stone, ornaments, stucco work, and for many other building material purposes.)

2. Steel industry. (Manufacture of refractory bricks; also in the copper smelting industry for lining converters.)

3. Manufacture of sulphate of magnesium, known as Epsom salts, for medicinal, technical, and commercial purposes.

4. Manufacture of carbonic acid gas.

5. Fireproofing and fire protection purposes.

6. Paint industry (especially fireproof paint for airplanes, etc.).

7. Manufacture of magnesium chloride.

8. Manufacture of millstones.

9. An antidote against arsenic poisoning.

10. Many other articles of great commercial value can be produced from magnesite, as, for instance, asbestos wood switchboards, steam pipe insulation, refrigerator insulation, etc.

It will be seen from the foregoing uses, more particularly the first, that the need of magnesite in the United States at the present time is very great, and the

only sources of magnesite now produced in the United States are from some mines upon the extreme west coast.

The great demand for housing and the relief and assistance needed for all industries pertaining to the building of houses require that not only the immediate problems of builders be considered but also all industries associated therewith and who furnish materials for the builders' use. Magnesite is a very important element in the manufacture of many of the materials used by builders. Its production and importation should be helped in every possible way. Increasing the cost of magnesite by the imposition of a duty on its importation necessarily increases the cost of builders' operations.

The proposed tax, as provided in the above-entitled bill at present before your committee, will very materially hinder the industries hereinbefore referred to, as well as practically wipe out the large investment of American capital in the Venezuelan mines, which investment was made at a time when the United States could not produce sufficient quantity of magnesite nor of a quality to meet home needs.

The duty proposed of \$10 a ton upon each ton of crude magnesite imported and of \$15 a ton upon all calcined magnesite imported into this country will not produce additional revenue, which is the main intention of the bill, because it will prohibit the importation of that article in view of the high tax, and will thus remove a source of supply of a very material element in the building and other industries.

It has been argued that the capital invested in American mines along the Pacific coast should be protected on the general theory of protection of American industries. This we most heartily agree with. But it is not a protection to the industries of the United States to impose such a tax as will prohibit the importation of a crude article used in essential industries when the only supply of that article is in a section of the country remote from a large number of users and which will increase the price of such raw material to the detriment of such industries.

From the practical standpoint, is it necessary for the protection of the owners of American capital invested in the mines in the western section of the United States, to impose the duty at present contemplated by this bill? The freight upon 1 ton of this article from the Pacific coast to east of the Allegheny Mountains is \$21 a ton. This freight must be added to the cost of magnesite. The cost of freight from Venezuela to the United States is approximately \$10 per ton. To this it is proposed to add a tariff of \$10 per ton. In order that 1 ton of calcined magnesite (which is the form in which this article is generally used), may be produced, it is necessary to have 2 tons of crude magnesite. This would necessitate the importing of 2 tons of crude magnesite at \$20 for freight, plus \$20 duty, to produce 1 ton of calcined magnesite in the United States, delivered along the eastern seaboard. This expense of \$40 for freight and duty could not compete in any way with a ton of calcined magnesite produced and calcined in the western part of the United States and shipped by freight east at a freight rate of \$21 per ton. In fact, the imported article would cost, at the eastern seaboard, practically twice as much as the domestic article. Therefore, even without the duty, the cost of 1 ton of calcined magnesite at the eastern seaboard, exclusive of the work of converting crude magnesite into calcined magnesite, would be \$20 a ton (exclusive of overhead charges) as compared with \$21 a ton of the western magnesite, which western freight rate, we are informed and believe, will very shortly be reduced much below this figure. From these facts it will be readily seen that even with no tariff whatsoever upon the imported crude magnesite, the same could not be laid down at the eastern seaboard for sale at a price lower than that produced in the western part of the United States.

Many of the industries engaged in manufacturing those products used by builders and the other industries set forth in the list above, are located not on the eastern seaboard but at some distance therefrom. Therefore, to the cost of the imported magnesite, after it has been calcined at the eastern seaboard, must be added the freight to the plant of the manufacturer. This additional charge is laid on the imported article while the freight charge on the western article is correspondingly reduced.

If the tariff, as proposed in this bill, is levied upon imported magnesite, it will prohibit the importation of that article and there will be no competition whatsoever for the western supply, with the result that prices will very materially advance, causing a great advance in the price of articles in which

it is used, which price must ultimately be borne by the consumer, at a time when, we are informed and believe, every effort is being made to reduce general expenses. We respectfully submit that this proposed tariff will not produce a reduction of general expenses, more particularly as we feel that we have conclusively pointed out that the tariff is not needed for the protection of the western purchaser against the imported article, because of the difference in cost of production, as it appears that the cost of crude magnesite imported into the United States even without a tariff duty, will be more than the cost of the western article laid down in the eastern portions thereof.

We would especially call your committee's attention to the fact that magnesite ore is a crude article and should be placed on the free list among the other crude articles and substances admitted free of duty, in order that the American manufacturer may be able to get the full benefit at as low a cost as possible of the American workman's labor, by producing and manufacturing from crude material rather than going abroad to buy the complete article manufactured in other countries with their low rate of wages.

Another result of the proposed tariff would be that magnesite produced outside of the United States will be calcined at or near the place where produced, and that, therefore, the United States industries will lose a substantial income in the way of labor, coal, machinery, factories, etc., necessary to convert the crude ore into the calcined article.

We, therefore, respectfully request that the proposed tariff be earnestly reconsidered and very materially reduced on the calcined article, and that the crude article be admitted free of duty for the reason that the proposed duty:

1. Will very materially raise the cost of those building materials into which it is manufactured or used.
2. Will deprive American laborers and capital of employment and income derived from the converting of the crude article into the calcined article.
3. Will compel the eastern industries to pay a price far in excess for articles in which magnesite is used over those procured in the western part of the United States, to the detriment of the eastern industries where these articles are so much in use and demand at the present time.
4. Will not produce the revenue contemplated, because it will entirely shut off the importation of both the crude and calcined article.
5. Will wipe out and render valueless the entire industry of the Magnesite Mining & Manufacturing Co., established by American capital for American needs, which it has helped to supply for so many years, and at a time when it was most needed.

#### SUPPLEMENTAL BRIEF.

The Magnesite Mining & Manufacturing Co. is a Delaware corporation, with offices in New York City, composed entirely of American stockholders and with its entire investment of American capital.

The Zenitherm Co. is a New York corporation, which has invested approximately \$1,000,000 in the erection of a calcining plant at Runyon, N. J. The entire capital of this company is owned by American citizens and represents American capital entirely:

*Production.*—The Magnesite Mining & Manufacturing Co. produces and mines at its mines in Venezuela a crystalline magnesite which has an exceptionally small percentage of iron element, thereby rendering it unavailable for the purposes of the steel trade. The entire product is under contract to the Zenitherm Co., who will take the raw material, calcine it and incorporate it in building materials, such as magnesite brick, etc.

*Former duty.*—The crude magnesite has heretofore been admitted free of all import tax or duty.

*Contemplated tariff.*—H. R. 7456, in its present form, removes crude magnesite from the free list and imposes a duty of one-half cent per pound, or \$10 per ton on crude magnesite.

*Domestic supply.*—Domestic supply is entirely from the western portions of the United States, such as California and Washington.

*Amount imported previous years.*—From 1912 to 1921 the largest amount imported in any one year was 172,592 tons; the smallest, 3,963 tons.

*Cost of production—Domestic.*—Takes 2.2 to 2.5 tons of crude magnesite to make 1 ton of calcined magnesite, and the average domestic cost of production and delivery of 1 ton of calcined magnesite on the Atlantic seaboard, as shown by the sworn statements of the producers, \$41.20.

*Calcined cost.*—The calcined cost of 1 ton of calcined magnesite averages \$10.50.

*The cost of production of Venezuelan magnesite.*—The average cost at the mine of Venezuelan magnesite, without depreciation, etc., is \$6.

*Cost of calcined product from Venezuelan magnesite.*—The cost of delivering sufficient magnesite to make 1 ton of calcined magnesite at the calcining plant at Runyon, N. J., is as follows:

Cost at mine per long ton.....	\$7. 40
Ocean freight.....	6. 00
Railroad freight from seaboard to Runyon, N. J.....	3. 40
Unloading at plant, Runyon, N. J.....	. 50
	17. 30
2 long tons make 1 ton (2,000 pounds) calcined material.....	34. 60
Calcining charges.....	10. 50
	45. 10

Added to this cost, depreciation, interest on investment, etc., of \$2.70 per net ton makes a total of \$47.80, and adding a profit of 8 per cent, equaling \$3.82, makes a total cost of \$51.62 for 1 ton of calcined magnesite.

*Present domestic selling price.*—The prices of domestically-produced calcined magnesite vary to such an extent that only approximate figures can be given, the figures in the testimony being given as from \$32.50 to \$60 a ton.

*Ownership of other foreign mines.*—The only other large importer of magnesite, except the Canadians, is the American Refractory Co., which has an interest in Austrian mines to an extent of 94 per cent of the total investment in the property, representing 94 per cent American capital against which a tariff is proposed.

*Profit of domestic producers.*—The lowest profit of any domestic producer is contained in the sworn statement showing \$3.81 per ton.

*Comparative cost.*—Highest cost domestic production at Atlantic seaboard, \$49.10; cost to Zenitherm Co., \$51.62.

Present advantage to domestic producers without any tariff, \$2.52; advantage to domestic producers under present proposed tariff of \$20, \$22.52.

The present proposed tariff would compel the abandonment of the Venezuelan product in which is invested over \$300,000.

The present proposed tariff would increase the cost of the building materials manufactured by the Zenitherm Co. over 40 per cent at the present price, without taking into consideration any increased price which may be demanded by the domestic producers because of monopoly created by the proposed tariff.

LETTER OF ZENITHERM CO. (INC.) TO CHAIRMAN FINANCE COMMITTEE, UNITED STATES SENATE, AUGUST 15, 1921.

DEAR SIR: This company manufactures heat, sound, and fire resistive building material, and wishes to present its reasons for protesting against the prohibitive duty on importations of crude magnesite, as proposed by the tariff bill which recently passed the House and which is now before your committee for consideration.

1. The use of calcined magnesite in the manufacture of building materials, such as cement, stucco, flooring, exterior and interior wall slabs, stair treads, window sills, etc., is increasing annually by leaps and bounds. Various companies have been organized and are now in operation, such as this company, for the manufacture of products, the principal ingredient of which is calcined magnesite. Since before the war this raw material has come from California where magnesite mines have been discovered. Until the depression in the building industry set in there was a shortage in the supply of calcined magnesite of uniform quality in the eastern market. To meet this shortage and to guarantee calcined magnesite of uniform quality and at a reasonable cost the Zenitherm Co. contracted for the importation of crude magnesite of splendid grade from Venezuela and at considerable initial expense installed a grinder and kilns for the calcining of same at Runyon, N. J. The proposed duty as carried by the House bill on crude magnesite will, however, force the eastern users of the calcined product to fall back upon the source of supply on the western coast, which is inadequate to meet the demand which will enormously increase when the building industry revives.

The Zenitherm Co. has expended nearly a million dollars in experimental and development work to perfect a universal building material, with magnesite as

a base, and just at the time when its six years of labor appear to be crowned with success and architects and builders are specifying this new building material in plans for projects in hand the entire existence of the company is threatened by a prohibitive tariff duty.

2. As it requires slightly more than 2 tons of crude magnesite to make 1 ton of the calcined product, the proposed duty of one-half cent a pound on the crude is against three-fourths cent a pound on the calcined places a veritable embargo against the importation of the crude magnesite for calcination by American labor.

3. The building industry has placed its approval on the use of magnesite products for construction purposes; and at this time, when there is a shortage of houses and buildings of one kind and another all over the country we appeal to your honorable committee not to retard the rebuilding plans which are being made by killing what undoubtedly will be an important factor in carrying them out, viz. the manufacture of magnesite products.

#### STATEMENT OF PAUL B. MOSSMAN, AMERICAN REFRACTORIES CO., PITTSBURGH, PA.

Mr. MOSSMAN. I have about a 10-minute statement here, Mr. Chairman, if I may be permitted to proceed.

I am vice president and general manager of the American Refractories Co., Pittsburgh, Pa., and I am here to protest against the prohibitive duties on crude and dead-burned magnesite proposed by the Ways and Means Committee.

First of all, I want to ask that magnesite be removed from Schedule 1—Chemicals, oils, and paints—where it has been placed in this bill for some unknown reason by the Ways and Means Committee. They have classed magnesite, a crude material used by the steel industry and which is dealt in in carload lots, with such highly refined articles as Epsom salts and medicinal calcined magnesia, which are, as you know, handled by the drug stores.

On writing Mr. Fordney for an explanation he replied that this was done on the recommendation of the Tariff Commission, and on asking the Tariff Commission for the explanation they replied that they did not recommend it. In the Tariff Commission pamphlet entitled "Suggested Reclassification of Chemicals, Oils, and Paints," 1921, at page 52, will be found references to medicinal magnesia and magnesium chloride, but these are not intended to apply to crude and dead-burned magnesite, which are wholly dissimilar materials. We will, therefore, have to ask this committee to properly classify crude and dead-burned magnesite with fire clays, tire brick, etc., in Schedule 2—Earths, earthenware, and glassware—if it shall be made dutiable, or in the free list if it shall remain free of duty as in all previous tariff acts.

I am informed that the United States Tariff Commission is preparing and will later present to the Finance Committee a revised survey of information, giving a correct view of the magnesite situation, but in advance of that revised survey we want to take exception to much of the so-called "information" on the magnesite industry compiled by the United States Tariff Commission for the use of the Ways and Means Committee, and particularly to the testimony of Mr. Guy C. Riddell, who professed to, but did not, represent the Tariff Commission at Ways and Means Committee hearings. In opening his remarks, Mr. Riddell made the statement that the Tariff Commission had made a careful survey of the magnesite industry, which was contrary to the facts, and then went on with some absolutely incorrect and misleading statements. I do not mean to say that Mr. Riddell intentionally

misrepresented conditions, but nevertheless a great deal of his testimony was incorrect. Much of the information the Tariff Commission had of the industry at that time was handed to them by Mr. Bishop, president of the Northwest Magnesite Co., as representative of the Western Magnesite Association, and submitted by Mr. Riddell to the committee.

In the Tariff Commission survey (see p. 48 of Tariff Information for use of the Ways and Means Committee, 1921) the "average costs" of five of the largest producers in the United States are presented as being \$25.37 per ton. Four of these concerns are small producers of California, one of which is located 42 miles and another 22 miles from rail, and two of the operations are now exhausted for all practical purposes. Not one of the four produces synthetic dead-burned magnesite in competition with the Northwest Magnesite Co., of Chewelah, Wash., which is the fifth company referred to and whose production is many times that of any of the other four. The Tariff Commission, however, simply adds together the alleged costs of the five and divides by five, regardless of the tonnage produced by each.

The Tariff Commission further conveys information (see p. 54 of the above bulletin) to the effect that in January, 1921, the selling price of Austrian dead-burned magnesite was \$55 to \$60 per ton f. o. b. Baltimore, while the price of the domestic product was \$58 to \$64 f. o. b. Chester, Pa. The commission took this information from a trade journal, which, we submit, is an unreliable source for such information, and in this particular case is manifestly wrong, as Chester, Pa., is not the basing point of prices on domestic magnesite.

The Geological Survey has estimated, and the Tariff Commission quotes them, that 85 per cent of the magnesite produced is the dead-burned product for the steel and copper industries, yet nowhere in the Tariff Commission's "Information Surveys for the Use of the Ways and Means Committee" do they state that there is but one concern in the United States producing this product. To the contrary, they make the misleading statement that the Northwest Magnesite Co. is the "largest producer," and throughout their discussion it would appear that there is competition between that company and a number of others. The American Refractories Co. produced a few thousand tons dead burned from the Washington deposits in 1920, but this was only due to the refusal of the Northwest Magnesite Co. to sell to American Refractories Co., and this tonnage was produced at a greater cost than the Northwest Co.'s selling price. At the Ways and Means Committee hearings in June, 1919, it was contended by Mr. Riddell, of the Tariff Commission, and by the representatives of the Northwest Magnesite Co., and again by the latter at the Finance Committee hearings in January, 1920, that unless they were given immediate protection by an import duty of \$25 per ton their business would be ruined and their investment of several hundred thousand dollars would be lost.

That the Northwest Magnesite Co. has not yet suffered, after more than two years' open competition with Austrian magnesite, is evidenced by their ability to advance the price from \$32.50 per ton f. o. b. Chewelah to \$36.50 on July 1, 1920, and to \$38 on September 1, 1920. Eastern consumers in the early part of 1920 were paying \$32.50 per ton f. o. b. Chewelah, which with \$16.07 freight and tax made the delivered cost \$48.57. After September 1, 1920, they

paid \$38 Chewelah, plus \$21.42 freight and tax, making the delivered cost \$59.42, an increase in a few months of \$10.85 per ton.

As a further evidence of their absolute control of the United States market, I might mention that no consumer east of the Rocky Mountains can buy direct from the Northwest Magnesite Co., but must place the business through an agency to whom the Northwest Co. pays \$5 per ton commission. Considering that the Northwest Co. product probably does cost them to exceed \$15 per ton, it is evident that they must have effective control of the industry to warrant such liberality, for which, of course, the consumer pays.

Regardless of the Northwest Magnesite Co.'s "sworn cost statement" handed to the United States Tariff Commission, I make the statement advisedly that their product did not cost to exceed \$15 per ton, including all proper charges, f. o. b. cars Chewelah. A casual glance at the tremendous profits of the company will confirm the accuracy of my statement.

It is likely to be many years before conditions in Austria will permit the American Refractories Co. or the Austrian magnesite companies to furnish the competition for the Northwest Magnesite Co., even in the Atlantic seaboard States, to which the consumer is justly entitled. Austria's entire export of magnesite in 1920 totaled only 55,200 tons, of which 27,300, or one-half, went to Germany.

Production costs in Austria are constantly rising, partly due to the shameless inefficiency resulting from the socialistic tendencies of the people. Heavy taxation will continue for many years to burden costs. Even now we are facing a property tax of 25 per cent, which must appear in our costs.

I want to impress upon the committee the intentional but manifest error of the proponent of this duty in asking that it be levied to equalize his freight rate to Atlantic seaports. That is not his market, and even though tariffs were levied to equalize internal freight rates he would not be entitled to that equilization east of the average point of consumption, else what happens to the consumer in Ohio, Indiana, and Illinois? He not only has the burden of the tariff levied at the port of entry, but, in addition, the freight and tax from there to his inland destination. He would be absolutely at the mercy of the Washington producer.

It will be well to bear in mind that all of the factories manufacturing magnesite brick are located in Pennsylvania and Maryland, and the imposition of a prohibitive duty on the raw material will quickly put these brick plants out of business and result in the establishment near the domestic raw material of new plants to replace them. There is ample market in the western half of the United States for a very profitable business for the Northwest Magnesite Co. without any tariff whatever.

As the situation now stands the dead-burned magnesite is being shipped from Chewelah, Wash., to Chester, Pa., where it is molded into brick and again burned and a large part of these brick are shipped back west to Illinois, Missouri, Minnesota, Colorado, Utah, Arizona, California, Washington, Montana, and British Columbia. The tremendous waste of transportation in this operation is obvious and could readily be converted into profit. Why it has not been we can only conjecture. It may be that the domestic producer prefers to defer action until final decision on its plea for a prohibitive import tariff, in the hope that it may succeed in securing to itself not only the entire

United States market in dead-burned grain magnesite but the magnesite brick market also.

The reserves of magnesite in the United States are entirely too small to justify even considering a prohibitive duty on imports, the effect of which would be to exhaust our reserves in a very few years. Particularly is this true when we consider that this exhaustion would be largely for the benefit of one concern which has already profited to the extent of many times its original investment. The Geological Survey estimates the California reserves at the insignificant quantity of 750,000 tons ———

Senator SIMMONS (interposing). How long would that last, if there were no importations?

Mr. MOSSMAN. I will come to that in the Geological Survey bulletin in just a moment, Senator, if I may.

Senator SIMMONS. All right.

Mr. MOSSMAN. And even this I consider very high, if applied to accessible deposits. For Stevens County, Wash., the Survey estimates a total of about 7,000,000 tons, but they agree that half of this is unfit for commercial use. Certain it is that their estimate is a mere guess from surface indications. At the rate of production in 1920, therefore, these deposits might reasonably be expected to be exhausted in about 10 years.

The American Refractories Co. has over \$2,000,000 invested abroad in magnesite operations, which is many times the total of all unamortized investments in magnesite in the United States, and we do not believe that this committee will deliberately recommend the destruction of that investment by enactment of a complete embargo against our importations.

We have presented to you individually a brief which contains many facts in relation to this industry that are not to be found in the Government publications, but which we consider are essential to a just decision in the question of whether we shall have a prohibitive duty on magnesite or if it shall remain on the free list where it has always heretofore been.

I would like to ask that this brief be made a matter of record.

The CHAIRMAN. It will be printed, as requested.

Mr. MOSSMAN. The Geological Survey report on magnesite for the year 1920 concludes with this statement (reading):

In October, 1917, when the development of the Washington magnesite deposits had been in progress less than a year the United States Geological Survey published the following statement:

"Computations of the quantity of magnesite in these deposits are astoundingly large when compared with the quantity of magnesite found in other localities in the United States. On more than one of the properties an estimate of 1,000,000 tons of ore within 100 feet of the surface is reasonable. It is safe to say that there are 7,000,000 tons of magnesite in the Stevens County district, and exploratory drilling may multiply this estimate many fold."

Since 1917 considerable diamond drilling has been done, and many samples of magnesite have been analyzed to determine its quality. Detailed work by the companies operating the deposits shows that although there are several million tons of magnesite in the Stevens County district; it is not all of commercial grade. In fact, the magnesite containing the low percentage of silica and lime specified by the refractory trade may not exceed 3,500,000 tons. It is understood that a recent detailed examination of the entire magnesite field in Stevens County indicates that it contains approximately 3,000,000 tons of commercial magnesite. With this reserve, and under the present specifications of the refractory trade, the deposits in Washington will support a production of 200,000 tons annually for only 15 years.

The quantity of commercial magnesite in California is difficult to estimate, but it is believed that 1,000,000 tons would be rather liberal. As the production in the last six years has averaged slightly more than 100,000 tons annually, only a 10-year supply is available from the known deposits of California.

The exhaustion of the domestic deposits may be retarded by (1) discovery and utilization of deposits at present unknown or undeveloped, (2) development of new methods permitting the use of lower-grade ore, (3) substitution of dolomite or other material in place of magnesite for some uses, (4) importation of magnesite. It is always possible that new deposits may be discovered, but the chances are that they will be far from transportation facilities. New methods may be devised by which magnesite not now considered usable may find a market. On the other hand, new uses may be developed which will increase the demand for high-grade ores. The use of dead-burned dolomite as a substitute for magnesite has reached considerable proportions. The extent of reserves in other countries which have supplied much of our need in the past is not known to the writers. It is certain, however, that if the United States continues to consume 50 per cent or more of the world's output of magnesite it must place considerable dependence on foreign deposits.

I made the statement here that I considered the cost statement of \$21.09, which was submitted by the Northwest Co. in 1919 to the Ways and Means Committee, as being excessive, and I want to explain why I make that criticism. On page 137 of Ways and Means Committee hearing, 1919, Mr. Bishop, of the Northwest Co., was asked by—

Mr. COPLEY. Did you offer your company to the Harbison-Walker Co. for \$300,000? Did not Mr. Allen testify to that yesterday?

Mr. BISHOP. Yes, sir; he said I offered our company to the Harbison-Walker Co. for \$575,000, provided I could make some arrangement for one of the stockholders whereby that stockholder was willing to sell his stock for less than the other, but I was unable to make the arrangement, and therefore could not sell.

The CHAIRMAN. He said it was \$300,000 above their investment?

Mr. BISHOP. I will make it very clear to you. The Harbison-Walker Co. was to give us \$300,000 in cash after I had operated and made a profit of \$275,000, making a total of \$575,000 we would receive.

I have here a copy of that contract of sale of the plant which was introduced in a recent lawsuit in Spokane. The provision was that if option was accepted and the bill went through "you will give us a firm order for total of 15,000 net tons magnesite for shipment during December, January, and February, at \$32 per ton f. o. b. Chewelah, Wash." The plant was then to be turned over to the Harbison-Walker Co. The profit of \$275,000 on shipments of 15,000 tons at \$32 would be \$18.33 a ton, deducted from the selling price of \$32 would be \$13.67 a ton as the total cost.

The figures are further confirmed by the profits of the company during the early part of 1920; and in the complaint of Mr. R. S. Talbott, who was formerly the president of the Northwest Magnesite Co. he alleged that the profits for the first four months of 1920 were \$305,833. This would be an average of \$76,000 a month, or for 12 months \$912,000, conceding that the profits during the latter part of the year were not any heavier than they were during the early part of the year—but they must have been more, as the price was advanced \$5.50 a ton. On this 90,000 tons of production that they made last year, according to the Geological Survey—90,000 tons dead burned, which would be about 200,000 tons crude—they paid from \$4 to \$5 a ton commission, which would be another \$400,000 profit taken out of the operation, making it a total of \$1,300,000. The depreciation and depletion that they claim was \$2.66 a ton, or \$239,000 additional earnings.

We have no objection to their having a very profitable operation, but we do not fancy the idea of being put out of business in order that their war-time profits may be perpetuated.

Senator SUTHERLAND. Is it not rather extraordinary that they should sell for \$300,000 cash?

Mr. MOSSMAN. That was in December, 1918, shortly after the armistice, and at that time they did not realize what a very profitable proposition they had.

The CHAIRMAN. What percentage of the refractories in the United States are operating?

Mr. MOSSMAN. I would say 15 per cent. The silica brick division of the refractories industry in the month of June booked 7 per cent of capacity. We have not operated over 15 per cent this year.

The CHAIRMAN. Does that mean none of them are paying?

Mr. MOSSMAN. We have been in red ink every month this year.

Senator SMOOT. You will have, then, no excess-profits tax this year?

Mr. MOSSMAN. Not this year.

#### BRIEF OF PAUL B. MOSSMAN, AMERICAN REFRACTORIES CO., PITTSBURGH, PA.

Before discussing the merits of this proposed tariff on magnesite, we respectfully call the attention of the committee to the extraordinary fact that dead-burned and crude magnesite, essentially raw materials, are found in Schedule 1—Chemicals, oils, and paints—of the new tariff bill in company with Epsom salts, magnesium oxide, medicinal, and other goods of a highly refined character which are customarily sold to consumers in small packages or bottles through drug stores, and of course at much higher relative prices. Dead-burned or crude magnesite is shipped and used in carload lots. Iron ore is as much a chemical as magnesite. It is anomalous and absurd to place dead-burned or crude magnesite in the category with chemicals used for medicinal and kindred purposes. The proposed rates on chemicals sold by the pound and used for medicinal purposes as fixed in the chemical schedule may be reasonable, and therefore fixing the duty on dead-burned magnesite in such medicinal schedule on the basis of a rate per pound gives an improper idea as to the character of the product and the real extent of the duty. The exorbitant character of such duty does not appear. At the outset, therefore, we respectfully request that dead-burned and crude magnesite, if they are not to appear on the free list, be placed in Schedule 2—Earths, earthenware, and glassware—which schedule embraces magnesite brick, chrome brick, fire brick, and fire clays. Magnesite has always heretofore been on the free list, until recently transferred to the chemical schedule. If any duty is to be considered, dead-burned and crude magnesite should be placed in Schedule 2, and not in Schedule 1.

#### I. MAGNESITE UNDER THE EXISTING LAW.

At the present time both crude and dead-burned magnesite are on the free list, although there is and should be a duty of 10 per cent ad valorem on manufactured magnesite brick. The present situation with reference to magnesite has existed for many years.

A continuance of the existing free importation of magnesite in all other forms than manufactured magnesite brick is fair both to the domestic producing industry in our far West and to the large body of industrial consumers of that product. The imposition of the other duties would constitute a departure from the policy obtaining at the time of the passage of the Payne-Aldrich law and other prior protective revenue laws, namely, that of admitting raw materials free so as to foster manufacturing in the United States.

It must be remembered that dead-burned magnesite is essentially a raw material, for dead burning (only the application of heat for a few hours) is done to reduce the bulk and weight to save transportation charges. Dead burning reduces the bulk and weight more than 50 per cent.

#### II. CHARACTER AND HISTORY OF THE MAGNESITE INDUSTRY IN THE UNITED STATES.

Magnesite is a pure carbonate of magnesia with very low lime and silica contents. It is used for lining the sides and bottoms of steel furnaces—furnaces for refining lead and copper converters.

Its use also extends into industries manufacturing Sorel cement, sanitary flooring, stucco wall plaster, and in building operations. About 85 per cent of the domestic consumption is for refractory material, while 15 per cent is consumed in the plastic building trade, but the latter is rapidly increasing.

Magnesite has been produced in the United States since 1891, but prior to the outbreak of the European war the domestic product was inconsiderable.

The average annual domestic production was less than 10,000 tons prior to 1914, but this was because the California crude product, while available for conversion into calcined magnesite for plastic purposes, is greatly inferior to the Austrian ores for refractory material.

With the extension of the use of magnesite brick and grain magnesite in the steel and other industries, large quantities were imported into the United States from Austria and Greece. Of this more than 90 per cent came from Austria because of its superior character and because the major demand came from the metallurgical industries, for which the Austrian material is most suitable.

Upon the outbreak of the European war, the importations from Austria were cut off and the American Refractories Co., realizing immediately the need for the development of magnesite deposits in addition to those available from Greece, established in 1915 rotary kilns at Bellefontaine, Ohio, and there began the development of the rotary kiln process of synthetically producing this material. The company turned to California and proceeded with the dead burning of magnesite from raw material obtained from the California deposits, erecting there a plant for calcining in order to save the freight on the carbonic gas, which is more than 50 per cent of the crude material weight.

In the year 1916 magnesite deposits were discovered in Washington and secured by purchase for a nominal sum by Mr. R. S. Talbot, of Spokane, who developed the deposits and shipped many thousands of tons of crude magnesite prior to the organization of the Northwest Magnesite Co., which was organized in 1917 for the purpose of taking over this property.

Shortly after the entry of the Northwest Magnesite Co. into the field the plant of the American Refractories Co. at Bellefontaine, Ohio, was closed down because of its inability to compete with the Northwest Magnesite Co. by reason of the high freight costs and the inferior character of the material obtained from California.

The largest mine in California has not as much as 100,000 tons developed, and two of the largest claims are located 22 miles and 40 miles, respectively, from transportation. The quality of the California magnesite is widely variant, the silica and lime content frequently being so high as to make it entirely unfit for refractory purposes.

There is not one magnesite deposit in the State of California that has sufficient tonnage of proper quality to justify the erection of a plant at the deposit for the production of synthetic dead-burned magnesite.

The Washington development has, for the time being, reduced the California output to a minimum. Yet the Geological Survey reports would indicate that the deposits in Stevens County, Wash., are not in excess of three million tons of commercial grade magnesite. At the rate of production for the year 1920 these magnesite deposits would be exhausted within 10 years. Meanwhile the users of magnesite would be carrying a heavy tax burden, and millions of dollars invested by the rivals of the Northwest Magnesite Co. would be in idle plants.

### III. THE INTEREST OF THE CONSUMERS.

Before the war dead-burned magnesite sold at \$15.75 per ton at American Atlantic seaboard. The tax proposed is therefore practically 100 per cent.

There is a simple method of determining the additional cost that will be imposed upon all industry by a tariff of \$15 a ton on magnesite. It must be assumed by those who advocate such a tariff that the full amount of \$15 a ton will appear as an addition to the price which would be current under free and competitive conditions. The total consumption of magnesite in the United States is estimated by the United States Tariff Commission to be about 300,000 tons crude, which would equal about 150,000 tons of calcined or dead burned, so that the total tax upon the producers of steel, copper, and other materials in the production of which magnesite is used would amount to \$2,250,000 per annum, a sum to be annually increased with the normal increase of production in the United States. The proposal of a tariff of \$15 a ton, therefore, narrows itself down to this: That the consumers of these raw materials in the United States are to be taxed a sum equal to \$2,250,000 and more for the benefit of substantially one company having an original investment of only a few hundred thousand dollars, which it has already regained, with a large additional surplus, out of profits realized in the course of less than four years of its existence. It is incon-

ceivable that Congress should impose such a burden on the country for the enrichment of the Northwest Magnesite Co. when for the past calendar year of 1920 this company was unable to supply the demand for tonnage made upon it even at prices that returned to that company a profit of nearly 100 per cent on its claimed cost of production, with no tariff on magnesite and under open competitive conditions.

As an illustration of the powerful position of the Northwest Magnesite Co., even under free and competitive conditions, that company raised the price of dead-burned magnesite on July 1, 1920, from \$32.50 per ton f. o. b. Chewelah, Wash., to \$36.50 per ton, and on September 1, 1920, again raised the price to \$38 per ton. The statements of the officers of the Northwest Co. that they need this protection to continue its existence are entirely incorrect. This is proven by the testimony of those same officers in a suit which recently took place in the State of Washington. Their own testimony proves that this company had made enormous profits under open competitive conditions subsequent to the armistice. Another fact which illustrates that company's complete supremacy in the magnesite field is that it is impossible for any consumer east of the Rocky Mountains to purchase magnesite directly from the Washington company. He must purchase from an agent of their company, in which transaction the agent receives \$5 per ton commission. It is obvious that the Washington company would not pay such an unusually large commission if its profits were not exorbitant.

Now, let us illustrate the disaster which would fall on the brick manufacturing plants in the United States.

The four Pennsylvania plants engaged in the manufacture of magnesite brick were located prior to the war, and the American Refractories Co.'s plant at Baltimore, Md., was built in 1917. All of these plants have been accustomed to use foreign dead-burned magnesite, and the imposition of the proposed prohibitive duty of \$15 a ton on dead-burned magnesite will put these brick plants completely out of business.

The investment in the above magnesite brick plants is estimated at approximately \$2,500,000. These plants are so located and are of such type of construction that they can not be converted to any other use, and within one year after the levying of such a duty as is proposed these plants will be abandoned.

#### IV. BENEFICIARIES OF THE PROPOSED TARIFF AND THE TOTAL EXTENT OF AMERICAN DEVELOPMENT.

Although it is claimed that there are from seven to eight million tons of magnesite deposits in the United States, the only production mentioned in the reports of the United States Geological Survey are from the States of California and Washington. The possibility of the existence of deposits in New Mexico mentioned in the report of the Geological Survey of 1918 is based upon the hearsay statement of the general manager of a "mine" and a sample submitted by him for analysis. Neither Nevada nor New Mexico has ever produced a ton of calcined or dead-burned magnesite, nor is there a known deposit in either State containing material of requisite analysis that is accessible to transportation.

It is certainly true that no American producers of magnesite (or prospective producers) except those from Stevens County, Wash., have taken sufficient interest in the proposed tariff to appear at the congressional hearings so far held.

California being eliminated, it is therefore plain that there is no magnesite field in the United States of sufficient importance to be taken into account in connection with the consideration of the proposed tariff, except Stevens County, Wash.

In Washington there are just three producing properties, only one of which is equipped to produce, or itself ever has produced, synthetic dead-burned magnesite. That company is the Northwest Magnesite Co., which to-day absolutely controls the magnesite industry of the United States and not only dictates the price at which it will sell to the refractories industry, but also the resale price at which the refractories manufacturers shall sell the product in grain form or in the form of magnesite bricks. The two other properties in Stevens County are those of the American Mineral Production Co. and the Western Materials Co. The American Mineral Production Co.'s operations consist only of quarrying crude magnesite in small quantities which are sold to the Northwest Magnesite Co., by which company the material is dead burned and marketed as its own. There is no real competition. The representative of the American Production Co. at the Senate hearing (p. 23) testified that with the assurance of the duty asked for on dead-burned magnesite his company would proceed to build a dead-burning plant at a cost of one-quarter of a million dollars. This is, however, a mere statement, and it is believed that there is little possibility of such construction being undertaken. Neither the extent nor the quality of the deposits which have been worked by the American Mineral Production Co. have been proved.

The third property in Stevens County is the Western Materials Co. This deposit is located between 12 and 13 miles from the village of Valley and is equipped with three small shaft kilns for burning off the gas in the crude. During 1920 the American Refractories Co. being unable to secure sufficient tonnage from its Austrian property and the Northwest Co. having refused to sell dead-burned magnesite to it, assumed the operation of this property under a royalty lease agreement, with option to purchase if the property should show up the tonnage expected, which was from a million to a million and a half tons. Only about 250,000 tons have been found on the property, however, as the result of drilling and exploration costing the American Refractories Co. over \$40,000, and this tonnage not being sufficient to warrant purchase or the building of a dead-burning plant, the property was operated until about the close of 1920 under the royalty agreement, although, as has been stated, this operation was conducted at a loss. The cost of production was \$12.95 per ton, calcined, at the quarry. This property is under the important disadvantage of being 12 to 13 miles distant from transportation; consequently to its cost is added a charge of \$4.20 per ton for hauling the material from the kilns at the quarry to the railroad at Valley, making the total cost on board cars \$17.15 per ton.

#### V. EXISTING AMERICAN INDUSTRY CAN PROSPER WITHOUT IMPORT DUTY ON FOREIGN ORE.

In all of the estimates of comparative cost between foreign and domestic products the Northwest Co. has assumed the point of destination of magnesite grain to be the Atlantic seaboard and has figured the freight rates accordingly. This is a clear and important error.

About 50 per cent of the magnesite grain is shipped to the brick plants to be manufactured into magnesite brick and the remaining 50 per cent is shipped in grain form directly to the steel or copper plants, where it is used in making bottoms of the furnaces in which the metals are treated. The brick plants are at present located in Pennsylvania and at Baltimore, Md. With the development of the industry in Washington under free and competitive conditions, it is inevitable that similar plants will be erected either by the producing company or by others, in such close proximity to the deposits of raw material as to have the benefit of the resulting low freight rates.

That portion of the magnesite production which is shipped in grain form directly to the steel and copper plants is shipped to basic open-hearth steel plants existing in territory from Worcester, Mass., to Seattle, Wash.; from Atlanta, Ga., to Los Angeles, Calif.; and from Duluth, Minn., to Birmingham, Ala. It is a well-known fact that the center of production of steel in the United States is in the neighborhood of the Indiana-Ohio State line and in view of the fact that there is a very large consumption of magnesite used in the copper-smelting industry in the Rocky Mountain States, it is fair to assume that the center of consumption of magnesite grain is west of the center of steel production. The product of the Northwest Magnesite Co. has a market and is extensively used in the steel works of Los Angeles, San Francisco, Portland, Seattle, Colorado, and Mexico and in the copper smelters of California, Washington, British Columbia, Mexico, Arizona, Texas, Utah, Montana, Nebraska, and Missouri. We are unable to present national statistics to show the exact consumption of magnesite in the different States of the Union for the reason that such statistics are not compiled, but from our own records we have prepared a résumé of our shipments for the years 1916, 1917, and 1918, with the following result:

	Per cent.
Shipments to points east of the Indiana-Ohio State line.....	52
Shipments to points west of the Indiana-Ohio State line.....	48
Total.....	100

As a matter of fact, 30 per cent of our total shipments during the above years went to destinations north, west, and south of the Mississippi River, 26 per cent going to points in the United States west of the Mississippi.

With respect to the important consumption of magnesite by the flooring, plastic, and other building industries, it is a fact that a large proportion of these consumers are located in the West and the Middle West. These consumers buy at the mines and the material is shipped directly to their respective operations. It is obvious that the average delivery point in this industry is not the Atlantic seaboard.

Therefore, in determining the comparative cost of the foreign and domestic material, the Atlantic seaboard can not be fixed in estimating freight tariffs as the average point of destinations.

The following is a statement of the actual cost of all the magnesite imported by the American Refractories Co. from its Austrian plant during the year 1920, amounting to 17,217 metric tons, delivered at Baltimore, Md.:

Total cost per metric ton of 2,204 pounds f. o. b. Trieste (includes only expense incurred and paid for in Austria and Italy).....	\$25.55
Ocean freight.....	4.50
General expense, insurance, tare, entry fees, etc., incurred and paid for in the United States in connection with these shipments.....	3.00
<b>Total cost per metric ton Atlantic seaboard.....</b>	<b>33.05</b>
<b>Total cost per net ton of 2,000 pounds on vessel at United States Atlantic seaboard ports.....</b>	<b>30.05</b>

The coal situation in Austria has operated to enhance the cost above what it would otherwise be. American coal, delivered in Austria at great expense, at present figures to a considerable degree in the net cost. When the condition in Austria has righted itself to the extent that European coal may largely be used it is expected that this cost will be somewhat lowered. Of course, a readjustment of values and conditions will also tend to lower very greatly the cost of magnesite produced in this country.

The following statement shows the comparison between the cost of domestic and imported magnesite delivered at various destinations, in connection with which we again emphasize the fact that the average destination is not the Atlantic seaboard, but is some point west of the Indiana-Ohio State line. In this computation we have accepted the costs of the Northwest Co. as claimed by their representatives (Ways and Means Committee Hearings, p. 18) including the excessive charges for depletion and depreciation, and have taken the Austrian cost without including a dollar of profit to the Austrian operation:

*Comparative delivered costs of domestic and imported magnesite.*

	Atlantic seaboard.	Pittsburgh-Cleveland district.	Chicago-St. Louis district.	Montana copper district.
<b>Domestic:</b>				
Cost f. o. b. cars Chewelah.....	\$21.09	\$21.09	\$21.09	\$21.09
Freight.....	13.90	18.95	17.20	11.97
<b>Total.....</b>	<b>34.99</b>	<b>40.04</b>	<b>38.29</b>	<b>33.06</b>
<b>Imported:</b>				
Cost at Atlantic seaboard (on vessel).....	30.05	30.05	30.05	30.05
Rail freight.....		6.00	10.00	23.18
<b>Total.....</b>	<b>30.05</b>	<b>36.05</b>	<b>40.05</b>	<b>53.23</b>
<b>Import advantage.....</b>	<b>4.94</b>	<b>3.99</b>		
<b>Domestic advantage.....</b>			<b>1.76</b>	<b>20.17</b>

As already stated, 26 per cent of the shipments of the American Refractories Co. during the years 1916, 1917, and 1918 went to points west of the Mississippi. Obviously there were many consumers in this territory who did not purchase from this company. Nevertheless we submit as a conservative calculation that 25 per cent of the magnesite consumers of the United States are located in the area west of the Mississippi River and that 50 per cent are west of Cleveland, Ohio. This area contains practically the entire copper industry of the country, numerous iron and steel plants, and various other consumers. This is a field which will naturally be served exclusively by the Northwest Magnesite Co., and is an area into which the American Refractories Co. may never hope to penetrate. It is also an area which may be expected to develop considerably.

The American Refractories Co. expects to be compelled to live on such of the trade, east of Cleveland, Ohio, as it may acquire.

The following excerpt from the United States Geological Survey Press Bulletin, No. 463, indicates that the domestic industry has not, up to the present time, been overtaken by the disaster which has been for the past two years the subject of prophecy by the owners of the Northwest Magnesite Co.:

"The domestic magnesite industry as a whole enjoyed a good year in 1920. The quantity of magnesite mined exceeded that mined in any previous year except 1917. Notwithstanding the contention made by the domestic producers in 1919 that without

a tariff the market in the eastern part of the United States would be supplied with European magnesite and that companies which had made large investments in magnesite deposits and plants in California and Washington would be forced out of business, no tariff legislation was enacted, and the industry seemingly has not suffered disaster."

**VI. MAGNESITE INDUSTRY NOT DIFFICULT TO ESTABLISH; ITS RELATION TO NATIONAL PREPAREDNESS EXAGGERATED.**

It was stated before the Committee on Finance of the Senate at the hearing of December 6, 1919 (p. 17), that the real question is whether the United States shall become dependent upon Austria for a mineral which is necessary in the defense of the country. The general manager of the Northwest Co. said: "Should we have another war we must have magnesite, as was indicated in the last war." This novel idea of preparedness is that the country should exhaust its reserves at the rate of 350,000 tons a year in order to have magnesite at the disposal of the Nation in case of war. Suppose the war should come the year after the reserves had been exhausted?

The truth is that, although there is no likelihood of it, the best thing that could happen to further the cause of preparedness in this regard would be to close down the domestic magnesite industry completely. If not another pick were raised, the country would be that much better off. There is no specialty in training necessary for the personnel, and the equipment is substantially the same as that used in other kindred lines, and, in case of emergency, a crew with equipment could commence producing magnesite from an abandoned deposit on short notice. It should be borne in mind that the process described by the Northwest Co. as manufacturing consists only in crushing and passing the material through a rotary kiln at a temperature of approximately 1,500° C., and that the entire operation, from the quarrying of the crude rock to the placing of the value of the product on their books as accounts receivable or cash, consumes a period of about 48 hours.

The opponents of the proposed tariff, of course, do not mean to say abstractly that it is not a sound policy of economics in connection with the national defense to have in peace times all industries necessary in time of war. But, when an industry, established only during the war, has earned far more than its invested capital by war and after the war profits, and it is of the sort that can be re-created with ease at any time, the policy of protection should not extend to the destruction of other similar American industries existing before the war, and which must have foreign raw material in order to live.

**VII. AN AMERICAN COMPANY WITH HEAVY FOREIGN INVESTMENTS WHICH HAS NEVER PROFITED IS ENTITLED TO AT LEAST EQUAL CONSIDERATION WITH A DOMESTIC COMPANY WHICH HAS ALREADY PAID FOR ITS INVESTMENT AND EARNED TWO OR THREE MILLION DOLLARS IN ADDITION.**

Through the force of circumstances brought about by the war, the Northwest Magnesite Co. has already been able to establish what is practically a monopoly of the magnesite in the United States. It is to make this permanent that the imposition of the tariff is desired.

The American Refractories Co. has a far greater investment of capital than exists in the entire magnesite producing industry in the United States. This investment was made at a time when the copper and steel producers of the United States were wholly dependent for their supplies of magnesite upon European sources.

The property of the American Refractories Co. acquired in Austria now represents a cash investment of over \$2,000,000 from which it has produced and sold to American manufacturers magnesite which is recognized to be of the highest known quality.

As yet, not a dollar of profit has been realized from this Austrian operation. On the contrary, up to the time of the outbreak of the war it had been conducted at a loss. From the beginning the American Refractories Co. met with opposition and obstruction of every kind in the development of its Austrian operation and had just succeeded, by the surmounting of those difficulties, in arriving at a situation in which a fair profit might be realized, when the war broke out. The fixing of a \$15 a ton tariff rate would absolutely bar the importation of Austrian magnesite, and in consequence the investment of the American Refractories Co. of from \$2,000,000 to \$3,000,000 will become a total loss to its stockholders.

Further than this, the brick manufacturing plants of the American Refractories Co. and other companies were erected in Pennsylvania and in Maryland as the convenient points of destination for imported magnesite during the time when there was no magnesite to be obtained except the imported article. These brick manufacturing

plants represent investments of approximately \$2,500,000. If the proposed rate is made the law, these plants must be abandoned.

In other words, in order to provide a prohibitive tariff for the benefit of one domestic concern, the destruction of other American companies, with several times the capital invested and employing several times the labor, is gravely proposed. Certainly this should not appeal to the members of the Committee on Finance.

#### VIII. THIS IS A FUNDAMENTAL QUESTION.

We submit that a proposed tariff on magnesite raises a fundamental question. It goes much further than the dollars and cents gained or lost and shows itself as a matter involving an important question of economic policy, the right determination of which is most important.

The policy of allowing the importation of raw materials generally, and especially the components used in the manufacture of steel, is consistent with the tariff principles of the Republican Party. There are, of course, exceptions based on the exigencies of particular circumstances, but the accepted policy, whether applied on a tariff for revenue or a protectionist basis, is to favor the free admission of the crude product, so that American enterprise might be allowed to fashion it into the finished article and sell it to the world at a fair price.

Dead-burned magnesite belongs to the category of raw material. The dead burning, a simple process requiring only a few hours, may advantageously be accomplished prior to shipment because it reduces the weight of the material about 50 per cent and saves valuable cargo space. That is the only reason the dead burning is done in Austria.

The committee has practically no other data upon which to base an abandonment of the policy toward magnesite followed in the Payne-Aldrich law than those supplied by one Washington corporation, whose interest is obvious. Faced with the responsibility of destroying by a prohibitive tariff an American industry whose invested capital is greater than the industry in whose behalf such tariff would be established, especially when it is shown that no such tariff is needed, it is confidently believed that this committee will consider the question of a magnesite duty from the viewpoint of the consumers as well as the producers. The statement is therefore repeated that the domestic producer of the crude and dead-burned magnesite needs no duty to protect it.

#### SUPPLEMENTAL BRIEF.

To support the preceding statement that the testimony in a recent case of the officers of the Northwest Magnesite Co. shows that the company has already made enormous profits out of its magnesite business, we refer to the testimony of Raymond A. Morton, secretary of the Northwest Magnesite Co., in the case of R. S. Talbot v. Northwest Magnesite Co., Sperry Flour Co., William H. Crocker, R. N. Bishop, S. F. B. Morse, Wellington Gregg, jr., and B. L. Thano, No. 62162, in the Superior Court of the State of Washington for Spokane County. This testimony was taken on January 6 and 7, 1921.

Asked to state the cash on hand at the then present time, Mr. Morton stated (transcript, pp. 10 and 11) that the only cash of which he had knowledge was such funds as were not required at the operating plant, and that these were as follows: Cash in the Crocker National Bank, \$382,636.52; cash in Bank of Chewelah, Chewelah, Wash., \$3,000 (based on report for month of November, 1920); and general fund in the First National Bank of Chewelah, Wash., \$85,867.30 (based on report for month of November, 1920). He stated also that the company had made loans to the Sperry Flour Co. of \$325,000, covered by notes dated February 9, 1920, March 9, 1920, and April 20, 1920 (transcript, pp. 11 and 12), and had accounts receivable (as of December 1, 1920) of \$301,290.61. The total of these amounts is \$1,082,794.43. Mr. Morton did not indicate any amounts owed by the company except back taxes. He stated (transcript, p. 14) that the plaintiff, R. S. Talbot, made a suggestion that a portion of the surplus funds be distributed to stockholders, and that the minutes for June 21, 1920, showed that after a thorough discussion it was the consensus of opinion that some action along the lines of Mr. Talbot's suggestion should be taken. It was thought advisable, however, that no definite action should be taken at that time, but that the trustees should await the report of the certified public accountants, which would give some definite knowledge as to the company's surplus after back taxes had been approximated.

No specific information on the actual investment of the Northwest Magnesite Co. is available, but if we should be most liberal and grant, say, \$1,000,000, then exclusive

of working funds required in the operation of the plant, and allowing a reasonable amount for back taxes, it appears that eight months ago this company had a million dollars in cash or equivalent, at least 100 per cent of its investment, besides its property, plant, and equipment, and had had so little need for its surplus assets that it had been able to make a cash loan to a flour company of nearly one-third of a million dollars. It is inconceivable that these assets no longer exist, at least in large measure, at the present time, only eight months after this testimony was given. This proof, we believe, shows conclusively that the Northwest Magnesite Co. had been, prior to the depression, making unusual profits without the aid of a tariff.

**STATEMENT OF ROY N. BISHOP, SAN FRANCISCO, CALIF., REPRESENTING THE NORTHWEST MAGNESITE CO.**

The CHAIRMAN. Where do you reside, Mr. Bishop?

Mr. BISHOP. In San Francisco, Calif., 411 Crocker Building.

The CHAIRMAN. You want to speak on the subject of magnesite?

Mr. BISHOP. Yes, sir; upon crude, calcined, and dead-burned magnesite.

I did not intend to appear before your committee, but only intended to file a brief with you that would bring the magnesite data up to date. When this brief is filed and added to the information contained in previous hearing I feel you will have before you all of the information that is necessary for you to determine the amount of tariff that is required in order to prevent destruction of the magnesite industry in the United States which is now threatened by importations of cheaper Austrian magnesite. I wish to have this brief printed at conclusion of my remarks.

Inasmuch as some of the opponents of paragraph 47 have appeared before you, I thought your committee would desire me to appear personally before you so that you could ask questions regarding the magnesite industry if you desired any conflicting viewpoints to be explained.

Since I have been here I have heard the testimony of certain steel interests, and as this is the first evidence they have submitted I will review their objections, as I feel when they are in possession of all the facts they will withdraw their objections in order to uphold a broader policy that has been established by our Government, namely, that our country shall continue to develop the natural resources that our war taught us were so essential to our national defense. If the tariff which you have placed upon the steel and iron products is not sufficient to protect them and at the same time to permit you to continue the established policy of being a self-contained nation regarding our war-essential materials, I trust your judgment will permit you to give the steel industry a compensatory tariff which will give them protection and at the same time keep this war-created magnesite industry alive in the United States.

A broad analysis of the objections of the steel interest is:

First. They desire a duty on all the articles they produce in order that they may have 100 per cent of the steel business in the United States and that they may be able to export their surplus, about 10 per cent of their business, to the markets of the world.

Second. They do not want a tariff on the articles which they buy that enter into the cost of their production. Anything that increases their cost does not conform with their interpretation of the tariff principle.

I am in entire sympathy with the steel interests in asking for a tariff, but I wish you to compare the request of an industry which seeks a tariff that will give them 100 per cent of steel business of the United States and the ability to export their surplus production of 10 per cent above United States requirements to foreign markets with the request of the magnesite industry, which seeks a tariff that will place it upon a competitive basis with Austria and give it the opportunity to get one-half the business. The magnesite industry has never in any hearing appeared before you and asked for a prohibitory duty, but has only presented to you the costs of production and asked you to provide such a tariff as will permit them to compete with Austria in the markets of the United States.

To wish to deny protection to the magnesite which the steel companies have to buy must cause conflict in the conscience of their able representatives. The letter files of the magnesite companies during the war were filled with statements from these same steel companies that they could not continue to make the steel for the war unless they got immediate shipments of magnesite. If the steel companies had told you exactly how much "per ton of steel" it would cost them if the magnesite industry were given the tariff requested you would have been able to have determined whether it would be of such consequence to cause you to destroy the war-essential industry—magnesite. The tariff would cost the steel companies \$0.0375, about 4 cents, per ton of steel. If steel is selling for \$40 per ton the consumer would have to pay \$40.0375 per ton of steel. The additional cost would be nine *c.* hundredths of 1 per cent of the selling price. Surely not great enough to destroy an American industry and place our Nation dependent upon Austria for a war material. An automobile containing 1 ton of steel would have its cost increased \$0.0375.

The above calculations are made as follows: About 5 pounds of dead burned magnesite is worn off the magnesite brick and lining of an open-hearth steel furnace for every ton of open-hearth steel produced. If the tariff is \$0.0075 per pound of magnesite the total increased cost per ton of steel would be \$0.0075 multiplied by 5 pounds equals \$0.0375. Let no one give you the impression that the present price of magnesite would be increased \$15 a ton if tariff is enacted, for as a matter of fact a \$15 per ton tariff would not make up for the present differential between Austrian and American cost. Even with a \$15 per ton tariff it will be necessary for American producers to assist in the economic adjustment necessary to obtain lower cost. The actual facts are that it will be necessary even with a tariff of \$15 per ton to reduce costs and sell magnesite for less than it is being sold to-day.

Senator GERRY. Is that under the American valuation?

Mr. BISHOP. It would make no difference to us, Senator Gerry, if the American valuation plan were adopted, as we are asking a specific duty of three-fourths cent per pound on dead-burned magnesite.

The steel companies referred to magnesite as a raw material, but you probably noticed that in speaking of raw materials they enumerated them and very cautiously said: "and also magnesite." Had you asked them "If magnesite is a raw material, why is it necessary to erect a million dollar treatment plant to manufacture dead-burned magnesite for their use?" how could they answer? Crude magnesite

is a raw material which has to be manufactured into a dead-burned magnesite, our finished product, before it can be used by steel or refractory companies. The cost of manufacturing the crude magnesite into dead-burned magnesite is greater than the cost of merely mining the crude magnesite. Dead-burned magnesite is the finished manufactured article of the magnesite company and is used by steel companies direct from our works to make the bottom of their open-hearth furnaces.

Steel is the raw material of the magnesite company, as the iron and steel the magnesite companies buy is the raw material their blacksmiths and machinists make into tools and other articles required in the mining and manufacture of dead-burned magnesite.

In the brief which I am filing I have treated the following points:

First. The present magnesite situation, bringing data in other hearing up to date.

Second. Labor, showing cost of labor in United States and Austria.

Third. Coal, showing cost of coal in United States and Austria.

Fourth. Transportation, showing transportation costs of Austrian and American magnesite.

Fifth. Comparison of Austrian and American magnesite at various points of consumption.

Sixth. Imports: An Exhibit E is attached showing imports since 1910, showing percentage of magnesite used in United States and amount produced in the United States. It shows the United States produced 2.7 per cent of our requirements in 1913 and 89.2 per cent of requirements in 1917. It shows that in 1921 the industry has reverted to prewar conditions, as mines are shut down and from 7,000 tons to 9,000 tons per month are being imported.

Seventh. Have shown how balance sheet of United States will be affected if tariff is not provided. Labor will lose \$2,500,000 per year.

Senator WATSON. Have you shown the amount of magnesite in sight and whether or not there is sufficient American product to supply American demand?

Mr. BISHOP. That is so fully covered in the data before you that I had not treated that subject in this brief. I will say, however, that there are millions of tons in United States and sufficient to supply the demand of the United States for several generations.

The property in which I am interested is the largest producer. We probably own 30 per cent of the magnesite deposits that have been proven to have the best grade of magnesite. There are large deposits in New Mexico and Nevada that have a potential value but have not as yet been mined, as they are lower grade than Washington and California deposits.

An opponent of this paragraph 47 gives as the chief reason there should not be a tariff that the company I represent has made a large sum of money on magnesite. Although he has not had access to our books he gives in the record the profit we have made but admits it is merely guesses, for after concluding he states: "At least this is certain," etc.

I wish to state to the committee that in the four years' operation our gross receipts have been \$6,210,951.18. We have passed to net surplus \$1,043,498.11. We now have on hand \$40,000 and every cent of our surplus except this \$40,000 has been invested in plant and improvements necessary to produce the magnesite required.

We are closed down and 9 men are watching our property for the insurance companies.

There has not been one dollar of dividends paid, not an officer of the company has received compensation except myself. I have drawn a moderate salary, as I have devoted a large part of my time to active affairs of the company. Our net surplus represents 16 per cent of our gross receipts. Our average sales f. o. b. Chewelah, Wash., has been \$29.95 per net ton. Sixteen per cent carried to net surplus, all of which has been invested in plant shows that the stockholders have not had one dollar with which to buy bread. If we do not get the tariff our four years' effort will be represented by a magnesite plant which will be useless and have a scrap value of about \$50,000.

It has been stated that we endeavored to control the resale price of magnesite. We did, and I wish to explain how and why. When we appeared before the Ways and Means Committee a representative of the Austro-American Magnesite Co. was there opposing us. The Austro-American Co. is controlled by the American Refractory Co., a very reputable American concern.

Senator CURTIS. That American concern that owns the Austrian mine is your principal competitor, is it not?

Mr. BISHOP. It is my principal competitor. In Austria there are only two sources of magnesite; that is, two companies handling magnesite. There is the Austrian Magnesite Trust, which is a combination of several mines, and the Austro-American Magnesite Co. There is one other mine in Czechoslovakia which I understand is not operating much since the war.

Therefore, it is apparent that if the American magnesite industry can not survive that these two Austrian concerns will again have a monopoly of the dead-burned magnesite of the world and in time of war we would again be at their mercy. During the war the Austro-American mine controlled by the Americans was seized by the German Army and was operated under a German officer, according to previous hearing before Senate committee.

I want to make a statement regarding resale of magnesite as stated by opponent. After hearing the testimony of the Austrian company before the Ways and Means Committee June, 1919, we realized the extent to which they would go to endeavor to prevent a tariff. When they asked us after the hearing to quote them on dead-burned magnesite we wrote them we would sell under following conditions:

Terms: Our retail price of dead-burned magnesite is \$32.50 per net ton f. o. b. Chewelah, Wash.

On an order of 1,000 tons to 3,000 tons, \$29.50 per ton; 3,000 to 10,000 tons we quote you \$29 per net ton f. o. b. Chewelah, Wash.

On an order for 10,000 tons we quote you \$28.50; same terms as above.

Resale: While we do not care to make a practice of selling grain material direct to steel companies, we wish to advise you that if the steel companies are charged more than \$32.50 per net ton for our dead-burned magnesite we shall ourselves offer it at retail to them for \$32.50 per ton f. o. b. Washington. p. 9

Gentlemen, I was merely trying to prevent the people who handled our material from charging the steel companies an unfair profit. There was little magnesite coming from Austria on account of economic conditions there, and the law of supply and demand would have permitted them to charge the steel companies a very high price. I feared they would do this in order to endeavor to

discredit me before your committee, and it has proven that my fear was well founded and that the clause we wrote about resale was fortunate for the steel companies.

During the war when we were selling dead-burned magnesite to the American Refractories Co. for \$27.50 per net ton f. o. b. Chewelah, Wash., they were selling it to the steel companies for \$37.50. They were making a profit of 27 per cent for merely indorsing a bill of lading, as I shipped the material on their order to the steel company.

The profit which they charged was double our profit and our resale clause prevented them continuing this practice.

The Austrian selling price is not based on Austrian cost but on our cost. Even in the face of the sworn cost statements of Austrian magnesite, it is quoted to-day at \$2.55 under our cost at all points. It is not necessary for them to reduce their price but a trifle under our cost in order to get the total market. This does not benefit the steel companies but merely Austrian labor, while our men remain idle. We have 9 employees, whereas we had 350 employees when we closed down January 1, 1921.

Senator CURTIS. What are the freight charges for a ton of dead-burned magnesite from your mines in Washington State to New York, Philadelphia, and Baltimore?

Mr. BISHOP. I have shown in a brief the freight rates to all points of consumption from our mines.

Senator CURTIS. I wish you would make that in one statement.

Mr. BISHOP. The rate from Washington State to Atlantic coast points is \$20.80 per net ton.

Senator CURTIS. I understood the witness the other day to say it was \$9.50.

Mr. BISHOP. The rate to Pittsburgh, which is about the center of consumption, is \$18.40 per net ton. Before this committee our opponent showed the rate to Chicago, which he says is rate from Baltimore to Chicago. I wish to call your attention to the fact that magnesite for Chicago points comes via New Orleans and before the war the import rate was only \$2.60 per ton, which made the cost at Chicago only 45 cents above the cost at Pittsburgh.

In Exhibit I of my brief I show the location of all open-hearth furnaces in the United States and also the location of the copper converters. I show the amount of magnesite consumed per year at each point. My purpose is to show the percentage of magnesite business west of the Mississippi; to show that the United States magnesite mines could not exist on business west of the Mississippi.

Senator CURTIS. You mean east of the Mississippi?

Mr. BISHOP. No; our Austrian competitor suggested we could have the business west of the Mississippi and he would take that east of the Mississippi.

The exhibit shows that only 8½ per cent of magnesite business is west of the Mississippi, and I give the facts in this table to show that our American mines could not survive on the small tonnage west of the Mississippi. Our Austrian competitors have the whole world for their market, and their suggestion that we take 8½ per cent of the business in the United States is of course absurd. A witness states that 26 per cent of his shipments were west of the Mississippi. That may be entirely true, but it means that he had 26 per cent of the 8½ per cent of the total business in the United States. It has no bearing upon

what other companies shipped and means nothing regarding total consumption west of Mississippi.

Senator SMOOT. Can you tell us the cost of converting manganese into ferro?

Mr. BISHOP. I desire to impress upon this committee the fact that manganese and magnesite are two entirely different materials. Magnesite, my material, is used to make refractory brick and does not enter into the iron at all, while manganese is a mineral like iron and is used to harden steel. I hope the committee will not confuse them.

Senator SMOOT. I know the difference but thought perhaps from your experience you could tell the committee about cost of converting manganese.

Mr. BISHOP. I am not familiar with the cost.

Senator CURTIS. In this same connection I want to say that the subcommittee had full hearing on magnesite in December and June, 1919, and in July, 1920.

Senator SIMMONS. These steel men who came here the other day insisting upon a pretty stiff duty for their product do not think that you ought to have any protection on magnesite. That enters slightly, as you say, into the production of steel. Do you think of any reasonable argument in favor of a duty on steel products in this country which would not apply to the production of magnesite?

Mr. BISHOP. I can not, Senator, think of any argument that would apply to a tariff on steel that would not apply to magnesite. They called it a raw material but I have shown it is our finished manufactured article and is used exactly as we manufacture it for making the bottoms of their open-hearth furnaces. It is our manufactured article, and if they call it their raw material we must remember that seed is the raw material of the farmer, wheat his finished article.

Wheat is raw material of flour mill and flour its finished article. Flour is raw material of baker and bread his finished article. Then the real consumer. The steel company's product, I have explained, is raw material for our mines.

Senator SIMMONS. They want a high protective duty upon their product in order that they may hold the American market, and they want their raw materials free in order that they may compete in the foreign market?

Mr. BISHOP. I think their view is inconsistent.

Senator SMOOT. I do not think you want to be unfair to the witnesses. They simply say that if there were a duty imposed on magnesite they then feel that there ought to be a compensating duty upon the manufactured product.

Mr. BISHOP. I am in complete sympathy with the steel companies in their desire to obtain protection for their product. I merely want to show that if the committee cared to add the compensatory duty it would be \$0.000903 of their selling price, and that the steel companies, as a matter of insurance for their magnesite, would really like to see our American magnesite in competition with Austrian magnesite.

Senator SIMMONS. But you do not think that your industry, which is that of producing a raw material, ought to be denied protection because the man who uses it in making his finished product wants to

be put in a position of getting free raw materials in order that he may compete in foreign markets?

Mr. BISHOP. That is my position, and more particularly in regard to magnesite, which the war showed us was essential for our national defense. I believe we should produce under our flag the materials that are essential for our defense and fortunately useful in times of peace.

**BRIEF OF ROY N. BISHOP, REPRESENTING THE NORTHWEST MAGNESITE CO. AND THE WESTERN MAGNESITE ASSOCIATION.**

Following is condensed information on the magnesite industry to August 1, 1921:

IN FAVOR OF PARAGRAPH 47.

1. Ways and Means Committee reports, Sixty-sixth and Sixty-seventh Congresses.
2. Magnesite bill (H. R. 5218) passed House, Sixty-sixth Congress.
3. Senate Finance Committee, Sixty-sixth Congress, favorable report. (Exhibit A.)
4. Tariff Commission—information for committee.
5. United States Geological Survey.
6. Refractory companies (except one), importers of magnesite.
7. American consul, Vienna.
8. Magnesite mines in United States.
9. H. R. 7456, passed House, Sixty-seventh Congress.

OPPOSED TO PARAGRAPH 47.

1. American Refractories Co., owners of Austro-American Magnesite Co., operating mines in Austria.
2. Few independent steel companies.

REPORT OF SENATE FINANCE COMMITTEE, MARCH 2, 1920.

This favorable report recommends the tariff enacted as it is now before your committee in H. R. 7456. This report reviews so thoroughly the necessity for tariff in such a brief form that it is attached as Exhibit A to this statement.

PRESENT MAGNESITE SITUATION.

Practically all magnesite mines in United States have been shut down since December, 1920. This is partly due to depressed business conditions and to low prices of Austrian magnesite. Since American mines have been shut down the largest importations of Austrian magnesite since the war have been made. As Austria is now prepared to furnish United States' requirements at less than cost to American producers, it is apparent that mines in United States can not operate without a tariff. Including profit, the Austrian magnesite can be delivered at Chester, Pa., for \$23 per ton (see Exhibit B), which proves that Austrian costs in Finance Committee report, March 2, 1920, were conservative.

LABOR.

In production of ores about 75 per cent of the final cost is labor. The coal and transportation have a large indirect labor cost. Bureau of Railroad Economics say 53 per cent of freight charges go to labor. Average wage of 350 employees of Northwest magnesite mine for year 1920 was \$5.30 per 8-hour day.

AMERICAN AND AUSTRIAN LABOR COMPARED.

Average American magnesite wage per day.....	\$5. 30
Average Austrian magnesite wage per day.....	. 30
Difference in average wage per day.....	5. 00

COAL.

Coal is an important item in cost of producing dead-burned magnesite, as about 900 pounds of coal are required to produce 1 ton dead-burned magnesite.

Coal costs per ton of magnesite (900 pounds coal):

Washington State, United States of America.....	\$4.05
Austria (Exhibit D).....	2.80
United States increased coal cost.....	1.25

TRANSPORTATION.

Railroad rates Austrian mines to Trieste.....	\$2.15
Ocean rate to United States Atlantic ports.....	3.00
Total Austrian rate to United States (gross ton).....	5.15
Total Austrian rate to United States (net ton).....	4.60

Prewar ocean rate was under \$2 per net ton.

Center consumption grains (50 per cent of magnesite) is Pittsburgh.

Center consumption for brick works (50 per cent of magnesite) is Atlantic coast.

*Comparison of transportation charges per net ton from Austrian and United States mines to various points of consumption.*

To—	From Austrian mines.	From United States mines.	Difference.
Chester.....	\$4.60	\$20.80	\$16.20
Pittsburgh.....	9.10	18.40	9.30
Harrisburg.....	6.40	20.80	14.40
Johnstown.....	8.90	20.80	11.90
Buffalo.....	9.10	18.40	9.30
Youngstown.....	9.20	18.40	9.20

AUSTRIAN VERSUS UNITED STATES COSTS.

The data shown (March, 1921) by the report of engineers in Austria (Exhibit D) shows that Austrian magnesite can be delivered at Trieste at prewar prices, or about \$14 per net ton, which, with ocean rate of \$3 would make cost at United States seaboard about \$17 per net ton.

Exhibit B shows that cost may be considered \$20 per net ton f. o. b. United States Atlantic ports if we only allow \$3 profit to the Austrian producers.

Present Austrian labor, coal, and railroad transportation costs are less than prewar and, therefore, present costs of Austrian material in United States money are less than prewar. Selling price does not indicate cost, as Austria knows United States cost and is merely underselling that cost. Northwest magnesite cost at mine for 1919 and 1920 was \$25.55 per net ton.

Using the above higher Austrian cost of \$20 and United States cost, according to Exhibit F, of \$25.55, we obtain the following comparative costs at various points of consumption:

*United States costs compared with Austrian costs.*

	Austrian cost.	United States cost.	Difference.
Chester, Pa. (seaboard).....	\$20.00	\$44.35	\$24.35
Pittsburgh.....	24.50	43.95	19.45
Harrisburg.....	22.80	46.35	23.55
Johnstown.....	24.30	46.35	22.05
Buffalo.....	24.50	43.95	19.45
Youngstown.....	24.60	43.95	19.35
Chicago.....	27.20	42.25	15.05
Cleveland.....	25.60	43.95	18.35

<sup>1</sup> Magnesite for Chicago from Austria via New Orleans, take rate New Orleans to Chicago, \$7.20 per ton.

For Chicago points prewar Austrian magnesite entered via New Orleans and enjoyed an import rate that made Chicago cost before war only 45 cents per ton over Pittsburgh cost.

The differentials shown above are the differences that undoubtedly exist to-day. When exchange rate is higher the Austrian wages will be lowered in crowns and same comparative costs will probably exist. Ocean rates will probably be lower.

Your committee will make its own estimate regarding future freight rate and labor costs in United States. So many factors govern these that this brief only presents conditions existing to-day.

#### IMPORTS.

During the war Austria exported no magnesite and the United States imports decreased very considerably, chiefly being from Canada. With the gradual recovery of industrial situation in Austria, the imports from Austria are increasing. This, combined with the fact that on account of the depression in the steel industry, only about 30 per cent of magnesite previously used is required, permits Austria, who can sell at a lower price, to export to this country all of our requirements.

#### CONCLUSIONS.

1. Present tariff in H. R. 7456 will only add about 3 to 5 cents to cost of ton of steel, which may be considered negligible.

2. Five hundred pounds of steel tools for a mechanic would only have its original cost increased 2 cents, which may be considered negligible.

3. Magnesite mines only ask a tariff which will place American mines in competition with Austrian mines. It is therefore fair to assume that the importations will equal 50 per cent of the consumption. The steel manufacturers are asking a tariff so that they may accomplish the same end.

4. With a competitive tariff, assuming 50 per cent of the magnesite enters from Austria, the United States would furnish about 75,000 tons of dead-burned magnesite.

There will be collected in import duty.....	\$1,500,000
United States labor, direct and indirect, will receive.....	2,500,000
United States railroads will receive.....	1,500,000
United States coal mines will receive.....	100,000
United States power companies will receive.....	100,000
Manufacturers of steel and other supplies used in mines.....	800,000

If tariff is not granted, then the above will be lost to the United States and several million dollars will be sent to Austria and disbursed to Austrian labor.

5. The cost of Austrian magnesite versus American magnesite is based upon the following differences, which justify granting a tariff that will place these two countries upon a competitive basis:

	United States.	Austria.	Difference.
Labor, per day.....	\$5.30	\$3.30	\$2.00
Coal, per ton.....	9.00	5.75	3.25
Freight to Chester.....	20.80	4.60	16.20
Freight to Pittsburgh.....	18.40	9.10	9.30

6. Competition must exist at the center of the steel industry (Pittsburgh and vicinity) in order to protect American industry, as only 5.7 per cent of the open-hearth steel furnaces in the United States are west of the Mississippi. West of the Mississippi there are 129 copper converters which would require only 2.8 per cent of dead-burned magnesite consumed in the United States. It is therefore apparent that the steel and copper industry west of the Mississippi have not the furnaces and converters erected to use more than 8.5 per cent of the dead-burned magnesite consumed in the United States.

7. Investigation in Austria (Exhibit D) shows: "Our general conclusions are that, considering rate exchange, Austrian magnesite can be delivered at Trieste at as low a cost or lower than in 1914, before the war."

#### EXHIBIT A.

[Senate Report No. 458, Sixty-sixth Congress, second session.]

#### DUTY ON MAGNESITE ORES.

The Committee on Finance, to whom was referred the bill (H. R. 5218) to provide revenue for the Government and to establish and maintain the production of magnesite ores and manufactures thereof in the United States, having considered the same, report favorably thereon with the recommendation that the bill do pass without amendment.

The object of the bill is to protect the magnesite industry in the United States, to enable American consumers to procure the product from American magnesite mines.

Up to 1913 there was but one magnesite mine operating in the United States and it produced about 10,000 tons of crude magnesite per year. In the year 1913 there was imported into the United States 172,591 short tons of magnesite, of which 163,715 tons came from Austria.

The war virtually stopped the importation, and in the year 1917 there were only about 4,000 tons imported, and this came largely from Canada. The needs of the steel mills and the smelting works were so great that the industry was greatly developed in this country, and in 1917 there were over 300,000 short tons produced from the mines in the United States. The production of 1917 was as much or more magnesite than was ever used in this country in any one year, and it is perfectly evident that our needs can be supplied from American mines. Magnesite is used in every steel mill and in all the smelting works in this country, and the consumers in the United States have been taking from 50 to 60 per cent of the total magnesite production of the world.

Prior to the war only about 3 per cent of the product consumed in this country was produced from our own mines, while last year nearly all the magnesite used in this country was produced here. So it may be said that the Great War developed this very important industry.

Prior to the war magnesite was imported from Austria at a cost of \$15.75 per ton. It was stated that the cost at the mines in that country was about \$7 per ton. The railroad rates and dock charges amounted to about \$2 per ton and the ocean rates to Atlantic ports were about \$2 per ton. The average cost of that produced in the United States, at the mine, is about \$25 per ton, and the freight is from \$10 to \$16 per ton, depending upon destination, so it will be seen that it will require a tariff of at least 1½ cents per pound to cover the differential.

*Sworn cost statements, plus \$2 ocean charges.*

	At mine.	At Trieste.	At United States Atlantic ports.
Average United States.....	\$25.13	.....	\$41.20
Austrian.....	17.69	\$21.94	23.94
Difference in costs.....	7.44	.....	17.26

Let us in a similar manner show in parallel columns the sworn statement of the Austrian cost and the sworn statement of the lowest American producers.

*Sworn cost statements, plus \$2 ocean charges.*

	At mine.	At Trieste.	At United States Atlantic ports.
Lowest United States.....	\$21.09	.....	\$37.22
Austrian.....	17.69	\$21.94	23.94
Difference in costs.....	3.40	.....	13.28

For many years the magnesite produced in this country came from California, and the greater part of that used by our consumers came from Austria, but the needs brought about by the war caused the deposits in Washington and California to be developed, and by the building of works, exploration of mines, and the liberal expenditure of money some 65 mines were being operated in 1917 and enough magnesite was produced in the two States to supply the entire demand of this country, but to-day there are only 30 magnesite mines being worked, and more will be closed if the industry is not protected, and this country will again be dependent upon Austria for its magnesite, but, with proper protection, our mills will be independent of any foreign producer.

Magnesite, both crude and calcined, has been on the free list since 1883. The pending bill places a duty on magnesite and commercial ore, either crushed or ground, of one-half of a cent per pound; magnesite, calcined, dead burned and grain, three-

fourths of a cent per pound; magnesite brick, three-fourths of a cent per pound, and 10 per cent ad valorem.

The evidence disclosed that prior to the war there were less than 50 men employed in the production of magnesite in the United States. In the years 1917 and 1918 there were about 2,000 men directly engaged in the magnesite industry in this country. They were receiving an average wage of \$5 per day. These men, with their dependents, made about 10,000 citizens directly dependent upon the magnesite industry.

The hearings before the House committee disclosed, however, that Austrian labor in the magnesite industry received from 20 to 40 cents per day, and that the American Refractories Co. stated that Austrian labor received \$1.10 per day. In considering the labor question it should be remembered that in Austria they work 12 hours per day, while in America they work 8 hours per day. It is estimated that the direct and indirect labor charge in the magnesite industry in this country is from 75 to 80 per cent of the cost of production.

Your committee, therefore, recommends the passage of the House bill 5218 without amendment.

#### EXHIBIT B.

SELLING PRICE OF AUSTRIAN MAGNESITE, AUGUST, 1921.

HARBISON-WALKER REFRACTORIES CO.,  
Pittsburgh, Pa., August 10, 1921.

Mr. Roy N. Bishop,  
411 Crocker Building, San Francisco, Calif.

DEAR SIR: Answering your inquiry as to our present selling price of magnesite, we wish to advise you we are quoting \$23 per net ton in sacks f. o. b. Chewelah, base for Austrian magnesite.

There is very little business being offered, and at the present time we are offered Austrian dead-burned magnesite in substantial quantities at \$28 per net ton in bags, delivered at Chester. If we were in the market for any quantity and would place a bona fide order for, say 15,000 to 20,000 tons, we feel quite certain we could buy for \$25 to \$23 per net ton in bags at Chester.

Yours, very truly,

J. E. LEWIS, *President.*

This, therefore, establishes the present selling price of Austrian magnesite, and combined with the sworn statements in previous hearings of Austrian costs and also combined with investigations as shown in Exhibit D makes it apparent that the cost of Austrian magnesite can not exceed \$20 per ton delivered at Atlantic coast ports.

#### EXHIBIT C.

AUSTRIAN WAGES.

The Tariff Commission, 1921, publish a statement of comparison of wages in United States and foreign countries. On page 70 of this bulletin is shown the following costs of Austrian labor, in Styria district, per day.

	Crowns.	United States.		Crowns.	United States.
Miners.....	260	<i>Cents.</i> 26	Assistants.....	200	<i>Cents.</i> 20
Shaft men.....	200	20	Female assistants.....	120	12
Laborers.....	260	26			

The labor costs shown in report (Exhibit D) are confirmed by American consul, Vienna. This report shows comparison of labor costs in Austria, 1914 and 1921.

	1914		1921	
	Kronen.	\$0.78	Kronen.	\$0.37
Quarry wages.....	3.88	1.00	250	.30
Works wages, men.....	4.88	.35	200	.23
Works wages, women.....	1.71	.81	160	.37
Brick manufacturing, men.....	4.01	.50	250	.23
Brick manufacturing, women.....	2.46		160	

The above rates are for 10 hours in 1914 and 8 hours in 1921.

## EXHIBIT D.

LETTERS AND REPORT ON AUSTRIAN MAGNESITE SITUATION, MARCH, 1921.

HARBISON-WALKER REFRACTORIES Co.,  
Pittsburgh, Pa., March 14, 1921.Mr. ROY N. BISHOP,  
President Northwest Magnesite Co., San Francisco, Calif.

DEAR SIR: Referring further to our conversation on Austrian magnesite, I neglected to inform you that our principals in Austria are now in position to ship at the rate of three to four thousand tons per month. This amount of tonnage, with the present outlook of business, would much more than take care of our requirements.

Yours, very truly,

HARBISON-WALKER REFRACTORIES Co.,  
J. E. LEWIS, President.HARBISON-WALKER REFRACTORIES Co.,  
Pittsburgh, Pa., March 14, 1921.Mr. ROY N. BISHOP,  
President Northwest Magnesite Co., San Francisco, Calif.

DEAR SIR: Referring to the orders we now have with your company for dead burned magnesite, wish to advise that Mr. Morganroth and the writer have just returned from Austria, and after looking into the situation carefully there we do not see how we can take the balance that is now on order with you without a very substantial reduction in the price. We can buy magnesite, delivered Chester, for \$15 to \$20 a ton under your price, and I am satisfied that they could still make a much lower price and have a reasonable profit.

We realize that you are under a great expense in having your plant remain idle and holding this in readiness to start. We regret that we can give you no definite information as to when we will be able to accept further shipments. We are giving you here with some general data which we have obtained when in Austria, which, with your knowledge of your own operating expenses, will permit you to form your own deductions as to what is necessary in order for you to compete with Austria.

Yours, truly,

J. E. LEWIS, President.

## AUSTRIAN MAGNESITE DATA, MARCH 14, 1921.

The main costs of dead-burned magnesite, as you know, are labor, coal, and freight charges. In February, 1921, we were able to obtain or confirm these costs with Mr. Carol Howe Foeter, consul of the United States of America, American Mission, Vienna. Our general conclusions are that, considering the rate of exchange, Austrian magnesite can be delivered at Trieste at as low a cost or lower than in 1914, before the war.

## GENERAL VALUES IN AUSTRIA.

You will be interested in knowing that our double room at the Grand Hotel in Vienna cost us 500 kronen per day, which is equivalent to 72 cents American money. A meal such as we would obtain in this country at the Waldorf cost us 400 to 500 kronen, equivalent to 60 cents to 70 cents in American money. This same meal in the United States would have cost us probably \$5. The present first-class passenger railroad rates are about one-half cent per mile in American money, and in prewar times they were about 4 cents to 5 cents per mile. We are informed that shippers of Austrian products who have been able to ship to the United States, on account of the exchange, have accumulated large surplus in their own currency. From the above you will recognize that conditions in Austria, due to the continued low price of labor and to the exchange, will permit any Austrian industry to compete with the United States in the same ratio or perhaps even better than prewar.

## FREIGHT ON COAL FROM COAL FIELD TO VIENNA.

The freight rates are divided as shown on the statement of the American consul, due to the fact that to reach Vienna it is necessary to cross the countries as indicated.

Upper Silesian coal rate: Kattowitz to Oderberg—177.2 German pfennig per 100 kilos equals 17.72 marks per 1,000 kilos, at \$0.016.....	\$0.28
Oderberg to Lundenburg—800 Czech hellers per 100 kilos equals 80 Czech crowns per 1,000 kilos, at \$0.013.....	1.04
Lundenburg to Vienna—1,824 hellers per 100 kilos equals 182.40 Austrian crowns per 1,000 kilos, at \$0.0014.....	.25
<b>Total (at the rate of exchange as of January, 1921).....</b>	<b>1.57</b>
<b>Maehrisch-Ostrau-Karwin rate: Oderberg to Lundenburg—800 Czech hellers per 100 kilos, equals 80 Czech crowns per 1,000 kilos, at \$0.013.....</b>	<b>1.04</b>
<b>182.4 Austrian crowns per 1,000 kilos, at \$0.0014 equals.....</b>	<b>.25</b>
<b>Total (at the rate of exchange as of January, 1921).....</b>	<b>1.29</b>
From Bruex to Gmeund—100 Czech crowns per ton \$0.013.....	1.30
Gmeund to Vienna—251.4 Austrian crowns per ton \$0.0014.....	.35
<b>Total (at the rate of exchange as of January, 1921).....</b>	<b>1.65</b>

## COAL PRICES.

The average cost of coal delivered at the Austrian magnesite mines is now 3,000 kronen for the cheaper grade of coal (lignite) and 6,000 kronen for the high-grade coal. In burning magnesite the practice is to use one-third of the best quality and two-thirds of the cheaper quality, which would make the coal used for magnesite cost 4,000 kronen, or a little less than \$5.75 per ton of coal. The prewar cost of mixed coal at magnesite mine was \$6.20, or nearly 50 cents per ton greater than present cost. The following is some specific data given us by the American consul at Vienna:

Upper Silesian coal (Germany) in January, 1921, cost at the mines 2,665 Austrian kronen per ton, or \$3.80 in American money. Maehrisch-Ostrau-Karwin (Czechoslovakia) coal cost at the mines in January, 1921, 3,092 Austrian kronen, or \$4.42, for big lumps, and 3,065 Austrian kronen for small lumps. Coal from Bruex (Czechoslovakia), a lignite coal, cost at the mines in January, 1921, 1,613 Austrian kronen, or \$2.16 per ton. The value in American dollars is based on the rate of exchange as of January, 1921—i. e., 700 kronen for \$1.

## MAGNESITE LABOR COSTS.

The present labor costs compared with the labor costs in 1914 are as follows, and we believe are very close to correct, as we have checked them up with the labor in other industries:

	1914		1921	
	Kronen.	\$0.78	Kronen.	\$0.37
Quarry wages.....	3.88	\$0.78	250	\$0.37
Works wages, men.....	4.88	1.00	200	.30
Works wages, women.....	1.71	.35	160	.23
Brick manufacturing, men.....	4.01	.81	250	.37
Brick manufacturing, women.....	2.46	.50	160	.23

The above rates are for 10 hours in 1914 and 8 hours in 1921.

The labor rates given for prewar are for 10 hours and the present rates are for 8 hours, as the labor is now organized in Austria and they are working on an 8-hour basis.

## FREIGHT ON MAGNESITE FROM MINE TO TRIESTE.

Immediately after the war there was considerable difficulty in obtaining railroad transportation, which prevented importation of Austrian magnesite. Within the last few months, however, these conditions are very much more favorable and magnesite can more readily be delivered to seaport, especially as the railroad which delivers the magnesite to Trieste is now owned by the Italians, who are anxious to develop the port of Trieste and therefore bought this railroad. This also accounts for the fact that the freight rates are at present in liras.

Freight rates on magnesite:

Eichberg to Trieste, 56.40 lire per ton, at 4 cents.....	\$2.26
Wartberg-Muerztal-Trieste, 50.90 lire per ton, at 4 cents.....	2.04

OCEAN RATE TO UNITED STATES.

The firm who forwarded our magnesite from Trieste to Chester before the war at the rate of 8 shillings 6 pence advised us that the present rate was \$8, but that if shipments were taken in full cargo the rate would probably be reduced to \$4. We understand that the ocean rate from Hamburg at the present time is \$3.50. These ocean rates are for gross ton of 2,240 pounds, as are also the railroad rates.

EXHIBIT E.

IMPORTS INTO UNITED STATES.

[From Mineral Resources of the United States, 1920, Part II.]

Prior to the World War the annual consumption of crude magnesite in the United States was approximately 300,000 short tons. About 10,000 tons was produced in this country, and the rest, or 96 per cent, was imported. Magnesite is imported in two forms, crude and calcined. It takes 2 tons of crude to make 1 ton of calcined. In order to have all figures on the same basis, the quantity of calcined magnesite has been converted to the equivalent in the crude form and from long to short tons for use in the following table:

Crude magnesite consumed in the United States, 1910-1920, in short tons.

Year.	Domestic production.	Imports.	Total.	Domestic per cent of total.
1910.....	12,443	322,652	335,095	3.7
1911.....	9,375	270,088	279,473	3.4
1912.....	10,512	268,309	278,821	3.8
1913.....	9,632	347,428	357,060	2.7
1914.....	11,283	256,988	268,281	4.2
1915.....	30,499	102,913	133,412	22.9
1916.....	154,974	63,885	248,859	62.2
1917.....	316,838	38,208	355,046	89.2
1918.....	231,605	43,530	275,135	84.2
1919.....	156,226	25,321	181,547	86.0
1920.....	303,767	63,110	366,877	80.3

1921: During the first six months of 1921 the mines in the United States have been practically idle, while the imports from Austria are about 7,000 to 9,000 tons per month.

During the first two weeks of August there was shipped from Trieste to the United States the following dead-burned magnesite, which would be equivalent to twice this amount in crude if desired to compare with the above table: Steamship *Maria*, 4,000 tons dead-burned magnesite; steamship *Giulia*, 5,000 tons dead-burned magnesite.

EXHIBIT F.

COST OF PRODUCING MAGNESITE IN UNITED STATES.

[By Northwest Magnesite Co., Chewelah, Wash.]

Column 1 shows sworn statement of cost of production of dead-burned magnesite from June 1, 1918, to May 1, 1919.

Column 2 shows sworn statement of cost of production of dead-burned magnesite from January 1, 1919, to December 31, 1920, when property was shut down.

	Column 1.	Column 2.
Mine expense.....	\$6.16	\$6.79
Treatment plant expenses.....	9.41	9.01
Tramway expense.....	.83	.64
Direct operating.....	16.50	16.44
Administration and general expenses, including losses.....	.61	1.94
Taxes, insurance, and interest.....	1.32	3.51
Cost before adding depletion and depreciation.....	18.43	21.69
Depreciation.....	1.51	1.64
Depletion.....	1.15	2.02
Total operating cost.....	21.09	25.55

## EXHIBIT G.

Following are comparative freight rates from Washington State and Atlantic coast to consuming centers; also shows differential in freight.

## Freight rates.

Point of consumption.	From Chewelah, Wash.	From Atlantic coast.	Difference in favor of—	
			Austrian.	United States.
New England.....	\$20.80	\$5.20	\$15.60	
Bethlehem.....	20.80	2.24	18.56	
Philadelphia.....	20.80	1.64	19.26	
Baltimore.....	20.80		20.80	
Johnstown.....	20.80	4.10	16.70	
Pittsburgh.....	18.40	4.50	13.90	
Youngstown.....	18.40	5.00	13.40	
Cleveland.....	18.40	5.20	13.20	
Buffalo.....	18.40	4.60	13.80	
Birmingham.....	18.40	8.00	10.40	
St. Louis.....	16.70	10.40	6.30	
Chicago.....	16.70	8.80	7.90	
Houghton.....	16.70	13.70	3.00	
Pueblo.....	15.60	17.40		\$1.80
Douglas.....	26.60	23.20	3.40	
Salt Lake City.....	15.40	23.20		7.80
Los Angeles.....	22.90	26.70		3.80
San Francisco.....	14.30	26.70		12.40
Tacoma.....	5.50	24.00		18.50
Minneapolis and Duluth.....	16.70	13.70	3.00	
Ohio and Kentucky.....	18.40	7.10	11.30	
Chester, Pa.....	20.80		20.80	

## EXHIBIT H.

The following table shows total crude magnesite produced in United States for past four years, according to United States Geological Survey. There is also shown tons crude produced by the Northwest Magnesite Co., and percentage of total United States production that Northwest Magnesite Co. produced.

This statement is to refute argument made that Northwest Magnesite Co. had a monopoly.

Domestic crude.	Total domestic production.		Northwest Magnesite Co.	
	Tons.		Tons.	Per cent.
1917.....	316,833		62,737	19.8
1918.....	231,605		81,111	35.0
1919.....	158,226		89,163	57.1
1920.....	303,767		141,817	46.7
Total, 4 years.....	1,008,436		374,823	37.2

## EXHIBIT I.

Following schedule shows where dead-burned magnesite is used in the United States and the consumption east and west of the Mississippi. It proves that there is not enough business west of the Mississippi to justify operating United States magnesite mines. It proves center of consumption is around Pittsburgh.

*Magnesite consumption and consuming centers in the United States, year 1920.*

Consuming district.	Number of open hearths.	Total consumption (net tons).	Per cent of total.	East of Mississippi (net tons).	West of Mississippi (net tons).
New England.....	14	1,350	0.8	1,350	.....
Bethlehem.....	53	7,750	4.9	7,750	.....
Philadelphia and Baltimore.....	114	18,700	11.7	18,700	.....
Johnstown, Pittsburgh, and Youngstown.....	415	66,000	41.3	66,000	.....
Cleveland.....	92	14,800	9.3	14,800	.....
Buffalo.....	54	8,600	5.4	8,600	.....
Birmingham.....	18	3,250	2.0	3,250	.....
St. Louis.....	43	3,200	2.0	.....	3,200
Chicago.....	129	20,550	13.0	20,550	.....
Houghton (copper).....	.....	200	.1	200	.....
Pueblo.....	15	2,200	1.4	.....	2,200
Douglas, Ariz. (copper).....	.....	2,350	1.4	.....	2,350
Salt Lake City (copper).....	.....	1,990	1.2	.....	1,990
Los Angeles.....	5	300	.2	.....	300
San Francisco.....	11	910	.6	.....	910
Tacoma.....	4	700	.4	.....	700
Minneapolis and Duluth.....	12	1,900	1.2	.....	1,900
Ohio and Kentucky.....	39	4,975	3.1	4,975	.....
Total.....	1,018	159,725	.....	146,175	13,550
Per cent.....	.....	.....	100	91.5	8.5

Roy N. Bishop, president and general manager of the Northwest Magnesite Co., Chewelah, Wash. (Crocker Building, San Francisco), being duly sworn for himself deposes and says that the cost figures used in this brief which is submitted are true and correct figures as kept on the books of the Northwest Magnesite Co., and are to the best of his knowledge and belief and from such information as he has been able to obtain true and correct in each and every particular.

ROY N. BISHOP.

Sworn and subscribed before me this 29th day of August, 1921.

FRANCIS R. ELLIS, *Notary Public.*

**STATEMENT OF H. F. WIERUM, GENERAL MANAGER AMERICAN MINERAL PRODUCTION CO., VALLEY, WASH.**

Senator SMOOT. State your full name for the record.

Mr. WIERUM. Howard F. Wierum, general manager of the American Mineral Production Co., at Valley, in the State of Washington.

I desire to file a very short brief, which I think contains all the actual data necessary to figure what duty will protect this industry.

Senator SMOOT. You shall have that privilege.

Mr. WIERUM. I sympathize with the committee in their desire not to hear duplications of testimony, and I hope to avoid duplications, Senator.

I should like, however, to enter one or two little protests which possibly you will consider of value when you determine this question.

I trust that the committee does not sympathize with the plea of the steel companies that we should be ready to produce for their benefit in war but should close down in peace times. Their only argument in substantiation of that desire is their contention that our deposits of magnesite are very small and would be quickly exhausted.

I can say in a few words that our deposits of magnesite are enormous. I have recently, knowing that this question was of interest to the committee, made a very careful survey of the entire belt in which we operate in the State of Washington; and as an engineer

with some 25 years' experience among rather conservative people, I am ready to go on record as saying that my company has 4,000,000 tons in sight, with a strong probable ore reserve of 10,000,000 tons.

I believe that the Northwest Magnesite Co., represented by Mr. Bishop, has very nearly the same amount. I think that California can probably be counted upon for nearly a million tons. Thus we find a total of over 20,000,000 tons of crude magnesite in our known deposits alone.

Senator CURTIS. You ought to state to the committee, I think, that the California product is not used for the same purpose as your Washington ore is used. The California product is principally plastic, is it not?

Mr. WIERUM. It is used exclusively for plastic magnesite now.

Senator CURTIS. I did not want the committee to have the impression that your magnesite was the same quality.

Mr. WIERUM. That point is well taken, Senator.

I am going to ask your indulgence for one moment to tell you the importance of the plastic business and to show that our Washington magnesite is now being adapted for plastic business as well as the California magnesite.

Senator LA FOLLETTE. What grade is your 10,000,000 tons of magnesite?

Mr. WIERUM. That 10,000,000 tons is figured as the real marketable ore body from which I estimate 20,000,000 tons in this continuous chain of hills containing magnesite. There are probably 50,000,000 tons of mixed rock in this measurement. The 20,000,000 tons which I speak of is available as high-grade material suitable for making refractories and plastic calcines.

Senator SMOOT. About 40 per cent?

Mr. WIERUM. About 40 per cent; yes, sir.

There is absolutely no doubt about the quantity there, and there are so many, many miles of undeveloped magnesite land which will surely be exploited in case the business is perpetuated, that it borders on absurdity for people to say that we can not supply this country's needs because the supply may be exhausted.

I just want to say one thing about this plastic business, because that has not been dwelt upon very much, and Mr. Bishop, I know, has covered the other field, viz, dead burned, so thoroughly, and it is so well known to you, that it would be repetition if I should go further into that question.

The production of dead-burned magnesite last year was approximately 90,000 tons. About one-third of that magnesite or a little more than one-third, came from my property. The production and consumption of plastic magnesite during the same period was 35,000 tons. So I hope that you will agree with me that the business is not insignificant. It is not only important, but it has a tremendous future, as it directly affects all the building industry, the making of floors and of outside stucco and building blocks and ship's decks, and many, many things, and it has a tremendous future before it if we can perpetuate it.

It also has a kindred industry in the States of Michigan and Utah, particularly, in the production of magnesium chloride, which is a necessary ingredient in this composition floor and stucco work. The magnesium chloride business will increase just as the magnesite

business increases, and will wane just as the magnesite business wanes.

I do not speak from knowledge but from general belief, that there are inexhaustible supplies of magnesium chloride both in Michigan and in Utah, both of which are being utilized in the business now.

There is another gentleman who is going to speak on this plastic business, and I know that you are in a hurry, so I am going to yield to him, with this statement, that I hope you will realize when he speaks to you that he represents both the consumers and producers; that in that respect there is no quarrel, as there might be in some of these other commodities, concerning the interests of the consumer as against the producer.

Senator SMOOT. You have reference to Mr. Watkins?

Mr. WIERUM. To Mr. Schundler.

Both the consumer and the producer are anxious to get the American magnesite and use it in their business. They will tell you why, if you will be patient with them.

I thank you very much.

Senator SMOOT. Your brief will be printed, Mr. Wierum.

**BRIEF OF H. F. WIERUM, REPRESENTING AMERICAN MINERAL PRODUCTION CO., VALLEY, WASH.**

As general manager of the second largest magnesite producing company in the country, which produced 65,000 tons of crude in 1920, I beg to submit the following very brief statement of the condition and prospect of this magnesite industry in relation to the tariff:

1. *Production.*—The production of refractory magnesite has ceased altogether in America.

2. *Cause of shut down.*—This is due to the fact that the Austrian magnesite is now supplying the entire demand, which demand, however, is just now greatly reduced because of momentary stagnation in the steel business.

3. *Present American costs.*—The latest and lowest costs of American dead burned f. o. b. mines is \$25, ca.

4. *Prospective American costs.*—Presupposing a 20 per cent cut in wages to occur within the year, and also a reduction of 20 per cent in the cost of coal, then the lowest cost of American dead-burned magnesite f. o. b. mines will be \$22.25. The labor cost plus cost of fuel is 55 per cent of the total cost f. o. b. mines.

5. *Prospective American freights.*—Freight to the average point of competition with Austrian magnesite—Cleveland, Youngstown, Pittsburgh, etc.—presupposing a similar 25 per cent reduction, will be \$13.80.

6. *Prospective American costs at Pittsburgh.*—Thus the delivered cost of our American magnesite at Pittsburgh points, as of some future date, if the above reductions are realized, would be \$36.05. (The cost of the last actual deliveries was over \$43.)

7. *The present Austrian costs.*—Austrian magnesite can now be delivered at the same Pittsburgh points as above for \$19.60 at a profit. (For data confirming this see below.)

8. *Tariff necessary to compete with Austria.*—Therefore, a tariff of \$16.55 would permit Austrian magnesite to sell at a profit at the bare cost figure of American magnesite, assuming the above 20 per cent reductions from present American costs, as above.

9. *Water freight possibilities.*—Water freight rates now exist in conjunction with rail rates from magnesite mines to Seattle—which amount all told to \$14.99. (Made up by \$5.65 rail to Seattle, \$3.24 ocean freight, \$1.10 lighterage, dock charges, etc.). The utilization of this rate, however, entails an additional cost of approximately \$2.75 for sacking, which is not incurred with an all-rail haul. Hence the greatly reduced ocean rate amounts in reality to \$17.74, whereas I am admitting the possibility of an ultimate rate of \$13.80. On the other hand, the foreign product can arrive at New Orleans, and prewar rate New Orleans to Chicago was \$2.40.

10. *Method of determining Austrian costs.*—Austrian costs are arrived at as follows: In 1914 the regular sales price of Austrian (including profit) was between \$14 and \$16

per ton f. o. b. all Atlantic cities. Sales at \$13 are on record. During this year (1914) Austrian labor rates and fuel rates were higher by from 10 to 15 per cent than they are to-day. Present rates for labor and fuel have been ascertained this year through a personal trip to Austria, etc., by the president of the largest refractory company in America. Labor and fuel approximate 60 per cent of the cost; ocean freights are a couple of dollars higher now than then, but temporarily so—hence Austrian costs f. o. b. American ports are now as low or lower than they were in 1914 before the war.

#### PLASTIC CALCINED MAGNESITE.

Last year's dead-burned magnesite production was about 90,000 tons. During the same period 35,000 tons of plastic calcines were produced at a time of the utmost depression in the buildings trade. I can not take your time to show the immense possibilities of growth in the industry—plastic magnesite for walls, stucco, floors, building blocks, decks of ships, etc., but will merely state that I believe it will rival the demand for dead burned in a few years, if allowed to develop by means of some protection. Both consumers and producers favor this tariff, because quality and cooperative effort between producer and consumer are the recognized essentials to the success of this industry. The cost of producing a ton of plastic calcines is slightly higher than the cost of producing a ton of dead burned. This important branch of the industry, in which there are dozens of keen competitors, should be given full consideration in the question, and the fact that consumers as well as producers plead for protection is it seems to me very impressive.

#### CONCLUSIONS.

All the above are facts accurate within very small limits, and prove—

First. That if American wages and fuel costs are reduced 20 per cent and freight rates 25 per cent then a tariff of \$16.65 would just equalize American costs with Austrian sales price at the center of consumption, and would therefore throw much of the business to Austria.

Second. Such a tariff of \$16.65 would, however, yield the United States Government an income of about \$1,500,000 annually, but would cut off an income of some \$1,500,000 to American railroads, and approximately \$1,000,000 to American workmen, by diverting much of the business to Austria.

I respectfully ask that the proposed tariff of \$15 per ton on calcined and \$10 per ton on crude be imposed to render the United States producers at least nearly competitive with foreign producers.

#### STATEMENT OF F. E. SCHUNDLER, JOLIET, ILL.

Mr. SCHUNDLER. My name is F. E. Schundler, of Joliet, Ill.

Senator SMOOT. Have you a brief that you desire to have printed?

Mr. SCHUNDLER. Yes, sir; I have prepared a brief that covers the subject of plastic magnesite.

I am here on my own behalf as the largest dealer in plastic magnesite in the United States. I am also here on behalf of three large chemical companies; that is, the Dow Chemical Co., the Victor Chemical Works, of Chicago, and the P. W. Drackett Co., of Cincinnati, Ohio. I am also here on behalf of 4 jobbers of magnesite and importers, and also on behalf of 18 large manufacturers of magnesite flooring and magnesite stucco.

A list of these manufacturers is attached to my brief. These manufacturers are located all over the country. We are all in favor of the duty of \$15, or three-quarters of a cent a pound on magnesite. Last year the manufacturers whom I represent used 25,000 tons of plastic magnesite. The total consumption of plastic magnesite was 35,000 tons. Consequently, the manufacturers who purchased and used plastic magnesite and are in favor of the duty represent 70 per cent of the consumption.

A few days ago, on August 16, at a hearing, it was stated that the majority of the consumers were opposed to the duty. This statement was not based on facts, but on assumptions only.

The manufacturers whom I represent have not been consulted in the matter, and this is the reason that I appear here to call your attention to this fact. The reason that we are in favor of the duty is this: Prior to the war the plastic business was insignificant. There was practically no plastic business. The architects all over the United States were opposed to the use of magnesite. The foreign magnesite was unreliable. Sometimes we had a good job and sometimes a bad one. With reference to exterior stucco in 1914, 4,000 houses were covered with it. Last year, due to the fact that we were able to obtain a high grade magnesite, we covered 40,000 houses with material of this kind made from American magnesite. I, myself, last year, handled \$1,200,000 worth of magnesite. The manufacturers whom I represent handled over \$5,000,000 worth.

Senator LA FOLLETTE. Why do they favor a duty?

Mr. SCHUNDLER. We favor a duty because the Grecian magnesite, which is mostly used for plastic purposes, is not uniform. It is not up to the standard. But, on the other hand, our business grows fast, and each year a number of new parties start into the business, and naturally they want to get business. Consequently, they buy the cheapest magnesite they can obtain. When you build a house and cover it with magnesite stucco, you can not tell during the first two years whether or not the stucco is good or bad. The defects in a magnesite stucco, and the same applies to composition flooring, will not show up for two or three years. Consequently, the contractor who buys the stucco does not know whether or not it is a good stucco. He will know in two or three years.

Most of the architects before the war were absolutely opposed to the use of magnesite in stucco and flooring. Now that we have proved to the architects that we make a good material, they are in favor of it.

If we permit great quantities of foreign magnesite of an inferior quality to come in—and it is coming here at the present time—it will mean that the exterior stucco applied on a great number of houses will fall to pieces. It will mean the industry will be discredited. It will mean that the architects will again oppose the use of the material and destroy our industry. It will mean that the manufacturers will have to band together and erect new machinery over in Greece to produce the material.

We have two choices—going over to Greece or keeping on using American magnesite.

At the present time the eastern market is supplied entirely by foreign magnesite. I myself imported 6,000 tons this year. The reason I had to do it was because I could not keep the business in the East and use domestic magnesite. I attempted to. I shipped by water, which is the cheapest way, and it cost me \$15 a ton freight to Chester, Pa. I tried to compete with the Grecian product, but I could not.

I bought only a few days ago 2,200 tons of Grecian magnesite at \$12 a ton. The freight rate by water from the California mine to Chester, Pa., is \$15 per ton. So you can see that I can not use California magnesite and stay in business in competition with the Grecian magnesite.

Senator CURTIS. You say you bought the Grecian magnesite at how much?

Mr. SCHUNDLER. \$12 a ton f. o. b. cars.

Senator WATSON. Have you ever bought any in Venezuela?

Mr. SCHUNDLER. No, sir; we have not bought any from Venezuela recently.

Senator WATSON. Or from Canada?

Mr. SCHUNDLER. No, sir; none from Canada. The quality in Canada is not suitable for our purposes. It is all right for chemical but not for plastic purposes.

During the war, and at present, in the Middle West practically all domestic magnesite was being used for plastic purposes. Recently there were quotations being made of such a low price that the mines in California simply had to shut down. They shut down in June. They could not compete with the Grecian magnesite.

So it will mean that sooner or later it will be all again the foreign magnesite. The American mines will have to shut down and the market will be flooded with cheap grade material.

Senator LA FOLLETTE. You said that the transportation charge on the California magnesite would be \$15 a ton to Chester, Pa.

Mr. SCHUNDLER. Yes, sir; by water, shipped by rail to San Francisco and then by Luckenbach Steamship Co.

Senator LA FOLLETTE. In addition to that, what would a ton of California magnesite cost you?

Mr. SCHUNDLER. The same kind of ore we bought would cost not less than \$10 per ton in California.

Senator LA FOLLETTE. It is \$25, as against \$12 that you pay for the Grecian?

Mr. SCHUNDLER. Yes, sir.

Senator LA FOLLETTE. Then, with the transportation charge cut right in two in the middle you could not compete with the Grecian magnesite?

Mr. SCHUNDLER. No, sir.

Senator LA FOLLETTE. Not without a duty?

Mr. SCHUNDLER. No, sir. The manufacturers feel, however, that the California producers and Washington producers, who also started in plastic magnesite and turn out a good article, will be forced to shut down if we for the next two or three years have to use Grecian magnesite. It takes time to install machinery over in Greece, which we will have to send over there. It took several years before we could get the California article.

Senator LA FOLLETTE. Do I understand you to say that you could not use the Grecian magnesite as it is now produced?

Mr. SCHUNDLER. It will not stand up. If the manufacturer who uses the American magnesite pays \$15 or \$20 more for this article, or is in competition with the manufacturer who buys the cheap-grade material, he will not be able to sell his material, and consequently will be forced to use the cheap-grade material.

Senator LA FOLLETTE. What are you intending to do with the Grecian magnesite which you say you purchased the other day?

Mr. SCHUNDLER. Return it and grind it at Chester.

Senator LA FOLLETTE. But what do you do with it? You say it is not usable, that it will not stand up.

Mr. SCHUNDLER. We can sell it. It will not stand up well. We are going to have trouble with it. All we can do is to either

go out of business and leave the other fellow to sell it, or buy it ourselves and sell it. We might just as well do that and try to stay in business if we can.

These are the reasons why the manufacturers who use 70 per cent of the plastic magnesite are in favor of a duty.

Senator SMOOT. You represent a good many concerns?

Mr. SCHUNDLER. I represent myself and 25 other concerns.

Senator SMOOT. They use 75 per cent?

Mr. SCHUNDLER. Seventy per cent of the plastic magnesite consumed in the United States. They used last year 25,000 tons. The total consumption was 35,000 tons.

Senator GERRY. Are not architects likely to demand a certain grade of magnesite?

Mr. SCHUNDLER. The Bureau of Standards has been trying to establish a uniform standard for magnesite. They so far have not issued any pamphlets on the subject, but they are still working upon the question. I was there the day before yesterday, and they have done extensive work in calcinations. The Government equips them with a special kiln and other machinery, the idea being to produce a standard grade of magnesite. So far it has not been done.

Senator GERRY. Can not the builder tell what kind of magnesite he is getting?

Mr. SCHUNDLER. No, sir.

Senator GERRY. He can not call for a specific kind, then, in his contract?

Mr. SCHUNDLER. No, sir; he can not.

Senator GERRY. There is no way of telling the difference between the Grecian and the Californian?

Mr. SCHUNDLER. Yes, sir. The large manufacturers who employ chemists can test the difference; but the man that buys the material can not test the difference. The difference will not show up within two or three years.

Senator GERRY. There are chemical tests that show the difference?

Mr. SCHUNDLER. No; not a chemical test, only a physical test. If he takes this material and exposes it to a constant spraying of three or four days and makes breaking tests, he will find that in one magnesite it will break very easily and in the other it will not break. You find that these pebbles [indicating on exhibit] will come out, and in the other they will not.

Senator GERRY. Why can not a builder make a test like that? Is it too expensive?

Mr. SCHUNDLER. Yes; it is too expensive. He has not the equipment. It is just like a man handling cement. A contractor using cement has no equipment for testing the cement. He has to rely on the manufacturer.

Senator SMOOT. Was there anything else that you desired to say?

Mr. SCHUNDLER. I wish to file this brief which covers these matters.

Senator SMOOT. The brief will be printed as a part of your remarks.

**BRIEF OF F. E. SCHUNDLER, REPRESENTING CERTAIN CONSUMERS OF CALCIUM MAGNESITE.**

My name is F. E. Schundler. I am the largest dealer in plastic magnesite in the United States. I also represent here three large chemical companies; that is, the Dow Chemical Co., of Saginaw, Mich.; the Victor Chemical Works, of Chicago Ill.; and the P. W. Drackett Co., of Cincinnati, Ohio. Furthermore, I represent four jobbers of magnesite: The A. Daigger Co., of Chicago, Ill.; H. P. Ketchum & Co., of

Chicago, Ill.; the Tyler Patterson Co., of Cleveland, Ohio; and the Wishnick-Tumpeer Chemical Co., of Chicago, Ill. In addition I represent 18 manufacturers of magnesite flooring and magnesite stucco, as follows: The Alliance Stucco Co., of Alliance, Ohio; American Magnestone Corporation, of Springfield, Ill.; American Magneeda Products Co., of Chicago, Ill.; American Materials Co., of New York, N. Y.; American Stucco Manufacturing Co., of Barberton, Ohio; Art Stucco Co., of Pittsburgh, Pa.; Art Stucco Materials Co., of Detroit, Mich.; Chlorostone Products Co., of Marselles, Ill.; Flexotile Products Co., of Birmingham, Mich.; Keystone Stucco Co., of Detroit, Mich.; Perkins Builders' Supply & Fuel Co., of Des Moines, Iowa; Velvetile Floor Co., of Chicago, Ill.; the Robbond Co., of Vanwert, Ohio; Thomas Moulding Brick Co., of Chicago, Ill.; United States Materials Co., of Chicago, Ill.; Wisconsin Lime & Cement Co., of Chicago, Ill.; the Builders of Homes Co., of Springfield, Ohio; and the National Magnesite Stucco Co., of Cleveland, Ohio.

We all favor the duty of \$15 on calcined magnesite provided for under Schedule 1, paragraph 47, H. R. 7456.

Statements have been made before the committee in the recent hearings that the majority of manufacturers of oxychloride cement—that is, magnesite flooring and stucco—opposed the duty of \$15 on calcined magnesite. These statements are not based on fact, but are assumptions only. Only a minority of the manufacturers oppose this duty. The manufacturers in whose behalf I am here and the National Kellastone Co., represented here by Mr. Watkins, who just addressed you, last year used 25,000 tons of calcined magnesite. The total consumption of calcined magnesite in the United States was 35,000 tons. Consequently, the manufacturers in favor of this duty used 70 per cent of the total calcined magnesite consumed in the United States.

Furthermore, statements have been made which make it appear that the calcined magnesite industry is negligible. My business alone in calcined magnesite last year amounted to \$1,200,000. The business of the manufacturers I represent, including the business of the National Kellastone Co., represented here by Mr. Watkins, amounted to over \$5,000,000. We are the main users of calcined magnesite and are absolutely in favor of protection of the American miner.

There are two grades of calcined magnesite. One is known as caustic or plastic magnesite, the other as dead-burned magnesite. The consumers I represent use plastic magnesite only. They manufacture from this material stucco and composition flooring.

The business has been growing constantly, especially since the American manufacturer of magnesite commenced producing a better grade magnesite. Last year approximately 40,000 houses were covered with exterior stucco made from magnesite. The magnesite flooring industry is also growing rapidly.

The larger manufacturers of stucco employ chemists who work in close cooperation with the American manufacturers of domestic magnesite. By this cooperation the American miner was successful in producing a magnesite which gives better strength and more lasting qualities to the exterior stucco and flooring produced by the manufacturers. The product should still be improved, and the manufacturers and consumers feel that this can be done better by cooperation with the American producer, as ideas can be readily exchanged, whereas if the supply is obtained entirely from foreign countries this same cooperation can not be had.

The consumers of plastic magnesite are vitally interested in obtaining a magnesite of high grade; uniform quality. There are some consumers who will buy, considering price only, disregarding quality. The defects of magnesite stucco, due to the use of inferior quality magnesite, do not show up on a stucco house for two or three years. This fact enables the stucco manufacturer who buys the cheapest grade of magnesite to get the business, whereas the manufacturer buying a high-grade material will either have to be satisfied with a very small amount of business based on a high-grade material or will be forced to use the cheaper magnesite.

The principal caustic magnesite consumers fear that this will take place, with the result that a great number of the magnesite stucco walls will crack, fall off, and give owners, architects, and the general public the impression that magnesite stucco is a failure.

Prior to the war the plastic magnesite industry depended entirely on foreign sources of supply for magnesite. At that time the industry did not develop very rapidly, chiefly due to the defects found in a great number of magnesite jobs. The architects, in a great number of cases, opposed the use of magnesite stucco.

The American producer of magnesite by cooperation with the consumer has been able to produce a magnesite of good quality, with the result that now a great number of architects recommend this material.

The eastern territory of the United States is at present supplied entirely with foreign magnesite. The Middle West in the near future will also be supplied with foreign

magnesite, due to the great difference in price, unless a duty is placed on foreign magnesite, giving the American producer a chance to compete with foreign products.

The producers of magnesite have furnished myself and the consumers I represent with sufficient proof that they will not be able to continue to turn out a high-grade magnesite in competition with foreign magnesite, and will have to lower the standard of their quality to be able to compete with Grecian magnesite in the Middle West territory, or suspend operations entirely.

The consumers realize that a cheap quality of magnesite will mean ultimate destruction of the entire plastic magnesite industry, and are therefore in favor of a duty of \$15 per ton on calcined magnesite, which will enable the American producer to continue to turn out a good product and to further improve the quality of their material, and will also force the foreign producers to improve their quality.

**STATEMENT OF C. E. WATKINS, REPRESENTING THE NATIONAL KELLASTONE CO., CHICAGO, ILL.**

Mr. WATKINS. My name is C. E. Watkins, 15 Park Row, New York. I represent the National Kellastone Co., of Chicago.

The National Kellastone Co. is the oldest manufacturer of magnesite stucco in this country. Those who are in a position to be informed advise that we consume approximately one-third of the caustic magnesite used in this country for plastic purposes.

We are in favor, as a manufacturing concern using large quantities of magnesite, of the tariff on magnesite as proposed in paragraph 47.

I desire to address myself to caustic magnesite only, Mr. Bishop and Mr. Wierum having spoken at length with reference to dead-burned magnesite. Caustic magnesite is used in the manufacture of what is known as oxychloride cements. These are chiefly an exterior stucco building material, composition flooring, interior plaster, and certain kinds of tile.

We are in favor of the proposed tariff on magnesite for two reasons: First, because the oxychloride cement industry in this country has reached the point where a domestic source of supply is essential; second, because the oxychloride cement industry in this country has reached the point where standardized processes and scientific methods of production are absolute requirements, if the industry is to continue to expand and advance.

Prior to 1914 all of the caustic magnesite used in this country was imported, largely from Greece. Imports were cut off by the war, and it became necessary for the American manufacturer to obtain material from domestic sources or go out of business. American capital invested itself in American mines and calcining furnaces, and, using the domestic product, our industry has increased tremendously during the past several years. This has been both because of having a constant and dependable source of supply and because the American producer, cooperating with ourselves and other manufacturers, has worked out standardized processes and scientific methods of production. This has made possible, as Mr. Schundler has indicated, briefly, an increasingly higher type of manufactured product, and it is that that we desire to continue.

Without the benefit of this protective tariff the American producer of caustic magnesite—and, mind you, the Kellastone Co. is a manufacturer of oxychloride cement products—without the benefit of this protection, in our judgment, the American producer of caustic magnesite will be forced to do one of two things; either he will go out of business, as before 1914, or, in order to compete with lower-priced Grecian magnesite, he will cease to apply those stand-

ardized processes and scientific methods of production which, working together with ourselves and other manufacturers, he has developed during the past six or seven years. In either event the oxychloride cement industry will suffer.

It may be asked why it is not possible for the foreign producer to apply these same standardized processes. Possibly he could, but it is not at all likely. He has neither the knowledge nor the facilities to work them out; and he has evidenced no inclination to desert his previous antiquated methods. It would likely require an investment of American capital in order to accomplish this. There is no necessity for diverting American capital to foreign industry when it is already successfully invested in going American concerns. Also it would take years to work out and apply these processes with the consequent delay and harm to the American manufacturer.

But the big point, in our judgment, is this, that even if these processes were worked out for the foreign producer, with the attendant delays, and fathered by American capital, it is unlikely that we, as manufacturers, could ever receive the full benefit of them. This is because of the distant source of supply and because of the many rehandlings and the time involved and because magnesite is an extremely sensitive material and deteriorates rapidly, both with aging and because of taking on moisture.

There is sufficient caustic magnesite available in this country to take care of the oxychloride cement industry with all of its expansion possibilities for a great many years to come.

As I said before, we are the oldest manufacturer of magnesite stucco in this country and consume approximately one-third of the total caustic magnesite used for plastic purposes. We are in favor of this protection for the producer because we want him to be able to continue in business. We believe that a domestic source of supply is essential; and we want to continue these scientific processes which have been worked out and which are still being developed by the American producer. These are absolute necessities if this industry is to continue to expand and advance.

#### **STATEMENT OF S. H. BARROWS, PORTERVILLE, CALIF., REPRESENTING THE SIERRA MAGNESITE CO.**

Prior to the outbreak of the European war in 1914 the manufacturers of oxychloride cement products were almost entirely dependent upon foreign supplies of calcined magnesite and magnesium chloride. In fact, during the entire period previous to 1914 a total of less than 500 tons of powdered calcined American-produced magnesite was consumed east of the Rocky Mountains; yet more than 95 per cent of all the magnesite used in the United States finds distribution east of the Rockies.

When the European supply was completely stopped because of the war, American citizens took up the task of filling the urgent needs for magnesite required for refractory and chemical purposes and upon which the very existence of the oxychloride industry was wholly dependent.

While I have not the figures before me now, the records of the Geological Survey give evidence of the energy, effort, and capital employed to supply this necessity for the demands of war and that the oxychloride industry might be kept from perishing. I believe the reports of the Geological Survey indicate that production of magnesite in the United States jumped from a paltry few thousand tons before 1914 to several hundreds of thousands of tons per annum in the ensuing years.

To accomplish this undertaking large sums of money were invested, railroads, manufacturing plants, and efficient organizations built and put into operation, new deposits located, developed, and equipped to produce in a big way, and now, with

foreign material again coming freely into our country under rates of exchange decidedly unfavorable to the American producer, miners and calciners have operated to only a fraction of capacity for a period of nearly a year, and at present there is not a magnesite mine or mill in the United States operating.

While it is realized that a substantial shrinkage in business may be attributable to the general depression prevailing, yet every ton of foreign material entering this market is sorely needed to minimize the losses which continue to relentlessly drain the resources of those concerns who are struggling to protect the capital and years of labor put forth at a time when their services were imperative to our country.

Foreign magnesite produced under a much altered wage scale and lower standard of living, aided by a marked disparity in monetary exchange, is also favored by a water rate of approximately \$6 per ton in cargo lots as against a rail rate from California to New York in carload lots of \$22 per ton.

At the present time ample mining and plant facilities are available to supply nearly double the total plastic magnesite requirements of the country, using 1920 consumption, the largest previous on record, as a basis of computation. Additional equipment may be readily installed to provide for any increased demand that may become manifest.

During the seven years that American enterprise has engaged in magnesite production new and greatly improved processes of preparation have been developed, making available a material not only decidedly superior in activity but more uniform and dependable. If enabled to carry forward to conclusion the manufacturing methods now in the course of development, there is every reason to believe that magnesite will find greatly increased uses in the field of construction and that the scope of the oxychloride industry will be appreciably broadened and standardized.

The European magnesite producer has not alone failed to advance the quality or standard of magnesite for plastic uses but he is neither equipped to make a calcined material that will conform to newer proven higher standards nor does he evidence any indication of relinquishing his antiquated practices.

Owing to the great distance from our market, Grecian magnesite is handled several times, in ways injurious to the material, before arriving at destination for use, so that its condition is always variable and decidedly questionable.

That American manufacturers of oxychloride goods using magnesite have indisputable knowledge of the greater value of American made magnesite may be witnessed by the fact that, at its annual meeting held March 1, 1921, in the Industrial Building, Bureau of Standards, Washington, D. C., the National Association of Oxychloride Cement Manufacturers unanimously passed a resolution favoring a tariff to be levied on receipt of all foreign calcined lump or powdered magnesite. Mr. Robert W. Page, president of the Marbleoid Co., New York City, secretary of the above association, has a record of the resolution above referred to.

It will clearly be seen that the single incentive urging the purchase of foreign magnesite by domestic manufacturers centers purely on the matter of lower price made possible, first, through unequal force of circumstances which the American operator can not at this time meet, and, secondly, because the American article is made under new and modern processes, giving careful consideration to accurate practices entailing certain additional costs but resulting in a product of greater value and standard uniformity.

Permit me to enumerate some of the serious injuries that would be attendant upon the destruction of this young but vigorous industry, the life of which at this time is entirely dependent upon assistance by our Government in the form of the tariff now before the Senate:

Complete loss of large sums of capital invested in properties, development, equipment, etc.

Cessation of development of this important natural American resource.

Depriving thousands of American laborers of employment in this particular field of activity.

Loss of business to domestic suppliers of fuel for burning ore, commissary supplies, mine and plant equipment, electrical power, etc.

Payments of huge sums for transportation so sorely needed by the railroads of the United States would be diverted to foreign carriers.

Both operators' and employees' deposits would necessarily be withdrawn from domestic institutions and go to increase the holdings in other countries.

The purchase of foreign magnesite holds no reciprocal advantage in any sense of the word. It is a one-sided transaction, beneficial only to the foreign seller. No oxychloride products made with magnesite are sold or reshipped to foreign consumers. Therefore, every dollar used to purchase European magnesite leaves this country a full 100 per cent not to return again.

And why the objection to the perfectly fair and reasonable tariff prayed for? Does it work any hardship, any unfair disadvantage, to American citizenry?

If carefully reasoned out, it will be conclusively seen that, in the long run, a tariff will prove decidedly beneficial to American business rather than injurious in any way.

To begin with, at this time, even in the face of the extremely meager tonnage being used, the American producer is quoting figures considerably below those prevalent during the war period. Foreign magnesite distributors are now selling at a lower price than the domestic seller and can still lower their prices, should it become necessary for them to do so.

With an increase in the general business activity of our country and particularly the construction industry, quite a substantial acceleration in the demand for magnesite should assert itself. If the available American business can be secured by American producers, this, together with the natural growth of the industry, will sufficiently increase the volume of tonnage so that production costs will be lowered and a consequent decrease in selling costs to the United States consumer could be positively anticipated.

American magnesite producers, up to this time, have never been able to actually know whether the business could be considered permanent. The result has been that, in a majority of cases, the principal could not proceed with the development, plant layout, and financing that would be warranted were it made certain that foreign competition would not obliterate their holdings.

Even assuming that American magnesite cost the oxychloride cement manufacturer the full excess of the amount of tariff protection asked for, namely, three-fourths cent per pound, or \$15 per ton (which it does not) and laying aside for the time being the better process of preparation and calcination resulting in greater value, the increased cost to the ultimate consumer is really negligible.

For instance, in the case of exterior stucco, for which 70 per cent of all plastic magnesite is used, the total increase in the cost to manufacturers of a complete ton of stucco would be but \$1.85, or an increase of less than 5 per cent of the average selling price f. o. b. eastern mill. In the Central West the increase per ton of manufactured stucco would be only about 2 per cent.

However, again going to extremes that it may be appreciated how inoffensive the proposed tariff might be if the hardest conditions had to be considered, if the American producer charges the full tariff rate of \$15 a ton more for his magnesite than the foreign producer, and if it were all used on the eastern seaboard, thereby increasing the cost of stucco full \$1.85 per ton, it would add less than 3 cents to the completed cost of a square yard of stucco in place on the building, or an average total additional cost of approximately \$7.50 to the usual suburban residence. In the case of oxychloride flooring, commonly known as composition flooring, and please bear in mind we will again use the extreme case (more favorable from a comparative standpoint to those opposed to the tariff) the increase would average less than 1 cent per square foot. In the case of partition tile, on the same unfavorable basis, the increase in price would be less than 1 cent per square foot or under \$1 per thousand feet. In various other products the proportionate increase is even less.

However, the actual facts in the case are that at the present prices of American-produced magnesite, the added costs to the ultimate consumer are less than half those related.

The monetary difference is, therefore, almost nil. Considering the better grade of material, a tariff can not possibly work to the disadvantage of the consumer even at this time when the American industry must have assistance or it will be completely wiped out.

Offset the tremendous advantages gained by protecting the capital invested, the labor employed, the development of American natural resources, the money spent for supplies, power, freight, etc., against the infinitesimal present or temporary difference in cost and I believe you will agree that there can be little room to question the advisability of granting the protection needed.

During the past two or three years a great deal of money has been spent and study devoted for the purpose of devising still better processes of making calcined magnesite from deposits heretofore considered unsuitable and in various other locations throughout the country.

If through the tariff assistance asked for, our present producers are permitted to continue in business and others to enter the field of production, the research work already done gives very good ground for the belief that at no great distant date these partially developed methods can be put into commercial practice. If successful, it will enable domestic operators then to market magnesite at figures with which it will be extremely difficult, if at all possible, for the foreigner to compete.

In summing up, the following conclusion, may be drawn: 1. That the present selling prices for magnesite will not be increased without other corresponding advances, such as labor, fuel, supplies, transportation, etc.

2. That using present selling prices against an unfavorable comparison contemplating a difference of the full amount of tariff asked for works no hardship on either the manufacturer of oxchloride products or the ultimate consumer.

3. That considering the better quality of domestic magnesite and its standard uniformity, the incorrect difference used in comparison would actually be warranted.

4. That some reduction from present prices may almost be considered certain, at such time as the volume of tonnage increases sufficiently to effect a lowering in production costs.

5. Located in various parts of the Western States are reserves of high-grade crude ore amply sufficient to supply the full requirements of the plastic magnesite trade for many years to come, anticipating a substantial increase in the use of this material. Furthermore, no apprehension need be felt relative to any needed mine or plant equipment to meet any and all demands that may arise.

6. That assistance in the form of a tariff is absolutely imperative. Without it I believe that I can positively state the magnesite industry will not be able to survive a year from this date.

7. That, viewed from all angles, the tariff for which the miners and calciners of magnesite have prayed will prove to be a distinct advantage and in no way detrimental.

I have discussed this subject wholly from the standpoint of the production of plastic calcined magnesite for oxchloride cement purposes. I have done so because the bulk of our business consists of the production of this commodity and I am personally thoroughly familiar with every phase of this line of business. I know also that the producers of dead-burned magnesite are equally in need of assistance, but I leave it for those particularly specializing in the making of refractory magnesite to present the urgency of their case.

The Sierra Magnesite Co. is a consolidation of nearly all of the magnesite workings in the San Joaquin Valley, known as the Porterville district, under one ownership and management, the object being to effect every possible economy in operation.

### MAGNESITE AND MAGNESIUM CHLORIDE.

[Paragraph 47.]

#### STATEMENT OF JOHN ANDERSON, OF INNIS SPEIDEN & CO. (INC.), NEW YORK CITY.

The CHAIRMAN. State your full name.

Mr. ANDERSON. My full name is John Anderson.

The CHAIRMAN. Where do you reside?

Mr. ANDERSON. Jersey City, N. J.

The CHAIRMAN. What is your business?

Mr. ANDERSON. Manager for a department of Innis Speiden & Co., New York.

The CHAIRMAN. What do they produce?

Mr. ANDERSON. They are dealers in colors, heavy chemicals, magnesite, and chloride.

The CHAIRMAN. What duty do you want to address yourself to?

Mr. ANDERSON. To magnesite and magnesium chloride.

The CHAIRMAN. What duty do you want?

Mr. ANDERSON. We think if the present duty is put on it will simply stop material from coming in.

The CHAIRMAN. All right; go on briefly.

Have you a brief you want to read?

Mr. ANDERSON. No, sir; I have just a few notes here.

The CHAIRMAN. Do you want to print any brief?

Mr. ANDERSON. Yes, sir; I can do that.

Senator SMOOT. Will you state briefly just what you want? You do not want magnesite free, do you?

Mr. ANDERSON. We think it should come free—crude particularly.

Senator WALSH. If they would name the item and the words they wish stricken out or change it.

The CHAIRMAN. And state what they want. They rove all over the field and do not tell the committee what they want. It is presumable they all want an increased duty.

Senator SMOOT. To facilitate matters, I will ask the question: "Magnesium: Carbonates, precipitated, 2½ cents per pound; chloride, three-fourths of 1 cent per pound." Do you want carbonate, precipitated, free?

Mr. ANDERSON. No; we want the calcined.

Senator SMOOT. "Calcined magnesium not suitable for medicinal use and calcined magnesite, including dead-burned and grain, three-fourths of 1 cent per pound." What do you want on that?

Mr. ANDERSON. That should be free.

Senator SMOOT. And magnesium you are not interested in?

Mr. ANDERSON. Yes, sir; magnesium chloride.

Senator SMOOT. What do you want on that?

Mr. ANDERSON. We think the present duty is high enough—15 per cent.

Senator SMOOT. You want 15 per cent on the magnesium and free on the other?

Mr. ANDERSON. Yes, sir. We give our reasons for that in our brief. Magnesite is controlled more or less by three interests in California and one in Washington. They own, have leases, or control other mines, many of which they have shut down. Sierra Magnesite own or lease Porterville and Tulare. Maltby controls Western Development, White Rock, and has an arrangement with Samson to take fines and calcine in Scott (quicksilver kiln). In that connection I refer to Mineral Resources, 1920, Part II, page 8. That is a Government report.

Oxychloride cement business is only in its infancy, and should duty be imposed, would be at the mercy of those who control. In normal times California can not furnish more than would supply the West and Middle West.

A large number of masons and others are considering going into the business, but are awaiting the result of this tariff bill and will not go into it if proposed duty goes through.

The Bureau of Standards, as shown in Mineral Resources, 1920, Part II, pages 14 and 15, show that more magnesite should be used than has been used heretofore, and the material should be equal to at least 85 per cent of magnesium oxide. Sierra Magnesite Co. have been quoting, on hand, selected white, better than 88 per cent; A grade Tulare, better than 85 per cent. Very, very few people can buy at the price they ask. The Tulare people bought the National Co., who used it for their white stucco work.

Senator SMOOT. You get this from Japan?

Mr. ANDERSON. No, sir; ours comes mostly from Greece. It originates in Greece and is burned in Holland and Germany. The standard sierra, better than 80 per cent, you see—that is below the grade required to make oxide; and No. 20 is 70 per cent—that is away below.

Under present conditions California producers are quoting lower than importers can quote. Orders for imported material are taken mostly on account of the superiority of the material, and California producers have clauses in their contracts protecting buyers against drop in the market prices. I know that because I have made the contracts for the other people. At the same time, we refer to a report dated January 9, 1920, addressed to Hon. James Watson, signed by a committee of magnesite users, in which we concur.

No crude is coming here now, owing to threatened duty, as they could not calcine and prepare here should a duty be imposed. This industry would give employment directly and indirectly to quite a number. There are practically no calcining plants now, except in California and Washington.

Senator SMOOT. Do you say any crude is coming here?

Mr. ANDERSON. No, sir; not in the last year.

Senator SMOOT. That is, of magnesite?

Mr. ANDERSON. Crude magnesite. There has some come in here before, but it is not sold—most of it.

Senator SMOOT. Why should the amount of imports increase if they were not sold; for instance, in the year ending June 30, 1921, there were imported in here 50,352 tons of the value of \$787,411.

Mr. ANDERSON. When was that?

Senator SMOOT. That was for the year ending June 30, 1921. But in the month of June, 1920, there were 4,027 tons imported; and in the month of June, 1921, there were 6,999 tons imported.

Mr. ANDERSON. Of crude material?

Senator SMOOT. Of crude material.

Mr. ANDERSON. While I know of some crude material coming in here for chemical and refractory purposes, but none for oxychloride cement purposes, which is the branch of business we represent.

Senator CURTIS. Is it not because the producers in California can not operate and pay the freight across the continent and compete with the imported magnesite?

Mr. ANDERSON. During the war, when the American producers in California had no competition from imported material, they sold calcined magnesite at \$35 to \$40 f. o. b. mines on the Pacific coast, which was the equivalent of \$58.40 to \$63.40 per ton delivered to eastern seaboard, which price is the present current price and in competition with imported material of suitable quality for these purposes. Any duty added would prohibit the importation, thereby defeating the purpose of the Government to raise revenue and benefit only three producers to the detriment of hundreds of consumers.

Senator SMOOT. The statement you made was that there were no importations. June, 1921, is the highest month for importations of magnesite that I know in the history of the country.

Mr. ANDERSON. There was one shipment of 4,000 tons came in and the bulk of that shipment is still lying at Elizabeth, N. J., not sold.

Senator SMOOT. There were 6,999 tons imported during the month of June.

Mr. ANDERSON. The bulk of that shipment is lying over at Elizabeth, N. J.

Senator McCUMBER. Why can it not be sold?

Mr. ANDERSON. Nobody wants it, and there is no place to burn it in the East here. There is one place where they are burning some, down at Chester, Pa., at the Harbison-Walker plant, because their particular business is so poor. But the moment the brick business and the steel business get active again they will not bother with burning it.

Senator SMOOT. There is a good deal of this coming in, and they have to get it from somewhere.

Mr. ANDERSON. There may have some come in from Austria—I am talking of oxychloride cement business—some of the imported crude may have come in for use in brickmaking. Some of these large refractory brick people have been importing crude magnesite, but not for the oxychloride for that purpose. The same applies to magnesium chloride, except that there are only two producers of this in the United States.

Senator SMOOT. It is coming in, and being used for some purpose—I can not say for what purpose—but it has been imported.

The CHAIRMAN. The committee has had a good many communications on this subject.

Senator CURTIS. We have had extensive hearings last year, and they are represented in big volumes here.

Mr. ANDERSON. I have a letter here from the Marbleloid Co., who were unable to be present.

The CHAIRMAN. Do you speak for them also?

Mr. ANDERSON. Yes, sir.

The CHAIRMAN. Then we do not care to hear that statement.

Senator CALDER. Put that in the record.

The CHAIRMAN. We will print that as a part of your remarks. (The letter referred to is as follows:)

NEW YORK, N. Y., August 15, 1921.

DEAR MR. ANDERSON: I am handing you herewith by special messenger copy of the communication which I sent to all members of the Finance Committee protesting against the proposed tariff on magnesite and magnesium chloride.

It occurred to me after I mailed this letter that one point that I might have brought out, which I overlooked, was that at the meeting of the National Association of Oxy-Chloride Cement Manufacturers, held at Washington February 28, 1921, the association put itself on record as being opposed to a tariff on raw magnesite but approved a reasonable tariff on calcined magnesite.

This might be a fairly important point, as the Oxy-Chloride Association practically represents our industry and has put itself on record as being opposed to any such exorbitant tariff as that which has been proposed on calcined magnesite and it is opposed to any tariff upon the crude material.

I am very sorry indeed that circumstances are such that I will be unable to be with you to-morrow; but as I stated to you over the phone, I have set forth my views on this matter in the communication mailed to each member of the Finance Committee under date of August 5, 1921.

We are heartily in sympathy with your effort to secure a more reasonable tariff upon both magnesite and magnesium chloride.

Very truly, yours,

ROBT. W. PAGE.

BRIEF OF JOHN ANDERSON, REPRESENTING THE COMMITTEE OF MAGNESITE CONSUMERS.

As a committee of American oxychloride cement manufacturers, appointed for the purpose at a recently held meeting in the city of New York, we desire, through you, respectfully to present to your committee our protest against the enactment of House bill 7456, levying a tariff of \$15 per ton on calcined or caustic magnesite. A reading of the testimony taken before the Committee on Ways and Means and thus far taken before your committee reveals the fact that until now the discussion has related almost exclusively

to the tariff situation as it applies to dead-burned magnesite used for refractory purposes in the manufacture of steel, copper, and other metals. Attention thus far does not appear to have been directed to the fact that there is another already important and rapidly growing industry which is vitally affected by the proposed legislation.

We and our associates are manufacturers of oxychloride cement, a composition used for flooring, walls, stucco, insulating blocks, pipe covering, decks of ships, and like purposes, there being in the United States approximately 200 concerns engaged in this business, employing in the neighborhood of 7,500 men. Our industry was started in the United States about 20 years ago, and after the surmounting of many obstacles and struggling through vicissitudes of a most serious nature has finally reached the point where our product has become recognized as an essential building material of special value for its sanitary and fireproof qualities, and our industry has become established as an important and rapidly growing element in the building trade. Having reached this point after years of struggle we now suddenly find the very life of the oxychloride cement industry threatened by the enactment of the proposed bill, and we desire sincerely, emphatically, and earnestly to ask your attentive consideration of our case for the reason that it is our belief that upon your determination depends the existence or the destruction of all that we and our associates have succeeded in building up and establishing.

At the time that this bill was being considered by the Ways and Means Committee—July, 1919—it was stated that but 10 per cent of the magnesite mined in the United States was calcined for the caustic trade. We desire to call the attention of your committee to the fact that with the revival of building operations the volume of business of the oxychloride manufacturers increased so enormously during the latter half of the year 1919 that the domestic producers in many instances were unable to supply the calcined magnesite fast enough to enable the manufacturers to fill orders. The present rate of consumption is probably 50,000 tons crude per year, and the outlook for the year 1920 is such as to indicate that this rate will be far exceeded, provided that present prices are not materially advanced. It is reasonable to assume that in a very short period of time the consumption of caustic burned magnesite will equal that of dead burned, provided that the industry is not restricted by the levying of a tariff.

The lightly calcined or caustic magnesite used in our industry should be distinguished from the so-called dead-burned magnesite used for refractory purposes. Crude magnesite is calcined to produce one of two commercial products, namely, "dead-burned" magnesite, used in the metallurgical processes, and lightly calcined "caustic" or "calcined" magnesite, used by the oxychloride cement manufacturers in modern building. The calcination of the chemically active "caustic" magnesite can be carried out at a much lower temperature than that used to produce dead-burned magnesite, and to the consumer of the caustic magnesite this is a highly important operation, for upon the proper calcination depends the chemical activity of the material—that is, its ability to combine chemically with magnesium and chloride solution so as to form the hard, tough, elastic mass known as oxychloride cement.

The magnesite used in our industry is of an amorphous nature, and prior to the war came almost entirely from the deposits in Greece and Venezuela. When these importations were cut off by the war the magnesite used by the caustic trade was mined in California or in the island of Santa Margherita, in Lower California, Mexico, where the magnesite deposits are similar in character to those of Greece and Venezuela. The deposits in the State of Washington occur in the crystalline form, and except for somewhat lower iron content resemble the deposits of Austria. The Washington deposits have not furnished calcined caustic magnesite for the oxychloride trade, and the commercial value of the Washington material for our purposes has not yet been demonstrated. It is possible that by the installation of specially constructed calcining plants caustic magnesite may be produced from these crystalline deposits. Nevertheless, its use in the oxychloride trade will be limited owing to the unusually dark color of the Washington material due to the combination of chemicals found therein, while it is essential that much of the material used in the oxychloride trade shall be pure white. We therefore desire to emphasize the fact that in the event of the passage of the proposed act the oxychloride manufacturers will become dependent for their supply upon the California producers alone, whose production, as is hereinafter pointed out, is now insufficient both in quantity and quality to meet the requirements of our business.

We oppose the granting of a tariff of \$15 per ton on the caustic calcined magnesite upon the following grounds:

First. That it jeopardizes the future of the oxychloride industry:

Composition flooring and magnesite stucco are of particular value in the building industry in that they furnish a cement product which is fireproof, resilient, and exceedingly durable. These products show far less tendency to crack or dust than do Portland cement mixtures, and they possess from two to three times the tensile strength of the latter. Oxychloride cement products are unique in that they can be applied directly over wood in relatively thin layers—a feature which is of great value in the economical remodeling of old structures.

Oxychloride cement products are thus brought into competition with Portland cement mixtures, and it will be readily seen that any increase over the present high cost of raw materials will seriously affect if it will not destroy the future of this industry. Even at present prices the oxychloride cement manufacturer finds it difficult to secure a fair profit as his selling prices are already high in proportion to those of competitive building materials. That the costs of his raw materials have tremendously advanced is demonstrated by the fact that the prewar price at the Atlantic seaboard was \$25 per ton for calcined magnesite and \$16 per ton for magnesium chloride—the two essential raw materials—while to-day these prices are \$80 per ton for the magnesite (none of which is imported) and \$45 per ton for the chloride, an advance of 240 per cent and 280 per cent, respectively.

Second. That it is wholly unnecessary for the protection of American industry:

The present lowest price of ground California caustic magnesite at the Atlantic seaboard is \$60 per ton.

The present quotation on ground Grecian caustic magnesite on a 100-ton shipment due to arrive in February is \$75 per ton. It is therefore plain that California caustic magnesite can now be delivered without a tariff at the Atlantic seaboard at \$15 a ton less than the Grecian material.

The average cost of calcined magnesite to the domestic miners, as given in the sworn costs filed by them, is \$25.13. Adding \$3 for the cost of grinding freshly calcined magnesite, we have a cost of \$28.13 for the ground material at the mine. Adding the freight to the Atlantic seaboard—\$16.07—we arrive at the cost of the ground material at the Atlantic coast, or \$44.20. Subtracting this cost (\$44.20) from the selling price of \$60 we reach a profit to the domestic miner of \$15.80 a ton, which is equivalent to a profit of 58 per cent upon its cost at the mine of \$28.13.

Subtracting the cost of the domestic material at the Atlantic seaboard (\$44.20) from the present quotation upon the Grecian product (\$75) we have \$30.80 as the possible profit that the domestic miner may at the present time receive before he is brought into price competition with the foreign product. Such a profit is equivalent to 109 per cent on the cost at the mine of \$28.13.

The above figures apply to the Atlantic seaboard, and it is of essential importance to have in mind that the differential in favor of the American miner increases at inland points.

The Chicago district is the largest market for caustic magnesite. The freight rate on calcined magnesite from the Pacific coast to Chicago is \$12.87 and from the Atlantic coast to Chicago is \$7.50 per ton. The figures for Chicago are therefore as follows:

Price ground Grecian caustic magnesite, Chicago (based on present quotations).....	\$82.50
Present price domestic ground caustic magnesite, Chicago.....	57.87
Advantage of domestic over Grecian in Chicago.....	24.63
Average cost calcined magnesite to domestic miner.....	28.13
Add freight Pacific coast to Chicago.....	12.87
Cost domestic at Chicago (ground).....	41.00
Present price ground Grecian caustic magnesite, Chicago.....	82.50
Subtract cost domestic ground caustic magnesite, Chicago.....	41.00
Profit which it is possible for the domestic miner to ask before he is brought into price competition with the foreign product.....	41.50

This possible profit is equivalent to 147 per cent, based on the miners' cost at the mine—\$28.13.

If the proposed tariff of \$15 per ton is imposed, then the Grecian material would cost \$60 at the Atlantic seaboard and \$97.50 at Chicago, based upon present quotations. In this case the domestic miner would be in a position to secure a profit of \$45.90 Atlantic seaboard, or \$58.50 at Chicago, equivalent to a percentage of profit—based on cost at mine (\$28.13)—of 162 per cent and 200 per cent, respectively.

There is nothing in the present outlook which indicates a change in this comparative situation. Practically no calcined magnesite has been produced in Greece since 1915 owing to the lack of coal for the calcinating process. We are informed that the present quotation of coal in Greece is \$100 a ton, and we have no information which justifies the belief that an improvement in labor conditions can be predicted within the definite future. If lower costs come in Europe, it will undoubtedly be a part of a world-wide movement which will have its reflection in the United States. In any event, we respectfully and confidently submit that the judgment of your committee in a matter of such vital importance must be based upon conditions as they now exist, and not upon conjecture or speculation with respect to the future of Europe, which no man can reasonably or intelligently foresee. This much may certainly be said: That with the possible profit at present as high as 109 per cent New York, and 147 per cent Chicago, before coming into competition with the imported material, the domestic producers do not now and will not in the definite future need a tariff for the protection of their industry. The question, therefore, is not whether the California producers of magnesite shall be protected, but rather whether the business of the American manufacturers of oxychloride products shall be destroyed, solely for the purpose of increasing the already inordinate profit of the California producers.

Third. That the California producers will not be able adequately to supply the demand for caustic magnesite.

This condition has already existed for the past few months, and in the face of future requirements of the oxychloride trade, it will rapidly grow more acute, providing that our further growth is not to be restricted by the enactment of the proposed tariff.

Caustic magnesite used by our industry at present is principally supplied from five deposits—Santa Margherita, Porterville, Tulare, Sonoma, and Western. One of these, Santa Margherita, will be eliminated if this tariff is imposed, as it is situated within the boundaries of Mexico. Of the remaining four deposits, all located in California, that of the Western Mining & Development Co., located near Livermore, is suspended during the rainy season for from three to four months, owing to the impassability of the roads.

The oxychloride trade requires a white calcined magnesite, and in order to meet this requirement it has been the custom of the California miner to hand select the ore for the caustic calcination. When he found it difficult to keep pace with the demand during the fall of 1919, he was compelled to abandon this practice and take the run of the mine, with the result that his product is no longer of a good white color, but runs quite dark. In order to secure the hand-selected high-grade white material, the consumer is now asked to pay an additional premium of \$10 per ton.

The present inadequacy of the California production is not a temporary condition. For about four years the California producers have had a monopoly of the domestic market identical with that which would be secured for them by the proposed tariff, excepting only that the importations which have been received from Mexico would be excluded. There has been ample opportunity and incentive of profit to build up an industry which would fully and satisfactorily meet the requirements of the market. This, however, has not been done, and in our judgment can not be done in the future, and it may not be assumed that after the enactment of a prohibitive tariff the California producers will accomplish that which they have failed to do during a period of four years, during which they have had the entire market to themselves.

Fourth. That the limited supply of amorphous or white magnesite in this country should not be depleted.

Dead-burned magnesite used by the steel industry was not the only magnesite essential to meet the war emergency.

During this entire period the Government used enormous quantities both of composition flooring and magnesite stucco. The flooring, because of its fitness for application over the rough wooden foundations, and the stucco, because of its nonfreezing quality, permitting its application during the winter months,

were important factors in the rapid completion of Government building operations. These materials were considered of such importance to the Government in the winning of the war that the building materials section of the War Industries Board devoted considerable time to consulting with the manufacturers in the formulating of standard Government specifications to cover the use of these materials.

The only available deposits of amorphous magnesite are in the State of California, and these deposits, so far as is demonstrated by development, are not large. As it has never yet been demonstrated that a satisfactory caustic magnesite can be produced from the crystalline variety produced in Washington, it seems wise to conserve the California supply for the oxy-chloride products which have demonstrated their value in time of war.

Fifth. That the quality of the domestic caustic product produced to date, we regret to acknowledge, is not equal to the Grecian or Venezuelan previously imported.

The quality or efficiency of caustic magnesite is not determined by chemical analysis. A mixture of dead-burned and crude magnesite may equal in analysis that of a very excellent high-grade caustic magnesite, and yet such a mixture would be absolutely inert chemically and valueless for use in oxy-chloride cement. The value of the material for such use is entirely dependent upon the percentage of active oxide of magnesium it carries, and this in turn is dependent upon the skill and efficiency used in the calcination.

As previously stated, the calcination of caustic magnesite requires great skill and technical knowledge, and the western producers have not given this matter sufficient study to produce a standard product that will give constant and uniform results.

Not until the domestic producer is brought into competition with the more skillfully calcined imported material will there be any hope for the improvement of the domestic product by means of a more careful and scientific process of calcination.

It is a lack of knowledge or perhaps indifference on the part of the domestic producer in his calcination for caustic magnesite that has caused every oxy-chloride manufacturer much financial loss in his past use of the domestic material.

That the superiority of the Grecian magnesite is recognized by the users of composition flooring and stucco is shown by the fact that upon certain Government operations Grecian magnesite was specified and the domestic product excluded.

Sixth. That the present high prices which must be asked for composition flooring, magnesite stucco, etc., yield a relatively small percentage of profit, and these prices can not be materially advanced in the face of the present prices of competitive building materials.

Seventh. That legislation tending to increase the cost of building materials is unfortunate and untimely when economy in building operations and the lowering of their cost is a vital national necessity.

Eighth. That the contemplated tariff will tend to establish a monopoly.

This is indicated by the fact that at the present time, when there are no importations of foreign magnesite, the prices of the domestic material are very uniformly maintained. Whether or not this is due to the existence of the so-called Western Magnesite Association we are unable to state. The existence of this association and the uniformity of the charges existing between the various producers must speak for themselves. The effect of such legislation, if enacted, may be judged by the fact that from the moment that the passage of the bill by the House of Representatives was assured the price was raised by the California producers. If the condition created by the war is made permanent by the enactment of the proposed prohibitive tariff bill, our industry will be dependent upon a supply which has been demonstrated to be inadequate during a period of four years of absolute control of the market, the price and the quality of the material to be delivered will be fixed at will by the California producers, and the fate of our industry will lie wholly in their hands.

In conclusion, we respectfully and earnestly ask that caustic burned magnesite be entirely eliminated from the field of this legislation.

Signed by Robert W. Page, president Marbleoid Co.; Samuel Jaros, president General Kompolite Co.; A. M. Hall, president American Materials Co.; Robert C. Burnside, president Asbestolith Manufacturing Co.; John F. Shunley, president Special Service Flooring Corporation; Ronald Taylor, of Ronald Taylor Co., committee of magnesite consumers.

## SUPPLEMENTAL BRIEF.

I understand that the tariff on magnesite is proposed so as to produce revenue for our Government and afford adequate protection to our own miners and manufacturers of magnesite.

A prohibitive tariff will stop importation and produce no revenue. It will allow only 4 domestic producers to make large profits, to the detriment of over 200 concerns employing approximately 7,500 workmen.

Domestic producers during war times, with no foreign competition, sold calcined magnesite, f. o. b. cars at mines, at \$35 to \$40 per ton. Freight on calcined from the mine to shipping port and by vessel to New York and Philadelphia is \$14 per ton, and by all rail from mine to New York or Philadelphia (with a prospect of a reduction) \$20.60 per ton. Add to that the cost of containers, \$2.80 per ton, making the cost \$56.80 per ton rail and water and \$63.40 all rail.

Contracts have been made at from \$62 to \$64 for deliveries until December 31, 1921, with a protecting clause against a fall in market prices. The above prices include profits to the producers and brokers, and in many cases producers sell direct to consumers.

Imported material is being sold ex dock New York at from \$60 to \$66 per ton, and in most cases a delivery charge has to be added, while domestic rail deliveries are generally made to user's siding.

For the above reasons only a small duty ought to be levied on the calcined, so that some may be imported and produce revenue.

There are no calcining plants in the East with the exception of one which, when the steel business is in a normal condition, prepares material only for refractory purposes. It would not be possible to calcine domestic material in the East owing to the higher cost of fuel, plants, etc., and the cost of freight on the 2 tons of crude necessary to make 1 ton of calcined.

Imported crude magnesite costs from \$18 to \$20 per ton f. o. b. New York or Philadelphia. Thus 2 tons would make \$36 to \$40, with a calcining and grinding cost of, say, \$15 per ton, and containers \$3 per ton, which would make the cost from \$54 to \$58 per ton. These prices include no profits to the importers to cover expense and risk.

While I put the cost of calcining and grinding in the East at \$15 per ton, I feel confident that it can not be done for less than about \$20 per ton, and to substantiate this we have now a contract at an interior point on which we are paying \$20 per ton for same, and the parties are extracting a by-product for their own use.

The cry of those who desire a high protective duty is "what foreigners have done in the past." Now, I think that foreign conditions have changed just as well as ours.

Crude material without a duty would come in and give employment to American labor in preparing it.

Magnesite and magnesium chloride are used to considerable extent in the oxy-chloride cement business in the making of artificial flooring, steamship decking, and in stucco work, where it is used extensively in the remodeling of old buildings.

Any increase in the price of magnesite or magnesium chloride would add to the cost of building. We all know that the industry is overburdened now, so why add to it, particularly when it produces no increase in revenue to the Government?

In conclusion, I would therefore suggest the following: Crude magnesite, free of duty; calcined magnesite, not to exceed one-fourth cent per pound; magnesium chloride, not to exceed one-fourth cent per pound.

**MAGNESITE AND FLUORSPAR.**

[Paragraphs 47 and 207.]

**STATEMENT OF JOHN A. TOPPING, CHAIRMAN REPUBLIC IRON & STEEL CO., NEW YORK CITY.**

Senator McCUMBER. Please give your full name, address, and whom you represent.

Mr. TOPPING. My full name is John A. Topping; address, 17 Battery Place, New York City; I am chairman of the Republic Iron & Steel Co., and I am also specially designated to represent the Bethlehem Steel Co., Midvale Steel & Ordnance Co., Youngstown Sheet & Tube Co., Jones & Laughlin Steel Co., Brier Hill Steel Co., Pitts-

burgh Steel Co., Sharon Steel Hoop Co., Interstate Iron & Steel Co., Lackawanna Steel Co., Gulf States Steel Co., Inland Steel Co., Lukens Steel Co., Wheeling Steel Corporation, and the Steel & Tube Co. of America.

Senator DILLINGHAM. What section of the bill will you address yourself to?

Mr. TOPPING. Schedule 1, paragraph 47.

For the information of your committee, I desire to say that the product under discussion is improperly listed under Schedule 1, paragraph 47, as a drug or chemical. The item in question is a refractory material or crushed rock, used almost exclusively by the iron, steel, and copper smelters, and should be listed under Schedule 3 with other raw materials used in steel manufacture.

Senator McCUMBER. What is the article?

Mr. TOPPING. Magnesite. I suggested informally to your chairman this morning (and he thought the suggestion might be in order) that what the steel people desired would be to file a brief expressing generally our views on magnesite as listed under Schedule 1, paragraph 47, and also file a similar brief on fluorspar under Schedule 2, paragraph 207, which material likewise is used almost exclusively by steel manufacturers, and by thus combining for discussion these items found under the schedules and paragraphs above mentioned for final consideration under Schedule 3—iron and steel—this program will not only save your committee a great deal of time, but will be a matter of great convenience to the iron and steel people, who are to appear before you for a general discussion of the iron and steel schedule at a later date.

Senator McCUMBER. You desire, then, to postpone the consideration of that item at this time?

Mr. TOPPING. We want to file our statement in connection with these two products, and discuss the whole subject under Schedule 3, as it relates to steel manufacture.

Senator McCUMBER. I see no objection to that.

Mr. TOPPING. Thank you, gentlemen, for your consideration; and with that I will not take up any more time, but I will leave this statement with the stenographer and give you our views on steel.

Senator McCUMBER. The committee will be glad to receive it and have it printed as a part of your statement.

BRIEF OF JOHN A. TOPPING, CHAIRMAN REPUBLIC IRON & STEEL CO., NEW YORK CITY.

MAGNESITE.

Gentlemen, I appear before you as the representative of not only the Republic Iron & Steel Co. but also as the delegated representative of a large group of independent steel manufacturers, in protest against any duty being placed on magnesite under Schedule 1, paragraph 47, H. R. 7456.

The steel manufacturers of the United States, I might state, are the principal consumers of this product magnesite, listed under Schedule 1, paragraph 47. Our total consumption of this material we estimate, based on the consumption per ton of ingots, to be about 150,000 tons per annum; therefore a tax of \$10 per ton, as is proposed under H. R. 7456, will add approximately \$1,500,000 to the annual cost of steel production, which under present competitive conditions now maintaining throughout the world will tend to break down the position which this country has acquired as a steel producer.

Magnesite is one of our important raw materials and has heretofore been scheduled under various tariff acts free of duty.

Magnesite, I may add, is a mine product, or a carbonate of magnesia rock, prepared for use by calcining or burning in a manner similar to the preparation of cement rock. It is therefore a product which requires but comparatively a small outlay for labor in its preparation for use. The steel manufacturers use magnesite both in the pebble and brick form, and we see no justification for a duty on the crude product magnesite, particularly when it is proposed to place a compensatory duty on the brick of \$15 per ton plus 10 per cent ad valorem. We admit, however, that the brick manufacturer should have fair protection on his magnesite brick, and is therefore entitled to no less a duty than is given other grades of fire brick, but the raw material for the production of brick should unquestionably be free.

The magnesite industry is a new one, built up under free-trade conditions, largely developed during the war. The principal quarries for the production of this rock for treatment are found in the States of Washington and California. There should be no question of ability respecting these quarries meeting foreign competition, particularly in their natural markets, which are St. Louis, Chicago, Pueblo, and other Western States centers. In our opinion it would be practically impossible for imported magnesite to successfully compete with these western producers, on account of the freight cost from Atlantic seaboard inland. This freight rate at present averages from seaboard to Chicago and St. Louis approximately \$10 per ton, and to that extent gives the western producer substantial protection by virtue of his geographical position.

It is difficult for us to see, however, why quarried burnt rock, which carries a minimum of labor cost, should require any more protection than is given mined coal when coked, which carries a much higher labor cost in its treatment; or why the output of a magnesite mine should be accorded protection, with the output of iron ore and coal mines on the free list. In fact, with the general products of all our mines and quarries on the free list, and consistently rated free of duty heretofore, under a time-honored rule of Republican policy, we fail to see any reason why any of these products should now be made dutiable.

We furthermore claim that a duty on magnesite would not only be unfair in principle, but in effect would result in discrimination against the large group of independent steel producers in favor of the United States Steel Corporation and a few other manufacturers in the Chicago and western districts, who obtain their supplies from western domestic mines, whereas the Pittsburgh and eastern makers of steel would be compelled to either import foreign magnesite or pay a heavy penalty in the way of freight charges in the long haul from the Pacific coast to the Pittsburgh and eastern districts.

Magnesite, gentlemen, is one of a number of raw materials which if taxed will adversely affect the cost of steel production, and under existing competitive conditions we can not approve of any change which means increased cost of production; in fact, costs must be reduced if we are to cheapen our products and thereby broaden our markets. In other words, unless we can maintain home demand at 100 per cent and also obtain a market for our surplus in foreign fields heretofore supplied by us, American labor must pay the price in idleness.

We also believe any measure that would tend to increase the consumption of domestic magnesite to the extent that a prohibitive duty would stimulate would mean an early exhaustion of domestic supplies and thereby imperil our national defense in times of war, when our foreign supplies might be shut off.

#### FLUORSPAR.

I also appear before you in protest against any duty being placed on fluorspar, under Schedule 2, paragraph 207, of H. R. 7456.

Fluorspar is used in substantial quantities by the steel manufacturers for fluxing purposes; the total consumption of the steel industry of the United States we estimate to be not less than 300,000 tons per annum, and if a tax of \$5 per ton is imposed it will add \$1,500,000 to steel costs.

If this item fluorspar alone was involved, or if the broad principle of taxing other raw materials was not in question, it might be claimed that the increased cost of steel production by taxing fluorspar was unimportant. We claim, however, that the collective influence upon our cost of production, by taxing our raw materials, is of paramount importance, which change in policy, if adopted, will add enormously to our raw material costs.

Fluorspar, as is well known, is a mine or quarry product, the domestic supply principally comes from southern Illinois and northern Kentucky. This product is likewise an item of substantial importation, being imported largely by the central

western and eastern steel manufacturers. The Illinois and Kentucky product, however, finds a market principally in the Central West and other distant points from the seaboard, and on account of the distance of these mines from the seaboard and the protection they enjoy geographically by way of inland rates of freight, which in many cases in amount exceeds the proposed rate of duty, home quarries of the West are in no danger of foreign competition. In fact, the fluorspar interests have heretofore prospered under free trade, and there can be no possible reason for taxing a steel producer of the East and Central West at the rate of \$5 per ton, or, as an alternative, force eastern manufacturers to go West to obtain their fluorspar supplies at a largely increased cost, which in many cases would exceed the amount of the proposed duty, as previously stated.

As we view the situation, there is no more reason for protecting fluorspar than there would be dolomite, limestone, or other domestic iron and steel fluxes obtained from domestic quarries, and we therefore earnestly protest against any cost increases being imposed upon steel which would cripple our competitive position or make it more difficult for us to maintain our home markets or obtain in foreign markets an outlet for our surplus steel production. In other words, unless we can maintain home demand at 100 per cent and maintain foreign markets heretofore supplied by us, American labor will pay the price in loss of wages, all out of proportion to the doubtful advantages accruing to the few employees or workmen in these western quarries.

(Representing Republic Iron & Steel Co., Bethlehem Steel Co., Midvale Steel & Ordnance Co., Youngstown Sheet & Tube Co., Jones & Laughlin Steel Co., Brier Hill Steel Co., Pittsburgh Steel Co., Sharon Steel Hoop Co., Interstate Iron & Steel Co., Lackawanna Steel Co., Gulf States Steel Co., Inland Steel Co., Lukens Steel Co., Wheeling Steel Corporation, Steel & Tube Co. of America.)

**BRIEF OF WILLIS F. MCCOKE, PRESIDENT OF THE PITTSBURGH STEEL CO.,  
PITTSBURGH, PA.**

Paragraph 47, Schedule 1, caption "Chemicals, oils, and paints," provides for a duty on calcined magnesite, including dead-burned and grained, three-fourths of 1 cent per pound, and magnesite crude or ground one-half of 1 cent per pound.

Magnesite is known to the steel trade as a raw material of manufacture, out of which magnesite bricks and the bottoms of steel furnaces are made. It is bought and sold by the ton and shipped in carloads, not as a medicine in bottles or packages. As well might iron ore be classed as a medicine. Under the Aldrich and other prior tariff bills magnesite was carried on the free list. It sold at from \$14.75 to \$16 per ton at the Atlantic seaboard, hence this duty is substantially 100 per cent and is prohibitory. There is no logical reason for treating it as a chemical or a medicine or otherwise than as a raw material, either dead burned or natural for use in the manufacture of steel. Neither the steel manufacturers nor the public will submissively pay a duty of 100 per cent for the benefit of substantially one company operating in the State of Washington whose market is so protected by freight rates against invasion of European magnesite from the Atlantic coast as to need no more.

The paragraph above should be deleted from paragraph 47, Schedule 1, and magnesite both raw and dead burned should be, as it always has been, treated as a material of manufacture in the free list, especially when steel manufacturers are endeavoring to meet European competition in finished products without cutting the workmen down to the level of European wages.

Paragraph 302, manganese ore or concentrates containing in excess of 30 per cent of metallic manganese, 1 cent per pound on the metallic manganese contained therein.

This will result in a monopoly to the United States Steel Co. and the Bethlehem Steel Co., who are substantially the only two manufacturers of ferromanganese in our country, and they supply only themselves. They do not sell to others, therefore all other steel manufacturers must buy their ferromanganese abroad and pay this enormous duty. It is a primary material of manufacture in the steel industry. Very little labor is used in its smelting; not any more than is used in blast furnaces in smelting iron ore. Consistently with the broad American principle of free raw materials and protection for finished products made out of or with them, this material should be on the free list.

As the act was passed by the House there is an inconsistency in having galvanized barbed-wire fencing on the free list and a tariff on the galvanized wire out of which the fencing is made. The barbed wire should carry the same duty as the wire itself.

## MENTHOL.

[Paragraph 48.]

## STATEMENT OF H. S. RICHARDSON, REPRESENTING THE VICK CHEMICAL CO., GREENSBORO, N. C., AND OTHERS.

Senator McCUMBER. Give your name and business and whom you represent.

Mr. RICHARDSON. My name is H. S. Richardson, representing the Vick Chemical Co., of Greensboro, N. C. I am also representing the Mentholatum Co., of Buffalo, N. Y., and Wichita, Kans.; the Musterole Co., Cleveland, Ohio; the Brame Drug Co., North Wilkesboro, N. C.; E. W. Vacher & Co., New Orleans, La.; and other users of menthol.

I want to speak on the menthol section, paragraph 48 of the bill, which provides for a 25 per cent ad valorem duty on menthol. It also refers to camphor; but the duty on camphor is satisfactory. We are also users of camphor.

When this bill was in the House Ways and Means Committee it carried a 25 per cent ad valorem duty on both camphor and menthol. We did not know of this, and did not have an opportunity to present our case before the House committee. The camphor people did present their case, and their duty was removed from the ad valorem and placed on the specific at 6 cents a pound. I think that the only reason that menthol was not put there also was that the matter was not brought to the attention of the House.

Senator McCUMBER. What do you want on menthol?

Mr. RICHARDSON. I want to place two propositions before you. The first is that menthol should be classified as duty free, since it is a medicine used exclusively for medicines and not produced in this country. Hence, any duty affords protection to no American manufacturers.

Secondly, if you gentlemen decide that you have to place a duty on menthol, I want to urge that you put a specific duty upon it and not an ad valorem duty, and particularly that you do not use American valuation.

Senator McCUMBER. Is there none manufactured in the United States?

Mr. RICHARDSON. Not a pound, sir.

Senator SMOOT. What do you want on menthol?

Mr. RICHARDSON. We want it free, sir. If you gentlemen need revenue and have to have the revenue, we would like to urge that you place a specific duty on it, for reasons which I will proceed to give.

I am assuming now, first, that it should be free, Mr. Chairman, because I assume that it is not the intention of Congress to tax medicines—to put a tax on the sick. I assume that because you have on the tax-free list such things as ipecac, jalap, nux vomica, quinine, iodine, and so on.

In referring to Tariff Information Survey A-10, I want to prove these things, first, that menthol is used exclusively for medicines; second, that it is not produced in the United States. Menthol is produced entirely in Japan. It is a snow-white crystal produced from the oil of peppermint. It is produced by refining companies in Japan who are controlled by three or four big importing concerns.

Senator LA FOLLETTE. Has it never been produced here?

Mr. RICHARDSON. It was, to the amount of a few pounds, at one time. I have a letter stating that there is no information that it has been produced here since 1906. It is impossible to produce it from the American peppermint oil.

Senator WATSON. That is because the American oil has less of peppermint in it than the Japanese oil?

Mr. RICHARDSON. It has about 50 per cent peppermint content, whereas the Japanese oil has about 80 per cent. The Japanese oil can be produced by simply freezing the peppermint oil. The American oil is very delicately flavored and has a very high market price, and is used exclusively for flavoring. Chewing gums use a great deal of it.

Senator SIMMONS. The American oil is used for a different purpose altogether?

Mr. RICHARDSON. Yes, sir. We sent a man recently to Japan at a very high expense, a man who spoke the Japanese language and who tried to find out some way of getting the plants over here. He spent a year over there and he did not get a "look-in" into a Japanese refining plant. He was only able to smuggle out one of the Japanese plants, and they fumigated that so much at the custom-house that it died. It is controlled by a very close corporation that consists of four big firms. Mitsui, for instance, has a tremendous office in New York with a room set aside for the Japanese ambassador. The clerks and stenographer are American, but the main offices are held by the Japanese. We can not deal direct with those companies. They have about 10 speculators or New York brokers who handle menthol for them and we have to deal through them. The price is so speculative that it jumped from \$3.50 a pound to \$4.35 on the news that this 25 per cent ad valorem duty was possibly going to be imposed.

The price varies. It jumped, according to booklet A-10 of the Tariff Information Surveys, from \$3.15 to \$12.50 in 12 months. I tell you that to show you how speculative it is.

Senator McCUMBER. Was that due to the war?

Mr. RICHARDSON. No, sir; it was due, in part, to the demand caused by the influenza epidemic.

Senator WATSON. What specific duty do you recommend?

Mr. RICHARDSON. If you have to have a duty at all, not more than 25 cents a pound.

Senator SIMMONS. That would be a pretty high duty, would it not?

Mr. RICHARDSON. Twenty-five cents a pound? It would be a stiff duty; yes, sir.

Senator WATSON. Would that bring in revenue without interfering with imports?

Mr. RICHARDSON. I think it would, sir. Booklet A-10 states that the duty from 1910 to 1913 was 25 per cent ad valorem, and when that duty was taken off and a specific duty was put on the imports increased greatly. They averaged 43,000 pounds during the period of 1910 to 1913, and then jumped, in 1914 to 1918, to about 145,000 pounds.

Senator SUTHERLAND. Was not that due to war conditions?

Mr. RICHARDSON. A great deal of it was due to the influenza epidemic. The greatest imports were in 1919, 243,000 pounds.

Gentlemen, menthol is used exclusively as medicine—

Senator SMOOT. What is menthol worth to-day?

Mr. RICHARDSON. About \$4.35 is its spot price to-day. It was \$3.50.

Senator SMOOT. That is a little over 4 per cent?

Mr. RICHARDSON. Yes, sir. The normal price of it is about \$3. It went at one time to \$12.50, last January.

Menthol is being widely and extensively used and increasingly used. We have not known the uses of the drug very long; and in 1908 only 20,000 pounds came into this country. It is widely used in making cough sirups, cough drops, menthol sprays, and menthol solutions, and it has a very antiseptic and anesthetic influence on affections of the upper respiratory tract. It is used also in tuberculous treatments in Asheville widely.

To give an illustration of how its use has grown, 20 years ago my father, who was a druggist in North Carolina, became interested in this drug, and he found a way of combining it in a salve form so that when the salve was applied to the body the heat of the body released the volatile contents. It acted as a vapor lamp in salve form. To-day we sell about 17,000,000 jars a year. The business runs over three or four million dollars a year. We have about 2,000 wholesalers and 90,000 retail distributors; and there are other companies, such as the Mentholatum Co. and the Musterole Co., who have a very large distribution also.

Senator SIMMONS. It is used altogether for external application?

Mr. RICHARDSON. Yes, sir.

Senator LA FOLLETTE. It is a very common remedy for colds and influenza, is it not?

Mr. RICHARDSON. It is. In addition, there are 300 manufacturers who make preparations of menthol, and then there are 50,000 druggists who use it for their cough sirups and menthol inhalers and sprays. Outside of quinine and calomel it has grown to be one of the commonest used drugs.

Senator SIMMONS. It is a staple sort of a remedy that the people use without having prescriptions?

Mr. RICHARDSON. Yes, sir; and a great deal is used in prescription work also.

Senator SIMMONS. As I understand it, it is used very extensively without prescriptions, and it is used very extensively by poor people, I presume?

Mr. RICHARDSON. Yes, sir. In making 17,000,000 jars, of course, we can put a jar in the smallest hut in the outlying coves in the country districts everywhere at a very low cost.

If you do not tax quinine and iodine and asafetida and aloes, why should you tax menthol? Why put a duty on menthol at all? It just got in in 1908 by mistake, I think, because there were only 20,000 pounds imported at that time. Camphor and menthol were lumped together, because they are somewhat similar products, but there is no reason for putting a duty on menthol at this time except for revenue purposes. If you gentlemen wish it for revenue, I want you not to tax it on an ad valorem basis.

The reason for that is this: That a specific duty increases the imports. You will get more money with a specific duty.

Senator SIMMONS. Do you not think that about the last thing we ought to tax for revenue is a medicine?

Senator LA FOLLETTE. A common medicine.

Mr. RICHARDSON. I certainly am of that opinion, Senator.

Senator SMOOT. When was menthol ever on the free list? You said it was on the free list.

Mr. RICHARDSON. No, sir; it never was on the free list. I think it was put on by mistake. No one imported it back in 1908. There were only a few thousand pounds imported into this country. The uses of it had not become known.

Senator LA FOLLETTE. It was not mentioned in the tariff?

Mr. RICHARDSON. It was mentioned along with other preparations with a 25 per cent ad valorem duty.

Senator LA FOLLETTE. For the first time in 1908?

Mr. RICHARDSON. Yes, sir; and then in 1913 that was changed to a specific duty of 50 cents a pound. That is what it has been paying up to date.

Senator SMOOT. That is, in the Underwood-Simmons bill.

Mr. RICHARDSON. Yes, sir.

Senator SUTHERLAND. You say the importations increased very largely even with that duty?

Senator SIMMONS. It got in there by mistake. Now that we are enlightened, we might take it out.

Senator SMOOT. Now that you sit on the other side of the table.

Senator SIMMONS. I never heard of it before. I did not know how it got in. But, Senator Smoot, I will say that my position upon the floor was consistently against taxing medicines.

Senator SMOOT. But you did not have very much influence with the bill.

Senator SIMMONS. Maybe so. I happened to have more than you did at that time.

Senator SMOOT. Yes; but I did not profess that.

Mr. RICHARDSON. The whole duty that the Government got out of the thing from the period from 1913 to 1918 averaged only \$74,000 a year. You are not getting much money out of this duty. We have only imported in six months of this year 50,000 pounds. That would be a duty of about \$50,000 for an importation of 100,000 pounds. I think you will ruin this business if you put an ad valorem duty on it. This one company has paid over a million dollars in taxes to the Government in the last four years. You do not want to kill the goose that lays the golden egg. This is so speculative that if I should go to New York and it becomes known that I am in the town, or Mr. Miller, of the Musterole Co., the price would go up.

The whole amount of the crop has never been over 500,000 pounds produced in Japan, so that it could easily be controlled, and it is controlled.

We went into the market one morning to buy menthol. We had arranged to buy it quickly and secretly, and it jumped from \$8 a pound at 10 o'clock in the morning to \$9.50 at 12 o'clock. We were buying it just as fast as we could get it.

Senator McLEAN. You mix menthol with vaseline or something of the kind?

Mr. RICHARDSON. Yes, sir.

Senator McLEAN. The percentage of menthol is very small?

Mr. RICHARDSON. The menthol is 37 per cent of the ingredient cost. We use menthol, camphor, and other volatile oils, such as thyme and eucalyptus. There is a tax on a few of those oils to which we do not object. They are grown in this country, but there is not a pound of menthol made here. It will not be of any advantage to any American manufacturer. On the average range of prices during the year if it should run up to \$12 a pound it would be a 600 per cent increase even over the present duty.

We have to buy our goods in large quantities. The price is known and fixed. We can not change it every month. If an ad valorem duty goes on we will have to put the highest price possible on our goods to take care of the duty.

Senator JONES. What price do you put on your goods now?

Mr. RICHARDSON. It depends on competition. We have 127 different preparations which compete with ours.

Senator JONES. All of them use menthol?

Mr. RICHARDSON. Yes, sir.

Senator JONES. And they would all pay the same price, would they?

Mr. RICHARDSON. Yes, sir.

Senator JONES. Then, would it make any difference to you, as a matter of competition, whether you had one rate of duty or another on your menthol?

Mr. RICHARDSON. The question would be whether we could know what the rate of duty was going to be in a speculative article that jumps from \$3 to \$12 a pound. An ad valorem duty at 25 per cent on \$3 would be only 50 cents, but on the \$12 it would be \$3. We would not know what to make our price for the year.

Senator SMOOT. The speculative price was during war times.

Mr. RICHARDSON. No, sir; it runs all the time.

Senator SUTHERLAND. Would not that tend to equalize the price?

Mr. RICHARDSON. What do you mean?

Senator SUTHERLAND. You would not put on such a high price, owing to the ad valorem duty—

Mr. RICHARDSON. You mean the Japanese producers of menthol?

Senator SUTHERLAND. Yes.

Mr. RICHARDSON. Well, sir, their general policy is to get all they can.

Senator LA FOLLETTE. You can not obtain it from any other source, can you?

Mr. RICHARDSON. No, sir.

Senator WALSH. They would be able to fix American valuation—

Mr. RICHARDSON. If you had American valuation, it would "just plumb ruin us," as the fellow said. There are only five or six hundred cases held in this country, and sometimes only two or three hundred held by two or three men. They could raise the prices by fictitious sales between themselves.

Senator SMOOT. What were your total sales of drugs in which menthol is used?

Mr. RICHARDSON. Oh, I should say nine or ten million dollars.

Senator SMOOT. How much menthol did you buy last year?

Mr. RICHARDSON. That is a thing that we keep a very close secret, Senator, for the reason that it is the only protection we have against speculators.

Senator SMOOT. How much of the total importations of menthol is purchased in the United States?

Mr. RICHARDSON. Last year it was 243,000 pounds.

Senator SMOOT. \$600,000.

Mr. RICHARDSON. More than that. About one and a half million dollars.

Senator SMOOT. So about 8 per cent of your total sales amounted to all of the menthol that was being imported into the United States?

Mr. RICHARDSON. Yes, sir.

Senator SMOOT. Do you think that if there were a 25 per cent duty on menthol the consumer of your goods would buy a penny less?

Mr. RICHARDSON. They would buy much less, for this reason: We would have to put at least a 20 to 30 per cent higher price on it. Our goods sell for 35 cents a package now. If we had a 25 per cent ad valorem duty we would have to make it about 50 cents a package.

Senator SMOOT. Why?

Mr. RICHARDSON. On account of the fact that we might have to pay \$12 or \$15 for menthol plus a 25 per cent tax. Do you see, sir?

Senator SMOOT. No; I can not figure it that way—only on goods where a price is fixed for a big profit.

Mr. RICHARDSON. I do not think I quite catch your point, Senator.

Senator SMOOT. If you bought every pound of menthol that comes into the United States, which you do not do—

Mr. RICHARDSON. No, sir.

Senator SMOOT. How much of it do you buy?

Mr. RICHARDSON. About 10 per cent of it.

Senator SMOOT. Therefore the whole thing would be \$150,000. You do not purchase more than \$150,000 worth of menthol, do you?

Mr. RICHARDSON. I would not say that. I should say it would run more than that. It runs up to \$250,000.

Senator SMOOT. That \$150,000 worth goes into goods which you sell for \$10,000,000?

Mr. RICHARDSON. No, sir. My personal sales of the \$150,000 that you are speaking of would amount from my company—we would sell anywhere from two to four million dollars' worth.

Senator SMOOT. I asked you about that, and you said \$10,000,000.

Mr. RICHARDSON. That is the whole thing.

Senator SMOOT. About \$4,000,000, you say?

Mr. RICHARDSON. From two to four million.

Senator SMOOT. That would be \$150,000 on three million. That would be 5 per cent.

Senator McLEAN. Thirty-three and a third per cent—

Senator SMOOT. I am getting at his figures. That is 5 per cent, is it not?

Mr. RICHARDSON. Yes, sir.

Senator SMOOT. Because we put on a 25 per cent ad valorem duty you are talking about raising the price 35 per cent on the cost of your goods.

Mr. RICHARDSON. That figure might be higher. I have not figured it out.

Senator SMOOT. In other words, 5 per cent is all that it could possibly be if you put it in all of your goods?

Mr. RICHARDSON. No, sir; that is not all of it by any manner of means.

Senator SMOOT. It is all that there is in what you pay for your menthol?

Mr. RICHARDSON. That was based on an average price of \$3. If you used a \$12 price, that we will possibly have to pay—

Senator SMOOT. Possibly; but how often have you ever had to pay it?

Mr. RICHARDSON. We paid in 1919 \$9.50.

Senator SMOOT. I will take you back for a few years and see what the importations were, because that is the highest you have had for a number of years. So you either have not used as much when you paid the \$12 a pound, or else the price of it was not \$12 a pound very long.

Mr. RICHARDSON. The price has never been over any great period \$12 a pound; no.

Senator SMOOT. The highest amount of importations was \$1,500,000 worth.

Senator SUTHERLAND. What is the capitalization of your company?

Mr. RICHARDSON. About \$3,000,000.

Senator SUTHERLAND. What dividends have you paid?

Mr. RICHARDSON. We have not paid a dividend in four years.

Senator SUTHERLAND. Stock dividend or cash dividend?

Mr. RICHARDSON. None.

Senator SMOOT. What have been your gains?

Mr. RICHARDSON. Our gains have been about 8 per cent on the sales.

Senator SMOOT. On the sales?

Mr. RICHARDSON. On the sales; yes, sir.

Senator SMOOT. On \$4,000,000? That is \$320,000.

Mr. RICHARDSON. Yes, sir.

Senator SMOOT. That is over 10 per cent.

Mr. RICHARDSON. Unfortunately, we never capitalized our good will, so that our taxes have ranged on a pretty high basis. We have paid a very high per cent of our total profits. The remainder went into new extensions and new plants. It is unfortunate that we have not been able to draw out any dividends.

Senator McLEAN. You paid \$150,000 for your menthol. That is 33½ per cent of your total cost?

Mr. RICHARDSON. Mr. Preyer tells me that my figures on total consumption of menthol are wrong; that we bought in 1919 about a half million dollars' worth.

But the point I am trying to make, gentlemen, is that regardless of the duty you put on menthol, do not put an ad valorem duty on it which increases the speculation in the article. I can not tell what my price for any one month is going to be if I do not know what the duty is going to be. It simply helps the speculator. He jumped the price on receipt of the news that this duty was going to be 25 per cent ad valorem. The price jumped from \$3.50 to \$4.35. It is the latter price to-day.

Senator WATSON. Does the production stay at the same point?

Mr. RICHARDSON. No, sir; it varies.

Senator WATSON. Then the price would vary, anyhow, would it not?

Mr. RICHARDSON. It varies according to the demand in this country. We have never been able to get any reliable figures.

Senator SMOOT. You say it is controlled?

Mr. RICHARDSON. Yes, sir; by three or four big Japanese houses.

Senator SMOOT. If they asked you \$12 you would have to pay it?

Mr. RICHARDSON. No, sir; here is the way we protect ourselves, and the only way. We carry about a year and a half's supply all the time. We remain out of the market whenever it seems strong, and we tell them we have got a lot of stuff and we are not going to buy any more. Eventually the price slips down and some weak holders drop out and we buy a little.

Senator JONES. Is not this an explanation of the discrepancy in your figures and those which Senator Smoot has presented? His figures are doubtless gotten from the import price, and your figures are gotten from prices which you have had to pay to the importer in this country, and would they not indicate that there is a vast profit made by the importer?

Mr. RICHARDSON. There are 10 or 15 different New York firms that live on that one business, and they live well on it.

Senator SMOOT. They are the agents of the company; that is all.

Senator JONES. It would indicate that those agents manipulate the price in this country to suit themselves. Mr. Richardson is giving what he has to pay.

Mr. RICHARDSON. What we pay is not much worse than what the speculators pay. I have known them to buy it at \$5 and shoot it up to \$9. Regardless of the price that it costs us, we have to keep the druggists supplied with our goods, regardless of the cost of the ingredients.

Senator JONES. The point that occurs to me is this: These importers get it at what appears to be a nominal price, and they simply charge you and other users all that they can get.

Mr. RICHARDSON. Yes, sir.

Senator JONES. If that be so, would the putting of this duty on it affect the price which you would have to pay?

Mr. RICHARDSON. A specific duty would not, because that is so much a pound. That would not affect the price we would have to pay. I would have to add that onto the speculator's price.

Senator JONES. Do you think the speculator would add it on? Do you not think the speculator is adding on a whole lot now?

Mr. RICHARDSON. He adds on everything he can get on.

Senator SIMMONS. That would not affect the amount he would have to pay if there was a specific duty.

Senator JONES. I understand; but whether the duty is specific or ad valorem, these agents are in this country and they charge you whatever they want to charge you.

Mr. PREYER. That is the danger of an ad valorem duty.

Mr. RICHARDSON. That is true. The ad valorem duty simply increases the element of speculation. It always increases the element of speculation. It takes 90 days to get these goods from Japan, and during that period the goods which they have gotten in this country, at a low figure, if the ad valorem duty is put on, together with the American valuation, will be sufficiently raised in price. When your goods come in from Japan you have to pay on a higher valuation.

Senator JONES. I understand that you have to get all your commodities from these people here, these importers. You do not buy direct from Japan, do you?

Mr. RICHARDSON. We place two different kinds of orders. We order through these speculators. Some are what we call Japanese orders, which are placed in Japan six months ahead of time for the new crop, giving the Japanese three months' option when to ship, and the other is what we call spot goods. If we need them immediately, we have to go to New York and buy them on the market. They have already come in and have already paid duty.

Senator SMOOR. If you find that you need more than you have placed your order for?

Mr. RICHARDSON. Yes, sir.

Senator JONES. Then it would practically prohibit you from making those Japanese contracts based on American valuation?

Mr. RICHARDSON. I think so; yes, sir. It will also affect every retailer that puts up a prescription for cough sirup or menthol inhalers. It will affect every prescription that has the drug in it, because the retail druggist buys in small lots. It is a very expensive product—

Senator SMOOR. He makes a large profit, too.

Senator WATSON. We have got his viewpoint, have we not, Mr. Chairman?

Senator McLEAN. Have you ever tried to make synthetic menthol?

Mr. RICHARDSON. Synthetic camphor has been made. Synthetic menthol has never been made.

Senator McLEAN. You do not consider it impossible?

Mr. RICHARDSON. I do not know. It has never been done. I think it is impossible. I know of no one who has ever tried it.

I want to say this, that camphor should not be taxed, and I do not see why menthol should be taxed at a higher rate than camphor is. The average price of camphor has been \$1.70, and the tax has been 5 cents per pound, about 4 per cent, whereas menthol has been taxed at a rate anywhere from 16½ to 25 per cent, varying with the price.

If you do put an ad valorem duty on menthol, gentlemen, put it on at about the same rate that camphor bears now—6 cents on an average valuation of 70 cents, which is about 8 per cent. I think we could stand that; but I want to say once more that I do not see why, if you let in the other standard drugs, menthol should be put on the dutiable list.

We have never made this protest before because I do not think we ever had an opportunity. This is the first time I ever appeared before you gentlemen.

**BRIEF OF H. S. RICHARDSON, REPRESENTING THE VICK CHEMICAL CO., GREENSBORO, N. C., AND OTHERS.**

We do not believe it is the intention of Congress to tax the sick by putting a duty on medicines, except where protection is needed for American manufacturers. If this be the case, menthol should never carry a duty, because—

First. Menthol is used exclusively in the manufacture of medicinal preparations. Menthol is an important medicinal obtained from peppermint oil. Booklet A-10, Tariff Information Surveys, page 54, states:

"Menthol is used almost exclusively in medicine. It is an antiseptic and a local anesthetic, valuable in neuralgia and irritations of the skin. Large quantities are also used in cough drops, mentholated vaseline, sprays, and inhaling

tubes. As an external preparation it is used in alcoholic solution or as a salve (when mixed with petrolatum or other greases).

"Official preparations of menthol are menthol liniment, compound menthol liniment, antiseptic solution with pepsin, camphorated menthol, aromatic oil spray, menthol spray, compound menthol spray, menthol petroxilin, and antiseptic powder."

Menthol is one of the most valuable and widely used drugs known. The United States Dispensatory, the standard authority on drugs and their uses, says of menthol:

"When locally applied, it stimulates the nerves for the perception of cold, but depresses those for pain. It is actively antibacterial. It is used for its local anæsthetic influence in various skin diseases accompanied with itching, such as urticaria. In headache and other forms of neuralgia the external application of menthol will frequently produce a considerable degree of relief. It is employed for its antiseptic and anæsthetic influence in inflammations of the upper respiratory tract, such as acute coryza, pharyngitis, and laryngitis."

As its virtues have gradually become known, the use of menthol has steadily increased in the United States.

"From 1910 to 1918 imports averaged 43,000 pounds. For the period 1914-18 imports averaged 145,000 pounds. Maximum import was during 1919, when 243,000 pounds were imported." (Tariff Information Surveys.)

As an illustration of how the use of menthol has increased, my father, a druggist in a small North Carolina town, 20 years ago, when menthol was new in this country, became interested in the drug. He found a way to combine it with camphor and other volatile oils in a base of crude petrolatum, so that when the salve was applied to the throat or chest, the body heat released the volatile ingredients in the form of vapors. He thus had a cheap, efficient vapor lamp in salve form, as these vapors, being lighter than air, rose up and were inhaled with each breath through the air passages to the lungs. At the same time the product had a rubefacient and antiphlogistic effect through the skin. Beginning with a few packages sold over the prescription counter, its use has greatly increased, as follows (number of packages of Vicks sold, by years): 1910-11, 347,748 jars sold; 1911-12, 523,152 jars sold; 1912-13, 1,027,068 jars sold; 1913-14, 1,357,590 jars sold; 1914-15, 1,462,330 jars sold; 1915-16, 2,418,213 jars sold; 1916-17, 4,302,504 jars sold; 1917-18, 6,846,480 jars sold; 1918-19, 17,628,192 jars sold.

This is only one product. There are over 300 manufacturers who put up menthol in package form. In addition, an enormous quantity of menthol is used for prescription work. Nearly every druggist makes up his own menthol cough sirup, menthol sprays, inhalers, etc.

We give these figures to show how widespread is the use of menthol as a medicine. So far as we know it has no other use.

Second. Not a pound of menthol is made in the United States. A tariff on menthol can afford no protection to any American growers or manufacturers, since menthol can not be made in this country. We have never been able to buy a pound of menthol anywhere else in the world except from Japan. Peppermint, from which menthol is obtained, is grown in this country, but it is not the right kind to produce menthol. The oil contains a very much lower percentage of menthol and requires more elaborate processes for extraction. So that unless we succeed in growing the same variety of black mint as that used in Japan we do not believe that production in this country is possible.

For these two reasons, therefore, because menthol is used widely and exclusively as a medicine, and because a duty would give protection to no one, we respectfully urge that menthol be placed on the free list. The revenue derived from the present duty of 50 cents per pound on menthol is very small, running from \$8,000 in 1908 to \$57,000 in 1915, \$80,000 in 1917, and \$121,000 in 1919.

In case the committee, in its judgment, deems it necessary at this time for the sake of revenue to place a duty on menthol, we earnestly urge the following:

First. That a specific duty and not an ad valorem duty be imposed. A specific duty increases imports. Prior to 1913 menthol carried a 25 per cent ad valorem duty. In that year the present duty of 50 cents per pound was placed on menthol. I quote from Tariff Information Surveys, A-10, page 55:

"The act of 1913, which reduced the duty on menthol, was followed by a considerable increase in the imports. Average revenue on the ad valorem duty from 1910 to 1913 was \$40,000 yearly. For the period 1914-18 the average annual revenue was \$74,804."

Second. How the ad valorem duty would affect the trade: In addition to the 50,000 druggists who use menthol in prescriptions there are about 300 drug firms who manufacture preparations in package form containing menthol. Their products are sold at a fixed price, which is printed on the cartons. It is impossible to change these prices every month or even every six months, since these labels and wrappers are bought 12 months or more in advance. Also the prices are advertised and become standardized and it creates a great deal of confusion to change prices. A bulletin prepared by the War Industries Board in the early part of 1919, showing the relative increase of proprietary medicines as compared with 49 other classes of commodities, showed that up to December, 1918, proprietaries had only increased 17 per cent against an average raise in the other 49 commodities of over 100 per cent. This shows how difficult it is for such manufacturers to raise prices.

Menthol is a very speculative article, which we shall show later. We quote from Tariff Information Surveys, A-10:

"From \$3.15 per pound in January, 1918, the price of menthol rose to \$12.50 in January, 1920."

An ad valorem duty of 25 per cent would increase the duty over the present rate as follows:

\$3.50 per pound, an increase of 75 per cent over the present rate.

\$4 per pound, an increase of 100 per cent over the present rate.

\$5 per pound, an increase of 150 per cent over the present rate.

\$6 per pound, an increase of 200 per cent over the present rate.

\$7 per pound an increase of 250 per cent over the present rate.

\$8 per pound, an increase of 300 per cent over the present rate.

\$9 per pound, an increase of 350 per cent over the present rate.

\$10 per pound, an increase of 400 per cent over the present rate.

\$11 per pound, an increase of 450 per cent over the present rate.

\$12 per pound, an increase of 500 per cent over the present rate.

\$13 per pound, an increase of 550 per cent over the present rate.

\$14 per pound, an increase of 600 per cent over the present rate.

(a) The manufacturer would have to greatly increase the selling price of his article: The manufacturer can not fail to supply the demand for his products. He must keep his goods on the market or else druggists who are out of his products will sell a competitive preparation when his product is called for. This would mean that the manufacturer would suffer a loss of his good will, built up by years of effort. Naturally he can't change his price, as we have stated, every few months, according to the cost of this one ingredient, so that the effect of this ad valorem duty would be that every manufacturer would have to put an exceedingly high price on his product—high enough to cover the extreme price to which he might expect menthol to go during the year. This at the time when everyone is trying to reduce prices would mean that the public would not understand this increase and we would suffer a corresponding loss.

(b) Effect of ad valorem duty on prescriptions: The retail druggist buys his supply of menthol in small quantities from the jobbers, who also buy in a few case lots at a time from the New York jobbers, who also buy in a few case lots at a time from the New York importers. This is what we call "spot goods." The price of this spot goods is very speculative—has no relation to the initial cost, and as we shall show that an ad valorem duty will increase the speculation in this article it will undoubtedly mean higher prices to the retail druggists, and hence higher prescriptions to the sick.

(c) An ad valorem duty would increase the speculative quality of menthol: Quoting from Tariff Information Surveys, A-10, page 60:

"Menthol, however, must be regarded as a very speculative commodity, since its market has always been easily influenced by speculation."

Of all the drugs that we know of, menthol is the most speculative. There are a number of reasons for this:

First. It is produced in one country only. It takes from 60 to 90 days to get this goods from Japan to the United States.

Second. It is dealt in by only a few firms, who make it their business. They have connections in Japan and in various ways have been able to control the trade. We are rarely able to buy direct from Japan as cheaply as we can through the speculators. We have shown that the price jumped from \$3 to \$12 per pound in a few months. They are constantly sending out bull and bear

Information concerning crop conditions in Japan. As an illustration of how easily the price jumps, it was \$3.50 per pound a few weeks ago, but went to \$4.35 on the news that a 25 per cent ad valorem duty had been proposed.

If an ad valorem duty were passed on the American valuation plan, manufacturers would simply have to quit business. The speculators in New York would have them completely at their mercy. Suppose a manufacturer had a large shipment coming in on a certain date. There might be only a few hundred cases of menthol in this country, possibly owned by one or two of these brokers. By fictitious sales between themselves the price of these few hundred cases could easily be brought up so that menthol purchased in Japan at \$3 would have to pay duty on an American valuation of any figure which the speculators wanted to put. Naturally the greater the value at the time your goods were arriving the better price the speculator could get for his spot stock which had already paid duty. We buy menthol 12 to 18 months ahead of the time we expect to use it. It is purchased giving the Japanese shipper option to ship in any one of 3 months. We never know within 3 months when our shipments are to arrive. This would offer a wonderful opportunity for the speculators to reduce the American market price when their shipments were arriving and run the price up when our shipments were coming in.

Menthol and camphor are closely allied drugs, though camphor should really be more heavily taxed than menthol, we think, since it is used in industry as well as in medicine, and there is also synthetic camphor manufactured. The House Ways and Means Committee proposed a 25 per cent ad valorem duty on both camphor and menthol. We did not know of this and so made no protest to the committee on menthol. We understand, however, that a protest was made on camphor, and the specific duty on camphor was reduced to 6 cents per pound on refined and 1 cent per pound on crude. During the last three years the average price of camphor has been \$1.30—the duty has been 5 cents, which is 4 per cent of the product. The price of camphor is now about 76 cents, at which price the duty is 8 per cent of the selling price. There is no reason why menthol should be taxed at a higher rate than camphor, and it should not be taxed at as high a rate. The specific duty of 50 cents per pound is too high, since on the average price of \$3 it equals 16½ per cent.

We earnestly urge, therefore, that this committee place menthol on the free list. The total revenue from this tariff amounts to very little and its imposition places a tax upon the sick.

If, however, the committee in its wisdom deems it necessary to put a duty on menthol for the purpose of revenue, we request that a specific duty instead of an ad valorem duty be imposed and that this duty be about the same as that placed on camphor, i. e., about 8 per cent of the average yearly price, or 25 cents per pound, and that in determining that value of the article the American valuation plan be not used.

## CAMPHOR.

[Paragraph 48.]

### STATEMENT OF ROBERT ASH, REPRESENTING TURPENTINE AND ROSIN PRODUCERS' ASSOCIATION OF NEW ORLEANS.

Mr. ASH. My name is Robert Ash; I represent the Turpentine and Rosin Producers' Association of New Orleans, and I am interested in paragraph 48, camphor.

I would like, if I may, to get permission to file a brief and say a few words in regard to the Turpentine and Rosin Producers' Association's interests in camphor.

The interest of the association is as a producer of the raw material that enters into the production of synthetic camphor—turpentine; and the association wants to go on record as indorsing the proposition made this morning by Mr. Queeny, of the Monsanto Chemical Works, which we think is manifestly fair both to the manufacturers of synthetic camphor in the United States and to the consumers of that product.

As you remember, the proposition was that the rate of duty as carried in the Fordney bill be retained in the bill, but with a proviso that in the event the production of synthetic camphor in the United States reaches a minimum of 2,000,000 pounds a year that a duty of 25 per cent apply. We think that will overcome the only objection made in the House to the imposition of the duty on synthetic camphor. When the bill was reported to the House it carried a provision for 25 per cent ad valorem on camphor, natural and synthetic.

Before the passage of the bill the Ways and Means Committee submitted a committee amendment which provided that the bill be amended to read 6 cents a pound for refined and synthetic camphor. The reason given for the amendment was that there was no large American production of synthetic camphor.

Senator WALSH. Is there any synthetic camphor produced in America?

Mr. ASH. At present there is not.

Senator WALSH. What is the name of the association you represent?

Mr. ASH. I represent the Turpentine & Rosin Producers' Association.

Senator WALSH. And turpentine is used in the manufacture of synthetic camphor?

Mr. ASH. Yes, sir.

Senator WALSH. And you expect to sell the product of your turpentine plant to that chemical works in St. Louis, as stated by the man who represented that company and who wants the tariff put on its camphor?

Mr. ASH. Yes, sir.

Senator WALSH. But now there is no synthetic camphor produced in America?

Mr. ASH. No, sir.

Senator McCUMBER. Is your position that you are asking that you only have a tariff when you are able to produce a certain amount not rather unique in the fact that if you can demonstrate that you can produce 2,000,000 pounds, or whatever it is, in a year, without any protection, that then you should have protection?

Mr. ASH. No. The consumers of the product take the position that it is unfair that they should have to agree to a tariff on a product that they consume when there is no appreciable amount of the product being manufactured in the United States. To overcome that objection certain of the men who are interested in the manufacture of this commodity in the United States are willing to complete their investment, to spend several hundreds of thousands of dollars in completing their investment in plants for the manufacture of synthetic camphor, taking their chance, with the understanding that after they have reached a quantity production that they can, with a tariff protection meet the competition of the Japanese, who have an almost complete monopoly of the supply of natural camphor.

Senator McCUMBER. What you mean to say, then, is that these companies would start in and produce at a loss?

Mr. ASH. At a loss, yes.

Senator McCUMBER. Until they had got an output of 2,000,000 pounds to demonstrate that it could be produced?

Mr. ASH. Yes, sir.

Senator McCUMBER. And if they could demonstrate it, they would then want protection?

Mr. ASH. Yes; to overcome Senator Walsh's objection that there is none manufactured in the United States at the present time.

Senator WALSH. I have a letter in my files which I am going to produce later from all the celluloid manufacturers in the country, and from three refiners of camphor, in which they unanimously agree that the present provisions in the bill are satisfactory. If they could buy camphor cheaper by having it produced in America, even by an increase in tariff, it does not seem to me, that, as sound, sensible men, they would be protesting against any further increase.

Mr. ASH. For myself I can not understand the position they take. If there is anything in the law of supply and demand, the addition of 2,000,000 pounds of camphor to the world's available supply, or to America's available supply, when the American consumption is between 4,000,000 and 5,000,000 pounds, I should think it would be in their interest to secure that additional production.

Senator WALSH. I think they were under the impression that they would be held up by this concern that is contemplating building a camphor manufacturing plant and being protected by this 25 per cent tariff. I may be wrong.

Mr. ASH. According to the testimony before the Ways and Means Committee by Mr. Clark, one of the vice presidents of the Celluloid Co. of America, they are now at the mercy of the Japanese Government monopoly—I believe those were his very words—and I can not see where they would be any worse off by having an American concern to add 50 per cent to the amount of the commodity available.

Senator WALSH. I think it ought to be produced first to see whether it can be produced.

Mr. ASH. That is just it; they are willing to produce it at a loss.

Senator WALSH. I think they should let us see what they can do, and then come and see us.

Mr. ASH. We know that there is no tariff bill written except when there is a change in administration.

Senator WALSH. I expect it would also help you to get funds to get tariff protection.

Senator LA FOLLETTE. What do they have to pay the Japanese now?

Senator WALSH. From 60 cents to \$3 per pound, varying with the date of purchase. It is now 60 cents and it has been as high as \$3 per pound.

Mr. ASH. According to the United States Tariff Commission in their tariff summary, the Japanese Government controls this camphor monopoly. The monopoly gets for its product what the traffic will bear. I am quoting the United States Tariff Commission—the monopoly gets whatever the celluloid industry will bear. Recently the price has varied all the way from about 60 cents to \$3.50. At the present time the price is somewhere in the neighborhood of 65 cents a pound, but that is largely due to the financial condition in Japan. The price right after the armistice was in the neighborhood of \$3.50 a pound. The silk industry smashed in Japan, and they had

to get money, and the price dropped perpendicularly. The consumers are at the mercy of the Japanese monopoly for the supply of natural camphor. But the price is 65 cents here now, and business is pretty dull; as soon as it picks up, if the Japanese monopoly keeps up its old tactics, the price will rise.

Senator SMOOT. We have always had this monopoly?

Mr. ASH. Yes.

Senator SMOOT. Ever since camphor has been used.

Mr. ASH. The Japs have had this monopoly ever since 1899, when they acquired Formosa.

Senator WALSH. I understand Mr. Du Pont invested a good many millions in a plant and failed to produce synthetic camphor. A witness this morning said they did not have a correct formula. Have you any assurance that the St. Louis firm has a correct formula?

Mr. ASH. If they have not, no one is hurt. If they can not produce, they do not ask protection.

Senator WALSH. We ought not to make tariffs upon contingencies which no one can foresee.

Mr. ASH. They are spending their money; they are so convinced they can produce camphor that they are risking their capital. They think they can do it.

Senator SMOOT. They have the same formula for making camphor that Germany has, and Germany has made it for years, and they think there is no question but that they can make it, and that is why they are putting their money in. They are willing to put a million dollars more in.

Senator WALSH. If they get a protective tariff, possibly?

Senator SMOOT. Yes.

Mr. ASH. There are several reasons why my association thinks their position is fair: First of all, they can not see where it will work any hardship. The only question is the American supply is not available. We do not want protection until it is, and these men will go ahead and risk their capital, and if they can demonstrate and overcome this doubt that exists on the part of some people, then they want protection, but they will take their chances until they can demonstrate that they can deliver. As I say, we consume between 4,000,000 and 5,000,000 pounds of the commodity in this country. If you add 2,000,000 pounds to the available supply I can not see how it is going to have such a bad effect on the consumer of the product if there is anything in the law of supply and demand.

Senator SMOOT. For the record, I want to read a precedent for this kind of legislation, and I also will tell the Senators if they will refer to the Payne-Aldrich bill they will find a law similar to this. This refers to tin ore and is found in paragraph 631 of the Underwood tariff bill, and reads as follows [reading]:

631. Tin ore, cassiterite or black oxide of tin, tin in bars, blocks, pigs, or grain or granulated, and scrap tin: *Provided*, That there shall be imposed and paid upon cassiterite, or black oxide of tin, and upon bar, block, pig tin and grain or granulated, a duty of 4 cents per pound when it is made to appear to the satisfaction of the President of the United States that the mines of the United States are producing 1,500 tons of cassiterite and bar, block, and pig tin per year. The President shall make known this fact by proclamation, and thereafter said duties shall go into effect.

That is the same principle as provided for in the Underwood bill.

## BRIEF OF ROBERT ASE, REPRESENTING THE TURPENTINE AND ROSIN PRODUCERS' ASSOCIATION OF NEW ORLEANS.

The Turpentine and Rosin Producers' Association, representing the industry producing spirits of turpentine, from which synthetic camphor is manufactured, is convinced that a tariff of 25 per cent is necessary to protect the synthetic-camphor industry in this country.

H. R. 7456, as reported by the Ways and Means Committee, carried a rate of 25 per cent on "camphor, natural and synthetic." On the floor of the House this rate was changed by committee amendment to read, "camphor, crude natural, 1 cent per pound; camphor, refined and synthetic, 6 cents per pound." The reason given for the amendment was that there was no large American production of synthetic camphor. Recognizing the fairness of this objection, Mr. John F. Queeny, chairman of the board of the Monsanto Chemical Co., stating that his company had a partially completed plant designed to produce synthetic camphor on a large scale and which could be profitably operated if given tariff protection, offered to make the necessary additional investment to complete their plant provided the bill carried a provision that when it was certified to the President of the United States that synthetic camphor was being produced in the United States at a rate of 2,000,000 pounds per year that a duty of 25 per cent ad valorem apply to natural and synthetic camphor. This offer was made with the full realization that until the American production reached 2,000,000 pounds per year and the 25 per cent rate applied the American manufacturers would be unable to meet Japanese competition. As a precedent for the provision requested we cite the provision for protecting the tin-mining industry that was carried in the Payne-Aldrich and Underwood tariff laws.

Under this proposal the consumer will not be injured, and the sole objection to the rate that was offered to the House will be met. Considering that the annual American consumption of camphor is slightly less than 5,000,000 pounds, the addition of at least 2,000,000 pounds to the supply should work to the interests of the consumer.

Camphor is used extensively by manufacturing industries in the United States. The world's supply of natural camphor is controlled by a Japanese Government monopoly. Synthetic camphor can be made in quantity in the United States from spirits of turpentine, a raw material of which there is an abundant supply. The establishment of the synthetic-camphor industry on a large scale in the United States will relieve the American consumer from the present wide price fluctuation and from the domination and manipulations of the Japanese camphor monopoly.

Between 4,000,000 and 5,000,000 pounds of natural and synthetic camphor are consumed annually in the United States. Manufacturers of celluloid and of artificial and patent leathers are the principal consumers. In these industries camphor is combined with nitrocellulose or guncotton. It is therefore of great importance from the viewpoint of national defense.

By the assurance of a steady and ample supply of camphor at a uniform and reasonable price it is possible to maintain on a sound basis industries that can without delay be converted to the manufacture of explosives. At present these industries are at the mercy of the Japanese camphor monopoly and can live and prosper only to the extent that the monopoly allots them camphor. In discussing this feature Mr. Nathan M. Clark, vice president of the celluloid company, testifying before the Ways and Means Committee, January 6, 1921 (Tariff Information, 1921, pt. 1, p. 145), said:

"The competition from Japan threatens to annihilate us. Europe and America are in a similar position as regards camphor, which enters largely into our commodity, but Japan rules the world as to this item. We are at her mercy when we buy camphor. She tells us how little or how much we may have, the price we must pay, and has systematically reduced our supply."

A duty of 25 per cent is requested because it is estimated that this is the lowest rate under which the American industry can compete with the Japanese monopoly. As stated above, we do not think the duty will enhance the price to the American consumer due to the working of the law of supply and demand and the addition of 2,000,000 pounds of camphor to the available American supply.

Synthetic camphor is accepted as equal to the natural product for industrial purposes (Tariff Information Survey, p. 70). In fact, it is of more uniform quality and purer than the natural product.

As a result of the conquest of Formosa in 1893 and by the terms of the treaty ending the Chino-Japanese war that island came under the control of Japan. Camphor production is one of the chief industries of the island, and in 1899 Japan organized a government-controlled monopoly which has complete control of the natural camphor industry, regulating production, distribution, and consumption. In 1903 the scope of the monopoly was extended to Japan proper, where large quantities of camphor are

produced. The operation of the monopoly is described on page 67 of the Tariff Information Survey of the United States Tariff Commission as follows:

"Under the terms of the camphor monopoly, the Japanese Government licenses producers of camphor and camphor oil, who are required to keep strict account of their manufactures and to sell all camphor produced to the Government at a fixed price. The refining of crude camphor is the exclusive right of the State. The Government reserves the right to restrict production. The camphor is now sold by the monopoly direct to a single agency—Samuel Samuels, of London, with branches in New York, Hamburg, and probably elsewhere. Conflicting statements are found as to the extent to which the Japanese Government fixes the selling price, but its ability to do so is evidently chiefly limited by the competition of synthetic camphor and the exactions which the celluloid industry will bear, as the production of natural camphor outside Japanese control has not normally reached large proportions."

The most significant portion of the foregoing quotation is that which tells that the selling price is limited only by the competition of synthetic camphor and the limit of burden which the celluloid industry will bear.

Due to the operation of the Japanese camphor monopoly, which controls practically the whole of the world's supply of natural camphor, the price of camphor fluctuates greatly. For example, the quotations have ranged from 60 cents to \$3.33 per pound within the last year and a half. As the Japanese monopoly allots the camphor supply for only three months at a time, these price fluctuations work serious hardships on consumers, as they, in many cases, must contract for delivery of their product over considerably longer periods. During the recent financial panic in Japan the camphor market declined rapidly due to the effort of the Japanese to secure cash and thereby relieve pressure in other lines. This abnormal situation accounts for the recent unusually low prices of camphor.

Japan unquestionably realizes the value of the celluloid industry as a part of her national defense, and the industry has grown with great strides in that country. This growth is shown by figures stating the camphor allotted to Japanese celluloid manufacturers by the monopoly and printed in a Tokyo dispatch to the Paint, Oil, and Drug Reporter (New York) under date of October 20, 1919. These figures show that in 1914 the celluloid manufacturers of Japan were allotted 207,616 kin (kin=1.32 pounds) of camphor; 632,000 kin in 1917, and 808,616 kin in 1918.

In order to illustrate how completely the Japanese camphor monopoly controls the industry and how it can, at any moment it chooses, throttle the American camphor refining and celluloid industries, the following is quoted from Commerce Reports of the United States Department of Commerce of August 15, 1920:

"The Japanese authorities have decided to discontinue the allotment of crude camphor refineries in the United States and other countries foreign to Japan. This step has been taken as a measure of relief to the Japanese camphor refiners who are in serious straits owing to the depression in the celluloid industry. Japanese camphor refiners are concerned with nothing but camphor, while, it is understood, American camphor refiners are concerned with that product only as one of a number of others with which they can keep their plants busy. It is, therefore, believed that American camphor refiners will not be especially inconvenienced."

We respectfully urge that the protection asked for herein be granted.

#### BRIEF OF THE REFINERS AND CONSUMERS OF CAMPHOR.

NEW YORK, August 19, 1921.

HON. BOIES PENROSE,

*Chairman Committee on Finance,  
United States Senate, Washington, D. C.*

SIR: We, the undersigned, being practically all of the refiners and consumers of camphor, natural, refined and synthetic, in the United States, respectfully state we favor the adoption in its present form of that portion of paragraph 48 relating to camphor and as printed in the last word of line 1 and lines 2 and 3, at page 17, in H. R. 7456, offered in the Senate July 22, 1921, read twice and referred to your honorable committee, and which reads as follows: "Camphor, crude, natural, 1 cent per pound; camphor, refined or synthetic, 6 cents per pound."

Yours truly,

The Celluloid Co., by N. M. Clark, vice president; the Fiberloid Corporation, by Edmund J. Levine, president; E. I. du Pont de Nemours & Co., by F. M. Pickard, vice president; The Visceloid Co., by B. W. Doyle, treasurer; Chas. Pfizer & Co., by Franklin Black, secretary; George H. Bonner Co., by Francis C. Bonner, president; the American Camphor Refining Co., by Bernard Jenney, president and treasurer; H. J. Baker & Bro., by W. H. Gelshehen.

## FISH OILS.

[Paragraph 49.]

## STATEMENT OF ALPIN I. DUNN, REPRESENTING COOK &amp; SWAN CO. (INC.).

The CHAIRMAN. In what business are you engaged?

Mr. DUNN. We are refining manufacturers of all kinds of sea-animal and fish oils.

I wish to speak on paragraph 49, Schedule 1, tariff bill 7456.

The CHAIRMAN. On what articles?

Mr. DUNN. On herring, menhaden, whale, seal, and sperm oils.

The CHAIRMAN. Do you speak as an importer or as a manufacturer?

Mr. DUNN. As an importer, wholesaler, refiner, and manufacturer of these sea-animal and fish oils into various products.

Complying with your request, I shall try to be very brief.

First, I want to say that I am opposed to a high tariff; in fact, I am opposed to any tariff on these oils that are so vital to the industries.

Senator SMOOT. You want them free?

Mr. DUNN. Yes. I will read my remarks as far as it can possibly be done.

The CHAIRMAN. You want these products on the free list?

Mr. DUNN. Yes. Some are on the free list now.

The CHAIRMAN. What kind of products do you make out of these fish?

Mr. DUNN. Do you mean the foreign fish oils?

The CHAIRMAN. Any of the oils.

Mr. DUNN. Foreign fish oil is used extensively in the manufacture of leather, in the manufacture of paint, in the making of the cheaper grades of laundry soaps, and general use in many other major and minor industries.

The oils that I have mentioned are exceedingly important and vital to the success of the soap, leather, paint, and many other industries.

If the manufacturing industrial countries of Europe secure these oils on a free-trade basis and we submit to a high-tariff basis, our manufacturers will be handicapped in seeking the export business on such commodities as soap, leather, shoes, canned paint, and many other major products of American factories that use these oils.

The freight charges on these oils of foreign origin to our coast already act as a tariff barrier. The freight, insurance, export packing, etc., range from 10 to 30 per cent of the American value of the respective oils at American ports.

Another and very important consideration is that if our domestic coast fisheries are permitted or allowed by law, or through other means, to catch the various species of fish to the utmost limit, there is a very strong and valid reason to believe that the fisheries along our coast will be depleted to almost the point of extinction. An example in point is that during the years 1866 to 1908 the menhaden fishery was pushed to the utmost off the coast of Maine. Since 1912 no factories have operated in the menhaden-oil production, because of the scarcity of fish. The generally accepted explanation of this is

that the fishing was prosecuted so strenuously that the fish left those waters for good. This same thing happened along the coast of Newfoundland in the whale fisheries. About 1894 to 1905 the whale fishery was large and prosperous; to-day there are hardly any whales caught off the Newfoundland coast.

When industrial conditions in the country are nearer normal, we will have to produce a tremendous quantity of fish oils along our coasts to supply the demands. If foreign oils are shut out through a high duty, we will be at a big disadvantage with European manufacturers when we try to buy these oils.

The menhaden fish, which makes our most important fish oil, is strictly an inedible fish, and this fish is the natural food and prey of the various food fish, such as the bluefish, weakfish, and other fish which we depend on to furnish an important portion of our food supply, and if the catching of menhaden for oil and fertilizer is overdone we will hurt the fisheries for edible fish.

It seems only reasonable and good common sense to advance the argument that the domestic fish should not be caught in such tremendous quantities that the future of the fishing industry will be endangered on our own coast.

I would like to say at this point that these raw, crude oils come to this country from the Orient and different parts of the world, and we have to refine them. American labor is employed there and the refined oriental oils go into some other industries, so that American capital and labor have several different chances to make money out of these foreign oils, and if they do not come here they will go to Europe on their free-trade basis.

The European manufacturers in Belgium, France, England, and other countries which are industrial nations are equipped with tremendous facilities for the refining and handling of these raw, crude fish oils, and they will reap tremendous advantages from these different oils. They will be able to undersell us on these crude products because they have the crude materials free. They make all kinds of things—leather, soap, and so on—and ship their refined products all over the world, so that the American manufacturer will be handicapped if he does not get these basic materials on a low basis.

Senator WATSON. What quantity of these different oils do we import?

Mr. DUNN. Here [indicating exhibit] is a list of the fish oils imported. This list shows from fourteen to twenty million pounds. We have imported 23,000,000 pounds, but in some years it has gone down as low as 5,000,000 pounds.

Senator WATSON. That is a combination of all the oils?

Mr. DUNN. All the oils—whale, shark, seal, etc.

Senator WATSON. How much do we produce at home?

Mr. DUNN. We produce at home anywhere from 15,000,000 pounds up to about 67,000,000 pounds per year.

Senator SMOOR. Outside of cod and cod-liver oil, all other animal oils combined in the year 1920 that we imported amounted to 745,984 gallons, the value of which was \$319,584.

Mr. DUNN. Senator, may I say that a lot of these imported oils are worked and refined by us and then we put them into different products which we can export. That makes our capital and our labor more valuable, to have the maximum amount of work to do.

Senator WATSON. Are any of these used for foods in any way?

Mr. DUNN. No, sir; practically 99 per cent is used for industrial purposes.

The CHAIRMAN. Are there any fish oils that you import that you can not get in America?

Mr. DUNN. Yes.

The CHAIRMAN. What are they?

Mr. DUNN. Well, seal oil. I do not know of any seal oil made in any part of the United States, except in Alaska, where they make a comparatively small quantity.

The CHAIRMAN. Where does the bulk of the seal oil come from?

Mr. DUNN. From Newfoundland. The production varies. This year it was 6,000 barrels. In good years it is about 20,000 barrels a year.

I referred a moment ago to the freight charges. I would like to say a word more about that. For instance, we may want to buy fish oil in Japan, and the cost of that oil to-day is around 3 cents per pound. Now, the packing, insurance, and freight make that oil cost about 4½ cents a pound c. i. f. New York, so that you can readily see that the freight, insurance, and other transportation handicaps raise an unnatural sort of barrier. If we are going to have a tremendous tariff on this oil and other fish oils, we are going to be greatly handicapped.

Senator WATSON. How do you account for the falling off in production in 1921 as compared with 1920, as shown by your chart there?

Mr. DUNN. That shows it for six months only.

Senator WATSON. It came down from 64,000,000 in 1920. Why did it fall off so? Is there competition that does it?

Mr. DUNN. Those figures there are for six months. They are probably for seasons when production is not active. For the whole year of 1920—64,000,000 pounds is the proper amount. This small figure is for six months, and probably for a season when production was not in full force.

Senator WATSON. I want to ask you another question. You consumed 61,000,000 pounds in 1920, but only 6,799,000 in 1921. What took the place of your fish oils? What was used as a substitute for approximately 50,000,000 pounds?

Mr. DUNN. Perhaps this thing is misleading. That 1921 figure is for six months only. The fishermen did not start to fish until after July.

Senator WATSON. Suppose it is. That is a vast falling off.

Mr. BROWN. There was no business so far as the finished product is concerned. That reflects the retraction of business on the finished products in which those oils were used.

Mr. DUNN. I would like to leave with the committee the thought of the tremendous handicap of freight and insurance on these foreign oils. It is a handicap and an unnatural barrier, and if we have a high duty it is practically going to embargo these oils out of the country; they will not come in at all. There is going to be a tremendous scarcity of these oils if we do not supplement the domestic oils with foreign oils.

We have to look ahead to the time when the population of this country will be 150,000,000 and even more people, and we must take

such steps of conservation now so that many of our natural resources will not be exhausted.

Senator WATSON. Do you want us to put a tariff on whales? [Laughter.]

Mr. DUNN. A tariff on whales? Well, that is an incidental remark, I suppose, but it applies to fish oils and some of these other products. Conservation of natural resources is probably the big argument that helped to let petroleum stay on the free list.

Senator WATSON. Do all of you people who produce oils in the United States have some sort of organization?

Mr. DUNN. Oh, we have a number of organizations. I am vice president of the Oil Trade Association in New York. I belong to all kinds of organizations. At the present time, however, I am speaking for the Bureau of Raw Materials for all of the American industries that use animal and vegetable oils, which Mr. Brown is managing.

If the natural laws of supply and demand are allowed to work in an orderly manner, we can always depend on securing enough sea-animal and fish oil from foreign countries to help out our industries in times when the domestic oils are in light supply. A high unnatural tariff will drive the foreign fish oils into the hands of our industrial competitors at a low price, and when our domestic producers have a surplus of oils they will be handicapped in selling the domestic oils abroad in competition with the oils of other countries.

Even though a duty is imposed on fish oils, American oils which are used very largely as substitutes for vegetable oils or animal greases will be regulated in price by the price of vegetable oil and animal grease, and therefore will not be aided by the tariff.

We very strongly recommend that this tariff be rewritten on a solid scientific basis so that manufacturers can go ahead and plan to compete with all the world in the purchase of raw and crude sea-animal and fish oils, and also in the sale of manufactured goods of all kinds containing these oils.

I would like to ask permission at this point to file a brief, giving you more scientific data. It will be a brief which will have Government figures.

**BRIEF OF ALPIN I. DUNN, REPRESENTING THE BUREAU OF RAW MATERIALS FOR AMERICAN VEGETABLE OILS AND FATS INDUSTRIES.**

As we have filed a separate brief with your committee recommending that cod and cod-liver oil be retained on the free list as in the tariff act of 1913, we will in this brief only consider the other oils.

**HERRING OIL.**

Herring oil is produced in limited quantities in the United States, and we recommend that the rate of 8 cents per gallon be reduced to 3 cents per gallon.

**MENHADEN OIL.**

Menhaden oil is not produced in commercial quantities except along the Atlantic and Gulf of Mexico coasts of the United States, hence as there are no importations a tariff on this oil is inoperative and unnecessary. If it is desired to retain this oil on the dutiable list, we recommend that the rate of 8 cents per gallon in this bill be reduced to 3 cents per gallon.

**WHALE OIL.**

Whale oil is the most important of marine animal oils produced in the United States. The production of whale oil has declined rapidly the last 10 years owing to the exhaustion of the whale fisheries along the Pacific coast of North America. Whales are mam-

mals and breed very much as do cattle. In hunting whales females are caught, and a large percentage of the females are bearing young when killed. The exhaustion of the whale fisheries along the Pacific coast of North America has been a repetition of what occurred off the coast of Newfoundland and the Gulf of St. Lawrence. In some parts of the world, however, whaling is still conducted on a large scale, and as hydrogenated whale oil is a very suitable soap fat the industries of the United States should not be deprived of supplies of this raw material when available. Nos. 2 and 3 whale oil are used extensively in other industries for tanning, tempering, etc. We recommend that the duty on whale oil be reduced from the rate of 10 cents per gallon in this bill to 3 cents per gallon.

The American whale fisheries on the Pacific coast were successful only during the first few seasons, when the catch of whales on the hitherto untouched whaling grounds off the coasts of Alaska, British Columbia, and the State of Washington yielded large catches of whales. In 1913 there was a decided reduction in the catch, and in 1914 the supply of whales on the grounds was reduced to a point where operations were conducted at a loss, and in 1914 the largest whaling company on the Pacific coast failed and other companies suffered losses.

The demand for fats created by the World War so advanced the value of whale oil that the industry was resumed, and while there was no increase in the number of whales caught the quadrupling of the value of the products gave the industry a temporary lease of life. However, with the return to normal prewar values the industry can not now operate, and the industry from Alaska to the Columbia River has been closed down since September, 1920, and even the products of the 1920 catch were sold at a heavy loss. Unless this fishery can be conducted where the supply of whales is overplentiful it is not an inviting operation for American capital and labor, as the cost of operating American steamers is so much higher than foreigners are able to operate on ground where the supply of whales is more meager. Although the industry throughout the world is on the decline, the value of whale oil can not be artificially increased by a tariff for reasons which we will show later, and, therefore, a duty made for any purpose except to produce revenue would not be effective, but would simply deprive American industries of any supplies in favor of the competing industries of Europe.

As the American whaling industry can not be benefited by a tariff, we urgently recommend that the duty on whale oil in this bill be reduced to 3 cents per gallon.

#### SEAL OIL.

Seal oil is produced along the coast of Newfoundland, and the season of production is limited to the early spring, when the seals are hunted on the ice floes off the coast of Labrador.

Seal oil is the finest of the marine animal oils, being low in free fatty acid and almost water white in color. It is an excellent oil for hydrogenation.

The duty of 10 cents per gallon in this bill on seal oil will more than pay the freight from Newfoundland to Liverpool and will positively divert the supply of this high-grade oil to the industries of England, whereas it is badly needed here in the United States by our soap-making industry.

Previous to the World War Pacific coast whale oil produced on the coast of British Columbia was shipped from there to Liverpool in large quantities under a duty of 5 cents per gallon in our tariff act of 1913. With ocean freights from Victoria, B. C., twice as much as the ocean freight on seal oil from St. Johns, Newfoundland, to Liverpool, there can be no question as to the effect of the duty of 10 cents per gallon in this bill—American industries would receive no further supplies of this desirable oil, and the revenue which it has constantly produced under the act of 1913 at the rate of duty of 3 cents per gallon would be lost to the Government.

Furthermore, the value of our purchases of seal oil from the colony of Newfoundland as an important factor in our reciprocal relations with that British colony would be lost. Our exports to Newfoundland have been at the ratio of about 4 to 1 of our imports. This colony is a valuable customer of the United States, and as a duty of more than 3 cents per gallon would divert this oil to England, and as it does not in any way menace the values of our domestic produced fish oil, a duty of more than 3 cents per gallon would be most ill advised. We therefore urge that in H. R. 7456 the rate of duty of seal oil be reduced to 3 cents per gallon.

There is no seal oil produced in the United States except a few barrels which are recovered from the seals killed each year on the Pribiloff Islands of Alaska. It is safe to state that the rendering of this seal oil is not conducted on a commercial basis, but as part of the killing of the fur seals by our Government the by-products are saved as a matter of principle only. The quantity so produced is negligible.

SPERM OIL.

Sperm oil has been produced on the Pacific coast of North America in good-size quantities. Sperm whales have been caught on the coast of Alaska and the State of Washington by the same steamers engaged in the catching of other species of whales and in the same operation, hence the decline of the general whaling industry and its present state of dormancy means that this production of sperm oil is now nonexistent.

Our only other supply of sperm oil comes from the whale fisheries of New Bedford, Mass., from which port a number of whaling vessels still operate. This operation, however, is conducted in waters of the South Atlantic by the old-style sailing vessels, whereas the operation on the Pacific coast was conducted by steam whaling vessels operating from the reduction plants on shore, from which the steamers conducted their hunt within a radius of 100 miles and usually less.

Sperm oil has essential qualities which place it in a class by itself. It is a particularly fine lubricating oil for delicate machinery when refined, and as a part of high-grade compounded oils for illuminating purposes, such as for signal lamps, is very desirable. The duty of 10 cents per gallon would not induce the promotion of hunting sperm whales by the steamer method on the Pacific coast, but if the duty of 10 cents per gallon would induce or assist the industry as conducted by American whalers in foreign waters we can conceive of no objection to this rate. Unlike other fish oils and other kinds of whale oil, sperm oil is not a substitute, as it can not be replaced by other kinds of marine oils, therefore we are consistent in suggesting that the rate of duty of 10 cents per gallon in H. R. 7456 should not be revised.

The following table shows the domestic production, consumption, imports, and exports of the various fish oils of the nondrying group—menhaden, whale, herring, seal, and all other fish oils except cod oil and cod-liver oil.

	Production.	Consumption.	Imports.	Exports.
	Gallons.	Gallons.	Gallons.	Gallons.
Year:				
1914.....	22,237,000	24,123,000	10,944,000	4,793,000
1915.....	20,128,000	21,065,000	9,328,000	4,579,000
1916.....	20,259,000	32,128,000	23,375,000	4,376,000
1917.....	28,115,000	46,747,000	23,426,000	2,315,000
1918.....	15,272,000	28,555,000	20,984,000	6,060,000
1919.....	31,953,000	5,526,000	9,190,260	14,654,000
1920.....	64,656,000	61,703,000	5,640,000	4,108,000
Six months:				
1921.....	921,000	6,799,000	3,958,000	1,437,000
1920.....	4,013,000	8,902,000	4,121,000	3,949,000

With the exception of sperm oil and Newfoundland cod oil, which are possessed of inherent essential qualities, all other fish oils and whale oils are lower-grade substitutes for animal fats, such as tallow and grease, and are substitutes for vegetable oils.

All of these fish oils and whale oils possess an objectionable odor, which can not be eliminated except by the process of hydrogenation, and must necessarily sell at a price equal to the value of these superior vegetable oils and animal fats less the cost of eliminating the objectionable odor and less some further amount to induce their use as substitutes for the prime oils and fats, and hence they must always sell at a price relatively below our prime oils and fats, of which we produce a surplus.

Hence these fish oils and whale oils are inseparably connected with and subject to the price-regulating influence of our prime vegetable oils and animal fats, and as they must sell at a relatively low price to the producer, whether he be an American or foreign producer, it can readily be understood why a high tariff shuts out imports entirely without in any way benefiting the American producer.

The importance of maintaining a low tariff on fish oils is not apparent to many American fishermen, who are generally in an unfavorable position from which to study the question and who know little about their own industry except as regards their producing operations and the sale of their products to their agents.

As previously described, fish oils and whale oils are inferior and are substitutes which require special processing before they are fit for soap making, which industry constitutes by far the largest outlet. With restricted supplies the soap maker is not inclined to be continually readjusting his formulas for the purpose of processing small and intermittent supplies; hence any manner of augmenting the domestic supply and promoting the continuous availability of fish oils assists materially in maintaining

a steady demand, and in view of the fact that the domestic producer's price is controlled by the prime vegetable oils and fats it is manifest that there are no disadvantages in the freedom of imports under a low revenue-producing tariff and there are many advantages. Fifty cars of fish oil for soap making is more marketable than one car.

The writer of this brief, from 1911 to 1915, was manager of one of the largest whaling operations in the world, with whaling plants in both American and Canadian territory, and the disadvantages of a high tariff from the American producer's point of view was quite apparent after the use of whale oil on a large scale became possible by the introduction of the process of hydrogenation. In order to sell and provide the soap industry with a sufficient quantity to induce the purchase of any oil, it was frequently necessary to augment the quantity offered from the American fishery by including a quantity from the Canadian fishery, on which a high tariff under the act of 1913 had to be paid. Had the enterprises, both American and Canadian, been separate enterprises, the Canadian oil would have gone to Liverpool and the American oil would have to have been sold as a lot too small in size by itself to be attractive.

Prior to 1911, before which date the process of hydrogenation had not been well established in the United States, the market for whale and fish oils was limited, as the soap industry, now the largest consumer, could not use the material, as it could not be deodorized, and consequently the objectionable odor of these oils would be present in any soap made from them, which the American public would not tolerate, and, therefore, prior to that date European countries consumed most of these oils in lower grades of soap, which their population would accept.

However, the process of hydrogenation has developed rapidly, and to-day plants capable of hardening and deodorizing fish oils and vegetable oils are located all over the world, and the capacity of these plants now located in the United States is so great and the outlet through our soap industry for materials of this kind is so great that it is beyond the bounds of possibility for any supply of fish oils ever being made available in quantities so great that they would not be readily absorbed under normal conditions.

As the production of fish oils on a world-wide basis has shown a decrease rather than an increase, and as at the same time the potential outlet for these oils has increased a hundredfold in all industrial nations, it is manifest that freedom of importations will encourage the absorption of deficient domestic supply rather than retard it or depress its value.

Foreign producers of fish oils and whale oil who must sell these oils at less than the price of vegetable oils, no matter where in the world it may be, are naturally compelled to ship their fish oils and whale oil to those countries having the lowest import tariffs.

Inasmuch as our domestic producers can not possibly realize for their fish and whale oils more than their intrinsic value as related to the prime vegetable oils and animal fats, it is plain that a tariff can not give them any protection; but, on the other hand, to deprive American industries of the foreign supply is to curtail American industry and trade and will destroy considerable revenue which our Government could collect from a tariff on fish oils and whale oil designed to be for revenue purposes only.

#### OUR RECOMMENDATIONS.

We recommend that the rates in paragraph 49 be revised as follows:

Cod oil—Reduced from 8 cents to 3 cents per gallon.

Herring oil—Reduced from 8 cents to 3 cents per gallon.

Menhaden oil—Reduced from 8 cents to 3 cents per gallon.

Whale oil—Reduced from 10 cents to 3 cents per gallon.

Seal oil—Reduced from 10 cents to 3 cents per gallon.

Sperm oil—Retained at 10 cents per gallon.

Cod and cod-liver oil—Reduced from 12½ cents per gallon and placed on the free list, as in the act of 1913.

All fish oils not specially provided for—The rate of 20 per cent ad valorem in H. R. 7456 be revised to a specific rate of 3 cents per gallon.

This is necessary to properly provide for sardine oil, dogfish-liver oil, halibut oil, and other kinds of fish oil, all of which are of the same general grade and kind as herring oil and whale oil.

## ANIMAL AND VEGETABLE OILS.

[Paragraphs 49 and 50.]

**STATEMENT OF C. ROGERS BROWN, REPRESENTING BUREAU OF RAW MATERIALS FOR AMERICAN VEGETABLE OILS AND FATS INDUSTRIES, SEATTLE, WASH.**

Mr. BROWN. Mr. Chairman and gentlemen, I represent the Bureau of Raw Materials for American Vegetable Oils and Fats Industries. Our bureau is composed of about 500 people in the United States who are consumers of vegetable oils and fats. Many of our members own cottonseed-oil mills in the South. They own copra-crushing plants, paint and varnish factories, and soap factories, and all kinds of factories using vegetable oils.

Senator McCUMBER. You speak to paragraph 49, animal oils, or to paragraph 50, vegetable oils, or both?

Mr. BROWN. I want to lay on the table, Senator, an analysis of the edible oil and fat situation of the world. The witnesses who will follow me will take up each of the oils, and my explanation will make their testimony much shorter and give you a clear insight into the situation.

Senator SMOOT. Then you are appearing in reference to not only animal oils but vegetable oils as well?

Mr. BROWN. Yes, sir.

Senator SMOOT. Paragraphs 49 and 50?

Mr. BROWN. Yes, sir. I might say that I have been in the importing business, importing foreign oils. I built the largest vegetable-oil plant in the world at Seattle, Wash., my home, and I have been identified with the oil business. At the present time I am a member of the board of arbitration at New York for the Interstate Cottonseed Crushers' Association, which comprises 760 cottonseed-oil mills of the South.

There are a good many erroneous impressions that have been given to the committee, as far as the evidence so far presented is concerned, and I want to correct some of the impressions that have been left here, and I think I will also be able to give you an interesting exhibit of the entire situation.

Senator SMOOT. You are an importer, are you not?

Mr. BROWN. I am not in that business now, Senator. I failed about a year and a half ago. I lost a couple of million dollars, and I am just waiting for a chance to get back and make some more money again.

Senator SMOOT. You want to get it back on this proposition, do you?

Mr. BROWN. I am here in behalf of such firms as Procter & Gamble, Colgate & Co., and some of the finest people in the United States.

Senator SMOOT. The largest users of these oils?

Mr. BROWN. Yes, sir. We have taken the world and laid it out upon this chart [exhibiting]. The central part here is the United States. This part over here is the competing area of production. No matter where it may be, we have brought all competing production together in the green part.

Senator WATSON. That is with reference to animal and vegetable oils?

Mr. BROWN. Yes, sir. Wherever you see the yellow, that is industry. Wherever you see the green, it is agriculture.

In this country our oil and fat industry is on the offensive, except in one department; that is, in the case of the drying oils. In flaxseed and linseed oil and a few of the drying oils we produce a deficiency. In other words, our production is about 50 per cent of our requirements. Consequently if we have a tariff, any goods coming into the country must come over the tariff wall and raise up the level of what is in the reservoir.

In the case of the nondrying oils, saponifiable oils, which include cottonseed, soya-bean, coconut oil, and all of those other fats we have a surplus. Our lard is exactly like our wheat. Our cottonseed oil is exactly like our wheat. We produce three-quarters of the world's supply of cottonseed oil. We produce the largest supply of lard that is produced any place in the world. We produce nearly all of it. We export tremendous quantities of it.

Senator WATSON. You mean pure hog lard or combination?

Mr. BROWN. Pure hog lard.

The trouble has been that people arguing for a tariff have not considered the subject in its entirety. I might say that our people went before the Ways and Means Committee and asked to have these oils or fats left where they were and also our finished products. We have asked for no advanced duty on our finished products. Our soap manufacturers and other people in the industry were willing to compete with the world—

Senator SMOOR. You have only 15 minutes time, and I do not think I would make that explanation. I have heard it, and therefore I will not seem to be interested in it.

Mr. BROWN. From 5,000,000 tons of cotton seed we produced 1,389,000,000 pounds of crude cottonseed oil. That is a product of the industry of the South. This cottonseed oil passes up through these various industries that I have outlined here; 168,000,000 pounds of it go directly into the soap kettle. When the cottonseed oil industry was first established it all went into the soap kettle. The soap industry was the industry that gave it the outlet and encouraged its production. As it went into the soap kettle scientists took it up and made it an edible product, with the result that now a very small proportion of our production goes into soap. When the market is high it does not go into soap.

In the north we have our 3,000,000,000 bushels of corn and our 40,000,000 head of hogs, and from those 40,000,000 head of hogs we make 1,117,000,000 pounds of pure animal lard.

Most of the cottonseed oil from the South is refined. There are 1,130,000,000 pounds of it, on the average, that passes through our refining industry, and from that we make vegetable lard.

Right there is a point where the witness this morning, Mr. W. M. Hutchinson, left out an important element that must be considered. Our animal lard and our vegetable lard are a homogeneous product. If they were set out on this table you could not tell them apart. They are both used for the same purpose, but we have a highly advantageous arrangement of using this good vegetable lard at home and selling our animal lard abroad. We export 635,000,000 pounds of

animal lard to Europe and Canada and other places, but mostly to Europe.

Senator WATSON. When used for cooking purposes, do you mean to say that you can not tell the difference between these two lards?

Mr. BROWN. Yes; some people can, but a lot of people do not know. If you went into a restaurant to-day, probably you would not know whether you had doughnuts cooked with this [indicating] or with this [indicating]. They are the same. They are a homogeneous product, so far as the economics of the situation go.

Senator SMOOT. How about health?

Mr. BROWN. Vegetable matter always suggests a lack of any tubercular germs, and animal matter always suggests their possible presence. We think they are both on a par. We have no fight with the animal people, and we believe that our vegetable product is as good as their animal product; but the thought of vegetable matter suggests a lack of any possible tubercular germs.

Senator McCUMBER. Do you think it has the same amount of vitamins?

Mr. BROWN. Some scientists claim there are more in the vegetable product and others claim that there are more in the animal product. I do not care. I eat one and then I eat the other, and I get along as well as anybody. This crude cottonseed oil passes through the refining industry, and this crude oil is refined and this product results [indicating]. From this refined oil we make vegetable lard. It is only on account of our vegetable lard that we are able to take these 635,000,000 pounds of pure lard and send it over to Europe. There is the battleground of the world with reference to vegetable oils and fats, all except flaxseed and linseed. You could put 10 cents a pound duty on these foreign vegetable oils, but you would not get a better price for our domestic oils and fats, because we have a tremendous exportable surplus, and the price determined over there is the price that we make at home. These products are sold on the Chicago Board of Trade and the New York Produce Exchange. If we could by artificial means create a high price, an Englishman could cable over to sell him short so much cottonseed oil, and he could take his profits from the Asiatic product.

These other foreign oils which are so unpopular in some people's minds are really the stream that is driving a great many wheels in our industry; they are produced in Asia and the Philippines and the South Sea Islands and come into the United States—

Senator WATSON. You mean by that soya-bean oil?

Mr. BROWN. Yes, sir. These blue targets represent the introduction of foreign oils into American industry, and the red targets represent the introduction of domestic oils. These are the finished product, the soap and the lard [indicating], and the red and blue indicate the respective quantity of foreign or domestic oils.

All of the American oils with the exception of flaxseed and linseed, are edible. It is all an edible proposition. They have all grown up through our soap industry, and we are using up all of them. Some of our friends in the South thought they were having more trouble than other people, but they have sold more cottonseed oil to Europe in the last six months than they sold before. This year, in the same period, they sold twice as much as last year. Some of them want

protection some way, but we can not help them with a tariff. We simply connect them with a world-wide proposition and as far as falling markets are concerned have simply had to take our medicine and go back to work as best we can and forget the tariffs as far as these products are concerned.

In our soap industry we export \$15,000,000 worth of soap. This card [indicating] contains all of our products that we export—a hundred and fifty million dollars' worth of animal lard, \$12,000,000 worth of vegetable oil, \$37,000,000 worth of refined cottonseed oil, a hundred and fifty million pounds of soap, or \$15,000,000 worth, 15,000,000 pounds of oleomargarine, \$25,000,000 worth of paint, and 47,000,000 pounds of soya-bean oil. We bring it in here, pass it through these industries, and ship out the refined product. There is American labor engaged in every one of those operations. If we take our tariff wall and erect it here [illustrating] and bar these oils out, there is only one thing that can possibly happen, and that is that the oils, instead of coming from Asia into the United States and turning the wheels of our industries, will create competition that we can not eliminate. It is there; we have got to contend with it. The only question is whether we will contend with it at home and collect a toll out of it, make something out of it, or simply divert these oils to Europe, in which case we lower the level of values, because when our purchasing agents are in Asia buying these oils we go to the oriental oil mill and the European purchasing agent also goes there. We are both competing.

Since we have withdrawn from the oriental markets under the emergency tariff act there has been nobody over there except Europe and they have bought this stuff without any competition. They get this stuff over here to Europe without our element of competition in it. They use that as a club with which to beat us to low prices for our surplus of cottonseed lard and other refined oils; and, in addition to that, France has retaliated. She has trebled her duty against American cottonseed oil. Italy has doubled hers.

The firm of Procter & Gamble, up to May 27, has sold 100,000 barrels of cottonseed oil for export. Just the one firm, since the 27th of May, have sold only 200 barrels to Europe. Europe is beginning to buy the other stuff and leaving ours alone.

Senator Smoor. That is, with a 2-cent duty?

Mr. Brown. Yes, sir. It is absolutely prohibitive. We can not ship soap out of this country. We can not sell soap in South America if it is made out of coconut oil that costs 2 cents a pound more than the English manufacturer has to pay for his. No system of drawbacks can be worked. It has got to be a strictly flexible currency of raw material. The whole American vegetable oil and fat industry is on the offensive with the exception of the drying oils, such as linseed oil and flaxseed.

The oils and fats in this bill have been handled so unscientifically that under the operation of this bill the farmer has got less protection on his flaxseed than he had under the Underwood-Simmons Act, and the crusher has six to seven hundred per cent more protection on the oil. The same thing is true in many other adjustments.

Senator Smoot. Why can you not have a drawback?

Mr. Brown. The soapmaker is dependent on a very, very flexible supply of material. It may be tallow to-day and something else

to-morrow. He can not tell what his soap is going to be made out of. It is absolutely impossible to take an order for soap and figure just what material you are going to use in it.

Senator SMOOT. You could have it put in a bonded warehouse.

Mr. BROWN. It would increase the cost. When you can get a cake of soap at a nickel, any small obstacle in the way simply kills you with foreign competition, because the foreign manufacturer does not have that.

Senator WALSH. Do you claim that this tariff will create a monopoly of the crushers and that they can charge to the manufacturers of soap and lards, etc., any price they see fit?

Mr. BROWN. No, sir. I would not say they could do that. Our greatest objection to the bill is that it restricts an industry which is on the offensive. We are the biggest in the world. We do not want any protection. We want to remain on the offensive; we want to conduct more offensives. We want to go out of the country and sell more soap. We do not need any protection; we do not want any. We can not benefit our farmers by it, because they are dependent upon continual pushing of their stuff out of the country for edible purposes.

If we divert these lower grade oils from the Orient, such as soya-bean oil, Europe, with their lower standard, will eat those oils. We can sell our cottonseed oil at a much better and higher price than we can buy the soya-bean oil for our soap. If the tariff is going to be imposed on these oils, our own product is going to be forced into the soap kettle; and the soap maker always stands like a donkey about paying a high price for raw materials, because his one proposition is to sell a cheap cake of soap to the American people. It has got to be cheap. It is a time-honored proposition. You can not raise the price of soap.

So that the whole situation is such that a tariff is not proper on this proposition.

Senator WALSH. What is the comparison between the crushing industry and the manufacturing industry affected by these oils?

Mr. BROWN. The crushing industry is a perfectly legitimate industry, and we favor the crusher going ahead with the rest of us. We own some crushing plants. The only element there is the cost of crushing. What is the difference between the cost of crushing in the United States and the cost of crushing abroad? There is no difference. We know it, because we operate the plants ourselves.

Senator WALSH. What per cent does labor account for?

Mr. BROWN. The labor in cottonseed oil, according to the United States Tariff Commission, which surveyed the oil mills and took the pay rolls, is 5 per cent of the total, but in this bill we have got a duty in favor of oil crushers that is five times our total labor cost. The question of labor cost is just the same as it is abroad. There is very little labor in the crushing of oils.

Senator McCUMBER. Your time has expired.

Mr. BROWN. Some of the witnesses, Mr. Chairman, will yield some of their time to me. I simply want to drive this proposition home.

There is another matter I want to refer to, if I may.

I might say, as I mentioned before, that I am on the board of arbitration of the Interstate Cottonseed Crushers' Association. That association represents 760 cottonseed-oil mills in the United States.

In the cottonseed-oil industry there was a small group of people in Georgia and a few other States who thought they wanted a duty. They got their State associations, through the president, to indorse their stand, but they are about 1 to 7 out of the entire industry. Our own cottonseed-oil mills do not approve of a duty on competing oils.

I have a letter here written by Mr. J. J. Lawton, who was president of the Interstate Cottonseed Oil Crushers' Association until May 20 of the present year, and I will merely quote his remarks in reference to the tariff on vegetable oils:

Now, as I see it, whatever the effect might be of a temporary or emergency tariff, we would gain nothing by a permanent tariff on these fats, and probably lose by reason of retaliatory tariff legislation in foreign countries that would shut out American commodities. This would be entirely different in the case of sugar, of which the United States uses more than it produces, and a tariff of, say, 5 cents a pound could be put on imports of sugar and it would simply mean an advance of that much in sugar price to every user in the United States. The sugar people here would set their price by the price of imported sugar, including the import duty.

The problem of the American oil-mill industry is to provide world markets for its products and a merchant marine that will transport them abroad as cheap or a little cheaper than the ships of other nations can carry them.

Mr. J. J. Lawton is the head of three cottonseed-oil mills. His home is at Hartsville, S. C. He is one of the leading men in the industry. Along the same lines is Mr. Roger W. Babson's bulletin for May, 1921, with reference to vegetable oils. He says:

In view of the present status of the tariff bill, it is highly probable that the position of the United States in the world vegetable oil market will be materially changed. The advent of the tariff suggests the following: (1) A market decline in the imports of oils; (2) Far Eastern markets trading directly with European countries, giving Europe the advantage over the United States; and (3) a diminishing volume of exportation, reflecting factors mentioned above and competition in such countries as Cuba and South America.

Mr. John Aspegren, of New York, who is chairman of the foreign trade committee of the Interstate Cottonseed Crushers' Association, on July 15, 1921, addressed this short letter to the cottonseed-oil industry:

Under date of March 15 I addressed a letter to you on the subject of a proposed tariff on oriental vegetable oils, which had been advocated by some people in our industry. In the meantime the emergency tariff bill has been passed, and the question at issue now is what should be done in regard to the permanent tariff bill.

I feel that I would be remiss in my duty if I did not call your attention to the fact that since we passed the emergency tariff bill Italy has retaliated by doubling the duty on American cotton oil.

I might add that we shipped 100,000 barrels of cottonseed oil to Italy last year. Since the emergency tariff bill we have not shipped any.

From Rotterdam and north Europe—

Senator DILLINGHAM. When you were selling your oil in Italy, what duty did you pay in Italy?

Mr. BROWN. I did not sell any myself. Mr. Barnes, of the Procter & Gamble Co., will be able to answer that question. He will follow me in just a moment.

Senator WALSH. Do you know what percentage of the crushers have petitioned for this tariff?

Mr. BROWN. I imagine about half of them, and the capacity represented by some would be 75 per cent. I think in the case of linseed-

oil crushers representing 75 per cent of the capacity want a high tariff. The coconut-oil crushers, about half of them, have taken a lot of liberty with information that they have given. One of the first witnesses before this committee said there were 30 copra crushing firms in his district that wanted a duty on coconut oil. There are only three out there, and I have a long letter from San Francisco which will be presented by one of the other witnesses, showing that he is the only man who does want a duty in that district. The other two are members of our organization, and they do not want any. At the same time, their assets have been included in the statement of the fellows that do want the duty.

The new president of the Interstate Cottonseed Crushers' Association, Mr. Pat Grogan, Corpus Christi, Tex., has practically expressed himself along the same lines, although he has been careful to restrict his remarks to making mention of the fact that they are not official. But he realizes the menace of a duty and its results.

So far as the butter people are concerned, they have got a fat problem also. They can not separate themselves from us. If our cottonseed oil is backed up from Europe the price of butter is going to be low. The whole industry has got to have an open door, and the more cottonseed oil we get rid of the more market we are going to have for butter. If anybody thinks that by shutting coconut oil out of this country we can escape the effects of its existence, he is mistaken, because it is coming right around here and will—

Senator DILLINGHAM. Right around where?

Mr. BROWN. It will go around to Europe and the exports come home or the price of them comes down. If they do not go home physically they are affected in their price. This [exhibiting] is coconut oil as it comes from the Far East. The American industry takes it and makes a fine white oil.

Senator McLEAN. In the spring, I remember that the butter makers of the North complained that your coconut butter seriously competed with their product.

Mr. BROWN. It was competing; but it is in the world, and it is a question of whether they would rather compete with it at home or have somebody else take it and make money out of it. If it had gone direct to Europe so much more cottonseed oil would have come home and they would have had that to compete with.

Senator McLEAN. But if you did not export butter and if you kept out the coconut oil it would help the American butter maker.

Mr. BROWN. No, sir; I do not think it would help him a bit. The price of the cottonseed oil would be lower—

Senator McLEAN. I am not talking about your industry.

Mr. BROWN. You would have your substitutes.

Senator McLEAN. Do they make butter out of cottonseed oil?

Mr. BROWN. Yes, sir.

Senator WALSH. All these oils are interchangeable, are they not?

Mr. BROWN. To a great extent. Soya-bean oil is an inferior oil. Cottonseed oil is the premier oil of the world. It has a high titer—that is, will harden. It has a high flavor, and fine color. Soya-bean oil has none of those things. It is really unfit for anything but soap.

During the war, when there was a tremendous shortage of fats, we put up with some inferior oils for edible purposes. In our compound

lard in 1918 we used about 5 per cent of soya-bean oil; but that was a war necessity. This oil is essentially a soap oil. It will not bleach, it is not hard, and it has not a good taste.

Senator REED. I just came in, and I would like to ask you to state what you have undoubtedly already stated. I did not get your name and I have not got your business association.

Mr. BROWN. Senator, my name is C. Rogers Brown. My home is in Seattle, Wash., and I am representing the American soap industry and some of the varnish industries and several other industries that use these oils and fats. Our proposition is that we are on the offensive and we want to keep on the offensive.

Senator McCUMBER. Mr. Brown, you have now taken the time of two witnesses, and the rule has been adopted that there shall be 15 minutes allowed to a witness.

Mr. BROWN. Well, sir, the other witnesses will yield, I think. I will take about two minutes more, and then we will finish up in schedule time, if that is permissible. I really believe that I will be able to give you more information than you will get otherwise in three or four times as much time.

Senator McCUMBER. We have a large number of witnesses to be heard this afternoon.

Senator REED. You said a moment ago that you were on the offensive. You mean by that that you are shipping your material to Europe?

Mr. BROWN. Lard is going out—everything is going out of the country; soap, paint, varnish—the whole industry from A to Z is on the offensive.

Senator REED. That is, you are trying to get a world market?

Mr. BROWN. We have no tariff problem. We do not want any higher duties on our finished products, and we simply want to get our raw materials.

I have analyzed the flaxseed schedule under the tariff act of 1913. The duty on a gallon of linseed oil was 10 cents. There are 2.4 gallons of linseed oil in a bushel of flax. Therefore the duty on the bushel of flax as expressed in oil was 24 cents. There was a differential of 3 cents in favor of crushers in the United States.

Under H. R. 7456 the per pound duty on linseed oil is 2½ cents. With 7.5 pounds to the gallon—they express it in this bill in pounds; in the other it was in gallons—it is 18¾ cents. The total on a bushel basis is 45 cents. The farmer's rate of protection under H. R. 7456 is 25 cents a bushel; but the Payne-Aldrich drawback has been placed in this bill and it renders this rate of duty inoperative because all of the linseed cake that comes into the country is reexported. That is, we export more linseed cake than we bring in in the form of seed.

We have a letter from the Department of the Treasury indicating that they expect a drawback to work the same in this bill as it did in the old bill. There is a decrease of 2½ cents a bushel on the flaxseed and an increase of 23½ cents in favor of crushing in this country.

The 28 paint and varnish manufacturers that are in our bureau are simply interested in having fair, equitable duties imposed. On flaxseed the duty will operate because we have a deficiency in the

country. If it is the policy to give the farmer who grows flaxseed a subsidy—

Senator WATSON. Do you handle linseed oil and flaxseed oil, too?

Mr. BROWN. In a limited way—not flaxseed, but some linseed oil in a limited way.

Senator McLEAN. According to your view there is no escape for the farmer as against the competition with vegetable oil?

Mr. BROWN. Not in the nondrying group. In the drying group there is.

Senator McLEAN. That is the important group, is it not?

Mr. BROWN. Yes, sir. The nondrying group is 75 per cent of the proposition.

Senator McLEAN. Your view is that there is no escape from it?

Mr. BROWN. Yes, sir; there is nothing to escape from. We are in the best position now in the world. Values are down now on account of world-wide deflation.

Senator McLEAN. You are; but if this continues and the manufacture of these substitutes increases, the competition will be very fierce against the butter industry. There is no doubt about that. You claim that it is just as good—

Mr. BROWN. I tell you, Senator, the competition is not fierce except when prices get so high that it is really needed as a leveler for the price of the butter. When butter is at a reasonable price the consumption of margarine goes away down. The consumption of margarine has been almost nothing in the last few months.

Senator McLEAN. What does it cost you to make a pound of cottonseed-oil butter?

Mr. BROWN. I can not say. Mr. Barnes will be able to tell you.

We are simply interested in having the whole oil schedule adjusted on a good, sane basis where the duty will not vary. We do not want any duty. We want to export our finished product; and where the domestic crushing industry is involved they should all bring their crushing interests before the committee and if they need any protection they should show exactly how much they need, and why.

Senator WATSON. You would be satisfied to have free trade in all these oils, would you not?

Mr. BROWN. No; I am not a free trader. I do not believe in applying protection where it will not work, because then it becomes a menace.

Senator WATSON. You spoke in opposition to this proposed tariff, did you not?

Mr. BROWN. Yes, sir; we are opposing it as far as vegetable oils are concerned, because it will do us a lot of harm.

Senator SMOOT. Two cents will do you a lot of harm?

Mr. BROWN. It would be prohibitive.

Senator SMOOT. What will 10 cents do to you?

Mr. BROWN. We will simply have to go into some other line of business; that is all. We have built up a tremendous industry. The war gave us a great opportunity and we made the best of it. Our plants were all increased. We have increased manufacturing capacity to use all these raw materials, and if we do not get the raw materials the added manufacturing capacity lies idle. You can not get away from it.

I think I have been perfectly consistent. I admit that where we have a deficiency in a product a duty will raise the value of it for the agriculturist. Where we have a surplus I think it is axiomatic that it will not.

Now, I have an analysis of the effect of the emergency tariff.

Senator WALSH. What do you say about it?

Mr. BROWN. Our imports decreased rapidly before the tariff went into effect, and the records of the prices quoted by foreign countries show they were continuing higher than the prices quoted by our domestic producers. The only foreign oils that sold at a lower price were oils that were brought in previous to that time, but foreign oils were not subject to the force of deflation here and those were sold at the same level of price as our domestic oils, but we found shipments from these foreign countries after the emergency tariff went into effect. The prices from these countries would run 1 to 2 cents a pound above the prices quoted for our own oils, and above the parity of prices at which our own oils would be exported to Europe. We figured the emergency tariff actually went into effect as far as these industries were concerned along in January when the emergency tariff bill was announced.

It naturally stopped all buying, because every soap manufacturer or other manufacturer who could use those products feared they would come in just at the time when the bill would be passed and he would have to pay the duty, which would be prohibitive. As far as affecting the oil industry is concerned, the emergency tariff had no effect at all to advance the price of our domestic oils and fats. The effect on the linseed business was the reverse of what was intended, and the domestic crushers of linseed oil were not given proper treatment in that tariff, for the reason that the duty on flaxseed was increased and the duty on oil was increased. Consequently, the American linseed crusher could not pay the farmer any more for his flax, and the 10-cent increase in the duty on flaxseed did not operate, and it was really an unjust burden on the American linseed crushers during that period.

Senator REED. Did American flaxseed go up any?

Mr. BROWN. No, sir. There were fluctuations in the market, of course.

Senator McCUMBER. Would he have paid more if he could have gotten Canadian flax or flax from other countries?

Mr. BROWN. No; I don't think he would have paid any more.

Senator McCUMBER. I hardly think he would.

Mr. BROWN. It just shows there was a discrepancy in the duties on flaxseed and linseed oil and they were not properly adjusted. The crusher had to adjust himself by not paying any more for domestic flax than the differential justified.

Senator WALSH. Do you want to put that table in the record?

Mr. BROWN. Yes; I should like to put it in the record.

Senator McCUMBER. That may be inserted in the record.

BRIEF OF C. ROGERS BROWN, REPRESENTING THE BUREAU OF RAW MATERIALS FOR AMERICAN VEGETABLE OILS AND FATS INDUSTRIES.

*Period of deflation, emergency tariff not effective.*

Month.	American lard.		American cotton oil.			American peanut oil.	
	Exports.	Price per 100 pounds.	Exports.	Foreign imports.	Price per 100 pounds.	Exports.	Price per 100 pounds.
1920.							
July.....	47,061,422	\$19.55	3,681,332	438,625	\$11.44	880,463	\$12.69
August.....	31,020,802	19.24	2,663,330	163	10.50	495,553	11.73
September.....	46,326,353	20.47	4,894,967	43,392	10.52	9,871	9.68
October.....	54,173,979	20.56	7,498,913	91,992	8.44	52,838	9.16
November.....	57,316,309	20.03	22,868,602	35,294	7.22	180,803	8.84
December.....	90,080,092	14.83	41,421,005	32,413	6.14	4,735,755	7.90
1921.							
January.....	76,185,227	13.90	70,160,415	114,024	6.26	2,077,073	7.28
February.....	91,840,651	12.61	39,689,366	271,687	5.47	205,636	6.75
March.....	82,616,583	12.34	36,388,821	52,530	4.49	981,413	5.85
April.....	83,275,437	10.69	20,997,362	145,942	4.35	768,023	5.85
May.....	48,604,395	10.32	18,947,796	28,132	5.32	1,132,009	5.75
June.....	67,655,776	10.69	14,162,086	56,162	5.68	685,298	5.75

Month.	Imported peanut oil.		Imported soya-bean oil.		Coconut oil.	
	Imports.	Price per 100 pounds.	Imports.	Price per 100 pounds.	Imports.	Price per 100 pounds.
1920.						
July.....	3,699,508	\$12.95	10,646,536	\$10.07	25,049,696	\$12.44
August.....	5,213,370	10.66	8,866,029	9.58	9,038,533	12.82
September.....	6,477,300	10.93	7,184,813	9.85	11,554,342	13.49
October.....	405,103	10.08	226,347	8.83	16,759,915	12.65
November.....	757,448	9.16	2,011,034	7.58	7,353,824	11.10
December.....	209,280	7.83	2,113,174	6.17	11,917,936	9.26
1921.						
January.....	181,620	7.41	5,903	5.50	12,962,365	9.68
February.....	170,235	6.50	1,000,000	4.58	27,366,981	7.62
March.....	224,653	6.25	2,116,000	4.50	4,516,789	6.79
April.....	356,918	6.16	7,032,386	4.66	29,709,736	7.61
May.....	208,080	6.00	5,073,758	5.33	3,056,560	8.32
June.....	259,268	6.00	1,544,603	5.75	.....	8.11
Add duty.....	.....	.80	.....	.....	.....	.....
Freight.....	.....	1.03	.....	.....	.....	.....
Add handling.....	.....	.....	.....	.25	.....	.....
Freight.....	.....	.....	.....	1.05	.....	.....
Add freight.....	.....	.....	.....	.....	.....	1.76

SOYA-BEAN OIL.

A prohibitive tariff against soya-bean oil is proposed in the Fordney tariff bill, which will discourage absolutely the importation of soya-bean oil into the United States, thus working a grievous injury upon those who are dependent upon soya-bean oil as a raw material in the manufacture of their products. The proposed duty of 2 cents per pound on soya-bean oil is practically one-half of what was the prewar price level of soya-bean oil, which normal level of prices have been frequently reached during the past few months.

The proposed duty on soya-bean oil would not be a duty, but a permanent embargo. The duty is one advised by persons who hope to perpetuate the abnormally high prices which prevailed for vegetable oils in the United States during and shortly after the war and before the period of deflation had set in. In other words, the duty proposed is one gauged upon the basis of undeflated prices, and to put same into effect under present-day conditions would be utterly irrational.

The importations into the United States and average values of soya-bean oil, as given by the United States Tariff Commission in their report for the period between 1911 to 1920, inclusive, are as follows:

TABLE 1.—*Importations and average values of soya-bean oil.*

Fiscal year.	Imports.	Total value.	Value per pound.	fiscal year.	Imports.	Total value.	Value per pound.
	<i>Pounds.</i>				<i>Pounds.</i>		
1911.....	41,105,920	\$2,555,507	\$.062	1916.....	98,171,275	\$5,131,582	\$.052
1912.....	29,019,560	1,576,968	.056	1917.....	162,734,010	11,410,606	.070
1913.....	12,440,406	635,882	.051	1918.....	336,899,646	32,836,134	.097
1914.....	16,363,645	830,870	.051	1919.....	244,104,805	28,878,540	.118
1915.....	19,210,028	901,643	.047	1920.....	196,108,919	25,280,085	.128

It can be seen by a study of the foregoing table that not until the year 1917, when the terrific strain of supplying the needs of Europe for fats and oils began to be felt in American fats and oils markets, did the price of soya-bean oil rise above 7 cents per pound. During 1918-19 and 1920 soya-bean oil, as shown by the report of the Tariff Commission, sold at prices approximating 10, 12, and 13 cents, respectively. During 1921 normal prices had been restored and soya-bean oil has sold during the early months of the year as low as 4 cents per pound.

During 1917, 1918, and 1920, the three years of inflated prices in the fats and oils business, the United States was exporting enormous volumes of fats and oils to Europe. During 1917 the United States exported to Europe 638,783,086 pounds of all fats and oils; during 1918, 839,491,689 pounds; and during 1920 the enormous total of 1,261,334,833 pounds of all oils and fats went from our ports to other countries.

There arose the same condition of inflation in the fats and oils business which came about in other lines of business.

Production and importations could not keep pace with demand. Thus we see in the reports of the Tariff Commission soya-bean oil jumped 1.8 cents per pound between 1916 and 1917, 2.7 cents per pound was registered between 1917 and 1918, 2.1 cents between 1918 and 1919, and 1 cent per pound between 1919 and 1920. We see how the price of this raw material climbed the price scale, jumping round after round until it reached the peak at practically 13 cents per pound in 1920. Contrast this price with that of 4 cents per pound, the price at which soya-bean oil sold during 1921, when normal prices had returned, and you will see the difference between inflation and deflation.

If it is desired to establish a permanent embargo on soya-bean oil, a duty of 2 cents per pound is defensible. It is not defensible from a standpoint of revenue, because such a duty will yield no revenue. There will be no importations to yield revenue.

As stated in the report of the Tariff Commission, there is no soya-bean crushing industry in the United States. Our production of soya-bean oil is very insignificant and will always be. The oil content of the bean is only 18 per cent and so difficult is the bean to crush and mill that the crushers of this country regard the small yield of oil disproportionate to the expense of production involved. The soya beans themselves are produced in this country but are considered only as a forage crop for cattle.

The soya bean is indigenous to the countries of China, Manchuria, Korea, and Japan, and from these oriental countries come America's importations of soya-bean oil.

Soya-bean oil is a raw material of vital importance in the manufacture of soap, core oil, paints, varnishes, and linoleum. Its largest use is found in the soap kettle, into which 120,000,000 pounds found its way in 1918. The Tariff Commission states that 30,000,000 pounds went into paint, varnishes, and linoleums in 1919, which figure would probably hold good for 1918. In 1918, 56,517,000 pounds of soya-bean oil was used in vegetable lard. While there are small amounts of soya-bean oil used in other industries, it is the industries named which will suffer most heavily if their raw material—soya-bean oil—is removed from the free list, and it is these industries, together with the refiners of vegetable oils who refine soya-bean oil for export, who make the plea that they be allowed to continue its importation free of duty.

The annual imports for consumption and domestic exports of soya-bean oil are shown by the following table, which is taken from the Tariff Information Survey with the exception of the domestic exports for the year 1919, which are not embodied therein.

TABLE 2.—Soya-bean oil.

Year.	Fiscal year, imports for consump- tion.	Exports.	Year.	Fiscal year, imports for consump- tion.	Exports.
	<i>Pounds.</i>	<i>Pounds.</i>		<i>Pounds.</i>	<i>Pounds.</i>
1911.....	41,103,920	.....	1916.....	98,171,275	.....
1912.....	28,019,560	.....	1917.....	162,731,010	.....
1913.....	12,440,106	.....	1918.....	336,899,616	.....
1914.....	16,343,645	.....	1919.....	244,101,803	45,580,835
1915.....	19,210,028	.....	1920.....	198,108,919	67,781,974

Attention is called to a very important point, which is that much of the soya-bean oil which is imported into America is refined by American vegetable-oil refineries and exported to Europe and elsewhere. In 1919 American vegetable-oil refineries refined and exported 45,580,835 pounds of soya-bean oil to Europe and other countries, in 1920, 67,781,974 pounds were exported to the profit of American labor and American industry.

It should at this point be called to the careful consideration of the committee that in asking that soya-bean oil and other vegetable oils be retained on the free list that these oils are in the "crude" state; that is, they have not been submitted to other than the most simple form of preliminary treatment and to that minimum degree compatible only with the needs of ease of transportation. In the final processing of these oils before use in manufactured products American labor and industry has full scope for its skill and ingenuity. Our exports of refined soya-bean oil are a testimonial to the thoroughness of American refineries of vegetable oils and the superior excellence of our refining processes, as in prewar days practically all of the refined soya-bean oil used in America came to the United States from Europe. We now find American vegetable-oil refineries exporting millions of pounds of refined soya-bean oil annually to Europe, with the greatest likelihood that this business will increase largely in volume from year to year, because American brands of refined soya-bean oil have become established in all sections of Europe.

The continuation of this rapidly growing component part of American commerce, however, is absolutely dependent upon the securing of the raw material or the crude soya-bean oil free of all duty. The competition of American refiners of soya-bean oil with European refiners of soya-bean oil is extremely keen, and while the privilege of the drawback would, in case a duty were levied upon soya-bean oil, enable the American refiner to recover the most of the duty paid, the inevitable result of even a slight import duty upon soya-bean oil would be to destroy forever the important and rapidly growing business which America had with Europe in refined soya-bean oil prior to the passage of the emergency tariff act and can regain again if the complete embargo which was established by that measure is not perpetuated. The statement is made that even a slight duty will destroy our refined soya-bean oil business with Europe, because it would not be possible to bring into the United States, were soya-bean oil made dutiable, sufficient supplies for our refineries to be assured of raw material when competing for European business. The business as stated is highly competitive and must be conducted on a volume basis.

Starting with the year 1913, when 12,440,406 pounds of soya-bean oil were imported into the United States, the quantities imported increase from year to year, reaching the peak in 1918 of 336,899,616 pounds and declining in the years 1919 and 1920 as the void of fats and oils in the larders of Europe was gradually filled.

This increase of imports of soya-bean oil from year to year has not been due to displacement of domestic vegetable oils, such as cottonseed oil, corn oil, and peanut oil, because as the volume of imports of soya-bean oil has increased from year to year the total consumption of all fats and oils in the United States has increased proportionately. In other words, the primary factor responsible for large importations of soya-bean oil as well as other exotic vegetable oils is the existence of a consuming demand in the United States. Without this consuming demand very meager importations of vegetable oils would occur. Importation of oriental oils is on behalf of the actual users and not for speculative demand. Those who argue, therefore, that heavy importations of oriental oils depress the American market reason wrongly because these importations take place only when consuming demand is strong and largely diminish when consuming demand slackens.

The following table shows our importations of soya-bean oil and other vegetable oils, also tallow, at a time of poor consuming demand, namely from January, 1921, until the end of May, 1921, at which latter date the ill-advised embargo upon oriental oils went into effect, as compared with the same months of 1920.

TABLE 3.—Imports of vegetable oils and tallow.

	Jan. 1, to May 31, 1921, inclusive.	Jan. 1 to May 31, 1920, inclusive.
	<i>Pounds.</i>	<i>Pounds.</i>
Chinese-nut oil.....	5,272,876	34,289,821
Cottonseed oil.....	612,315	6,021,486
Coconut oil.....	77,612,431	115,721,662
Linseed oil.....	1,320,721	23,443,928
Olive oil—inedible.....	810,728	843,568
Olive oil—edible.....	12,315,193	12,679,349
Palm oil.....	8,522,800	21,302,052
Palm-kernel oil.....	750,754	23,372
Peanut oil.....	1,141,508	64,650,661
Rapeseed oil.....	2,669,003	6,833,348
Soya-bean oil.....	15,228,047	68,814,108
Tallow.....	237,956	2,933,897
<b>Total vegetable oils and tallow.....</b>	<b>120,503,332</b>	<b>354,971,252</b>

From the above table it can be seen that as demand slackens imports die down to a very small volume, comparatively speaking, without the interposing of embargoes.

The futility and uselessness of the embargo on oriental vegetable oils is clearly shown by the above table. These oils would not have been imported in volume even if the embargo were not passed, because there was no consuming demand. Anyone who claims, therefore, that the embargo on oriental oils had any effect in creating such slight advances as have occurred in the market for vegetable oils since the signing of the embargo on May 28 is assuredly poorly informed as to the facts.

If coconut oil were eliminated from the above table, our total importation of all vegetable oils and tallow would have been only 48,890,901 pounds in the first five months of 1921 before the embargo became effective or, practically speaking, nothing. Soya-bean oil importations average only slightly in excess of 3,000,000 pounds per month, and peanut oil imports from month to month become almost indiscernible.

Returning to the matter of the effect of importations upon market prices of vegetable oils—if large importations of soya-bean oil were a depressing factor on American vegetable oil and fat markets prices would decline in years of large importations. In 1912, when the United States imported only 12,440,406 pounds of soya-bean oil, the price of that oil was 5.1 cents per pound. In 1918, the year of heaviest importation, when the peak of 336,899,646 pounds was reached, the average price was 9.7 cents per pound and the prices of other vegetable oils proportionately high. Were the situation parallel to that of a stream of water flowing into a lake without an outlet, the markets would have become stagnant and prices would have been much lower in a year of high imports like 1918 than in a year of low imports like 1912.

#### SOYA-BEAN OIL NOT COMPETITIVE WITH COTTONSEED OIL.

The Tariff Commission in submitting their report to the Ways and Means Committee of the House stated that soya-bean oil is not competitive with cottonseed oil, "in the sense that it is tending to reduce the volume of cottonseed oil production." They state further: "The general preference for cottonseed oil for edible products (the most important use for that oil), the relatively limited quantities of soya-bean oil available, the increasing export demand for the refined oil, and the fact that cottonseed oil prices serve as a regulator of other vegetable oil prices, such factors are to be considered in studying competitive conditions."

Soya-bean oil can not be competitive with cottonseed oil as an edible oil because of its linseed-oil-like flavor, its poor bleaching qualities, and its low titer. The chief use of cottonseed oil is in lard substitutes, in which form there is consumed in excess of 80 per cent of the annual production of cottonseed oil. The highest percentage of soya-bean oil incorporated into any one year's production of lard substitute, which amounts to over 1,000,000,000 pounds annually, was 4.7 per cent in 1918. It should further be noted that lard-substitute makers can use soya-bean oil only when there

is a spread of 3 cents per pound between soya-bean oil and cottonseed oil. This is because of the inferiority of soya-bean oil as an oil for lard substitute. Its low titer prevents its use in the manufacture of lard substitute to the extent of more than 25 per cent of the total oil mixture. Its rivalry, therefore, with cottonseed oil as a component part of the chief product into which cottonseed oil goes will never be a serious one. The following table reveals the total amount of refined, deodorized soya-bean oil refined for edible purposes both for domestic consumption and for export in recent years:

TABLE 4.—Soya-bean oil.

Calendar year.	Edible oil refined for domestic consumption and export.	Calendar year.	Edible oil refined for domestic consumption and export.
	Pounds.		Pounds.
1914.....	2,764,000	1917.....	42,074,000
1915.....		1918.....	79,861,000
1916.....	9,920,000	1919.....	138,162,575

In the year 1919 the exports of edible soya-bean oil to Europe were 45,580,835 pounds. It can be seen, therefore, that materially less than 95,000,000 pounds of refined soya-bean oil went into domestic consumption in food products.

We produced in the year 1919 1,430,002,000 pounds of cottonseed oil, which is considered, as before stated, primarily an edible oil, while soya-bean oil is not. According to the Tariff Commission data, therefore, the amount of refined soya-bean oil actually consumed in the United States, or that which went into edible products, was less than 7 per cent of the amount of cottonseed oil produced in the United States. We use the year 1919, as it is the only year showing complete data on soya-bean oil in the Tariff Commission report, although the year 1919, because of peculiar conditions existing in that year, is not really representative, as the quantities of soya-bean oil used for edible purposes in that year will probably not be equaled in size for years to come. It would seem, therefore, that as far as competition from soya-bean oil is concerned that the conclusion of the Tariff Commission is correct when they state as regards cottonseed oil: "Since the United States produces about three-fourths of the world supply of cottonseed oil, and is the only heavy exporting country, there appears to be no immediate tariff problem."

We quote extensively from the Tariff Commission reports because we have made extensive effort to find why ridiculously high import duties are proposed on soya-bean oil in the Fordney tariff bill. The Tariff Commission did not suggest them. Not only do they state that cottonseed oil does not need protection but they also state as regards corn oil that "corn oil presents no direct tariff problem." Domestic peanut oil would not profit by high protective duties on soya-bean oil, as it is used for different purposes and the two are not competitive oils.

Domestic linseed oil needs no protection from soya-bean oil, because as a drying oil and as a component part of paints and varnishes soya-bean oil is undoubtedly inferior to linseed oil and for this reason, as noted in the report of the Tariff Commission, must sell at from 2 to 3 cents per pound less than linseed oil, which disparity in prices is assuredly ample protection from competition with soya-bean oil. In fact the Tariff Commission states that "soya-bean oil is not really competitive with linseed but under present conditions of linseed price and supply is rather a necessary adjunct to it." Since, therefore, a high duty on soya-bean oil can not assist linseed oil we must look elsewhere to find the reason for the prohibitive duties proposed and we will look in vain.

It is very evident in the proposed levying of absurd embargo-creating duties upon vegetable oils that the Ways and Means Committee of the House did not consult the surveys of the Tariff Commission nor did they seek the counsel of those familiar with conditions in the vegetable-oil business.

An import tax on soya-bean oil or other oriental oils would not be of assistance to cottonseed oil because we produce a varying exportable surplus not far distant from 1,000,000 barrels yearly. We give herewith a table showing the combined production, imports, and exports of all fats and oils for the year 1920.

TABLE 5.

	Production.	Imports.	Exports.
1920.			
<i>Pounds.</i>			
Vegetable oils:			
Cottonseed.....	1,141,380,742	9,457,924	181,787,819
Coconut.....	131,438,508	215,238,516	28,649,551
Linseed.....	485,271,517	35,200,200	5,367,780
Soya bean.....	(1)	112,213,750	46,740,220
Corn.....	151,544,070	(1)	12,059,479
Peanut.....	13,086,262	95,124,276	1,451,520
Palm kernel.....	2,671,112	1,633,740	2,010
Olive.....	620,198	31,087,178	188,580
Rapeseed.....	370,700	12,912,668	1,208
Chinese nut.....	(1)	67,962,150	2,883,368
Palm.....	(1)	41,948,224	136,045
All other.....	1,612,519	18,653,000	12,562,900
Total vegetable oils.....	1,928,004,714	641,491,620	295,131,481
Fish oils.....	65,788,743	17,015,581	7,414,058
Animal fats:			
Lard.....	1,248,991,797	(1)	612,249,951
Neutral lard.....	80,747,919	(1)	23,238,071
Tallow and oleo stock.....	300,343,508	14,934,617	20,601,638
Neat's-foot oil.....	6,386,989	(1)	(1)
Total animal fats.....	1,636,470,333	14,934,637	656,179,660
Greases.....	371,193,114	26,322,877	133,956,410
By-products.....	995,787,342	9,627,174	91,383,468
Total all fats and oils.....	4,997,244,246	709,391,895	1,184,067,079

1 None.

2 Not separated.

From the above table it will be observed when all the imports of vegetable oils and fats, oriental and otherwise, animal oils, and by-products of oils and fats are totaled the amount is very small in proportion to our production and exports; for illustration, in 1920 our total production of fats and oils and by-products amounted to 4,997,244,246 pounds, our exports were 1,184,067,079 pounds, and our imports only 709,391,895 pounds. Our imports were then only two-thirds of our exports and only one-seventh of our total production of oils, fats, and by-products. To suggest the need of protection for the fats and oils industry of America when this state of affairs obtains is nothing short of nonsensical.

#### POSSIBLE LOW LABOR COSTS IN ORIENT MORE THAN OFFSET BY TRANSPORTATION COSTS.

When protection for an industry is proposed it is generally on the basis of cheap labor costs in the foreign country from which emanate the products presumed to compete with domestic products. The following table from Abstracts of the Census of Manufactures reveals the relative importance of labor to materials in the crushing of cotton seed and the production of crude cottonseed oil.

TABLE 6.

	1899	1901	1909	1914
Number of establishments.....	369	715	817	882
Capital.....	\$31,451,000	\$73,770,000	\$91,086,000	\$118,073,000
Wages.....	\$3,143,000	\$4,838,000	\$5,835,000	\$8,490,000
Cost of materials.....	\$45,166,000	\$80,030,000	\$119,883,000	\$180,976,000
Value of products.....	\$58,727,000	\$96,480,000	\$147,868,000	\$212,127,000

The above table shows that the cost of labor in the process of crushing and pressing cottonseed, which is largely carried on by machinery, is only 5 per cent of the total cost of the materials crushed and pressed. To adopt an extreme position, therefore, we may state that even if the oriental producer of soya-bean or other vegetable oil obtained his labor for nothing the element of labor cost could not enter into the situa-

tion, or that the element of "cheap labor" was in any way involved. The element of cost of transportation and incidental costs far overcomes any saving of the portion of the 5 per cent labor cost which might be in his favor if we continue to work from the extreme position of his getting his labor gratis. To illustrate our point, the cost of transporting soya-bean oil from Dairen, Manchuria, the principal source or point of origin, to the Chicago-Cincinnati district, which is the principal center of consumption, per 100 pounds, is as follows:

Packages, two-fifths gallon tins and case, cost (gold).....	\$0.55
Ocean freight, at \$6 per cubic ton, accommodating 1,150 pounds actual oil.....	.50
Marine insurance, one-fourth of 1 per cent (value, \$5).....	.0125
Leakage in voyage, 2 per cent average.....	.10
Handling at American port of entry.....	.25
Freight, port of entry to destination.....	1.05

It will therefore be seen that the cost of transportation alone from the foreign point of origin to the American point of consumption is \$2.46½ per 100 pounds.

The cost of transporting our domestic oil from southern points to this same consuming center in Chicago-Cincinnati district is only \$0.40 per 100 pounds.

The foreign soya-bean oil must bear a transportation charge of \$2.46½ per 100 pounds, or 18½ cents per gallon, whereas our domestic oils, like cottonseed, are only required to bear a charge of 40 cents per 100 pounds, or only 3 cents per gallon. This charge on the imported exceeds the charge of domestic oil by 14 cents per gallon. As the present price of cottonseed oil (crude) is approximately 7½ cents per pound at Chicago or Cincinnati market, or 55 cents per gallon, the domestic oil, without any duty whatever, enjoys an advantage of approximately 25 per cent.

Furthermore, foreign mills are operated largely by hand, and in hand pressing seven common laborers are required in the oriental mills to perform the same operation for which only one American laborer is required in our American mills with their modern machinery. Therefore, the cost of actual production is practically equal at the foreign and our domestic mills, and instead of having any advantage, the foreign crusher and grower must bear the burden of transportation charges equal to 25 per cent of the value of our domestic oil, such as cottonseed oil.

SOYA-BEAN OIL ESSENTIALLY A SOAP OIL.

To reveal the consumption of all fats and oils by the soap industry, inclusive of soya-bean oil, we include the following table.

TABLE 7.—Consumption of fats and oils in the soap industry.

Products consumed.	1914	1916	1917	1918
	<i>Pounds.</i>	<i>Pounds.</i>	<i>Pounds.</i>	<i>Pounds.</i>
<b>Vegetable oils:</b>				
Cottonseed.....	119,254,000	194,916,000	128,390,000	150,000,000
Coconut.....	77,959,000	111,084,000	168,602,000	230,000,000
Linseed.....	1,034,000	803,000	1,608,000	2,000,000
Soya bean.....	4,499,000	57,374,000	124,038,000	120,000,000
Corn.....	11,368,000	12,821,000	15,997,000	8,000,000
Peanut.....	76,000	1,181,000	15,126,000	10,000,000
Palm kernel.....	31,576,000	5,804,000	4,762,000	2,000,000
Olive.....	745,000	1,184,000	1,711,000	600,000
Rapeseed.....	6,664,000	7,224,000	5,972,000	100,000
Chinese nut.....	(1)	118,000	115,000	250,000
Palm.....	71,896,000	14,938,000	27,245,000	14,000,000
All other.....	10,133,000	13,352,000	18,601,000	27,400,000
<b>Total.....</b>	<b>335,007,000</b>	<b>420,803,000</b>	<b>509,705,000</b>	<b>563,350,000</b>
<b>Fish oils.....</b>	<b>15,944,000</b>	<b>11,175,000</b>	<b>12,132,000</b>	<b>7,017,000</b>
<b>Animal fats:</b>				
Lard.....	10,484,000	8,294,000	7,481,000	
Tallow.....	270,715,000	338,931,000	362,197,000	385,000,000
Neat's-foot oil.....	77,000	329,000	118,000	
<b>Greases.....</b>	<b>81,817,000</b>	<b>101,684,000</b>	<b>150,623,000</b>	<b>168,000,000</b>
<b>By-products.....</b>	<b>220,840,000</b>	<b>246,591,000</b>	<b>285,149,000</b>	<b>310,500,000</b>
<b>Total, all fats.....</b>	<b>936,189,000</b>	<b>1,129,812,000</b>	<b>1,337,505,000</b>	<b>1,389,847,000</b>

<sup>1</sup> None.

By the above table it is shown that soya-bean oil has year by year become of greater importance to the soap maker, starting with only four and one-half million pounds in round numbers in 1918.

ONE HUNDRED AND TWENTY MILLION POUNDS OF SOYA-BEAN OIL WAS CONSUMED BY THE SOAP KETTLES OF THE COUNTRY IN 1920.

It can be conceded, therefore, that soya-bean oil rivals cottonseed oil as a soap oil. In 1918 there was 150,000,000 pounds of cottonseed oil used in soap or 30,000,000 pounds more cottonseed oil than soya bean. Cottonseed oil was considered 20 years ago as preeminently a soap oil. It was discriminated against as an edible product and this discrimination forced it into the soap kettle. Conditions have changed, however. Cottonseed oil no longer bears the undesirable badge of a soap oil and is recognized as the choicest of edible oils which can be utilized for table and cooking purposes. Soya-bean oil when used in the place of cottonseed oil in the manufacture of nonedible products furnishes a medium of substitution which is thoroughly beneficial, releasing the more desirable cottonseed oil for use in edible products, enhancing its value and permitting the exportation from the United States of a large volume of edible-oil products.

There were a small minority of the cottonseed-oil crude mills who advocated a tariff on soya-bean oil. They stated that soya-bean oil was a dangerous competitor of cottonseed oil. It has been clearly shown that the only place where there is a possible rivalry between soya and cottonseed is in the soap kettle, which is the dumping ground for low-grade greases, tallows, and oils, the flotsam and jetsam of all oils and fats. It is among this class of oils that soya-bean oil must be classed.

#### DUTY ON ORIENTAL OILS NOT REQUESTED BY COTTONSEED-OIL INDUSTRY.

If a minority of crude cottonseed-oil men desire that cottonseed descend from its high pedestal as premier of edible oils and struggle with soya-bean oil and cheap greases and inedible tallows for supremacy in the soap kettle, assuredly a most merit-lacking proposition from a viewpoint of economics, this desire is not shared by the majority of the cottonseed-oil industry.

We submit herewith the letter of Mr. John Aspregen, president of the Portsmouth Cotton Oil Co., of Portsmouth, Va., the second largest cottonseed-oil refinery in the United States, written under date of July 15 to the crude oil men of the South, a few of whom had advocated a tariff on oriental oils.

JULY 15, 1921.

Under date of March 15, I addressed a letter to you on the subject of a proposed tariff on oriental vegetable oils which had been advocated by some people in our industry. In the meantime the emergency tariff has been passed and the question at issue now is what should be done in regard to the permanent tariff bill.

I feel that I would be remiss in my duty if I did not call your attention to the fact that since we passed the emergency tariff bill, Italy has retaliated by doubling the duty on American cottonseed oil. Now comes cable advice that France has followed suit by tripling the duty on American cottonseed oil. From Rotterdam and north Europe we receive cable advices that it is useless to make offers of cottonseed oil any more, buyers switching their requirements over to oriental oils. We are actually threatened at the present case with losing a large part of our export trade for edible cottonseed oil, and the net result of the whole thing will simply be that for every barrel of oriental oil that we embargo out of this country we will lose a similar amount of our trade in cottonseed oil. Twenty years ago the largest part of our cottonseed oil was used for soap making and for inedible purposes. Due to the tremendous stride and progress in the refining industry, only a very small proportion of cottonseed oil has lately gone into the soap trade, and practically all of it has found its way into edible channels, where the oil properly belongs. We are now confronted with a situation where we will be put back some 20 years again, and where, deprived of our edible consuming outlet in Europe, we shall have to waste cottonseed oil by forcing it into the soap trade in competition with tallows and inedible greases.

The present low cottonseed-oil prices have been caused by an abnormal situation the world over, but this situation is rapidly rectifying itself, and I personally feel that irrespective of any action of any kind that is taken in regard to the permanent tariff on oriental oils the cottonseed-oil market will go higher. The net result, however, of the tariff is simply to put cottonseed oil down again to a soap-making level instead of as an edible oil, with a corresponding loss in waste, and to kill an important trade of one-half a million barrels a year of oriental oils and an export trade of an equal amount of cottonseed oil.

Before it is too late to rectify a mistake we had better look closely and see where we stop. Congress will do for us what we want done, and it behooves us to be sure that we do not ask for something that we are liable to regret in the future.

JOHN ASPREGEN.

We would further point out that the official body of the cottonseed-oil industry as a whole is the Interstate Cotton Seed Crushers' Association, and that had the cottonseed-oil industry ever asked for a tariff on oriental oils it would have been through the medium of its national organization. We point out, therefore, that the cottonseed-oil industry of the United States has at no time asked for a tariff on soya-bean or other oriental oils and that those who appeared before the Ways and Means Committee of the House and asked for a tariff on oriental vegetable oils were a small minority of the crude-oil millmen who did not represent the crude-oil millmen, as shown by the letter of Mr. J. J. Lawton, of Hartsville, S. C., president of the Interstate Cotton Seed Crushers' Association, and himself exclusively an operator of crude-oil mills, when the subject of a tariff on oriental oils was first discussed:

HARTSVILLE, S. C., January 24, 1921.

*To the Members of the Interstate Cotton Seed Crushers' Association.*

GENTLEMEN: One month of the new year is behind us. The country is passing through the throes of readjustment and the future is uncertain. Such terrific declines in the prices of stable commodities in such a brief period of time have never before been experienced. After the Civil War it took 14 years for prices to go to prewar figures, but some commodities have in six short months reached the prices that existed before the great World War. The result has been disastrous to the entire country—to individuals and corporations alike; to farmers, laborers, and manufacturers. There has been no opportunity to hedge or get from under, and those who had the most have lost the most.

Tariff legislation: On account of the fact that the controlling party in Congress is Republican, many radical changes in the tariff laws are to be expected. Will a permanent tariff on imports of foreign oils into the United States be of benefit to the industry? Let us consider the year ending September 30, 1920. During that year there were imported into this country, according to official Government reports, 735,536,000 pounds of edible fats. During the same period there were exported 987,525,000 pounds of edible fats. In round numbers the exports exceeded the imports by 251,989,000 pounds, and hence a tariff during that period would have done us no good. If foreign oils and fats were kept out of this country, they would go direct to Europe for sale there in competition with our exports, which would have to meet them in price or remain unsold. If we did not sell them in Europe, they would remain here as a glut in the market and a menace to prices here.

Now, as I see it, whatever the effect might be of a temporary or emergency tariff, we would gain nothing by a permanent tariff on these fats and probably lose by reason of retaliatory tariff legislation in foreign countries that would shut out American commodities. This would be entirely different in the case of sugar, of which the United States uses more than it produces, and a tariff of, say, 5 cents a pound could be put on imports of sugar, and it would simply mean an advance of that much in sugar price to every user in the United States. The sugar people here would set their price by the price of imported sugar, including the import duty.

The problem of the American oil-mill industry is to provide world markets for its products and a merchant marine that will transport them abroad as cheap or a little cheaper than the ships of other nations can carry them.

Very truly, yours,

J. J. LAWTON, *President.*

\* \* \* \* \*

Soya-bean oil being an essential raw material to the soap industry, paint and varnish industry, linoleum and oilcloth industry, and rubber-substitutes industry, and many other industries, it is plainly evident that to deprive them of this necessary raw material by the levying of an import duty will narrow the field in which these industries can operate, as they will be unable to manufacture except for domestic consumption, for when similar industries in Europe secure their raw materials free of duty they will be able to turn out cheaper soap, cheaper paints and varnishes, cheaper rubber substitutes, cheaper linoleums, and all other manufactured products into which soya-bean oil enters and secure control of the foreign markets in which American industries have been rapidly extending the sale of their manufactured products. Further, to the extent that the United States ceases to buy oil in oriental markets the European buyer will have less competition there and can secure his oil at a lower price.

That Europe is utilizing her unlimited access to the oriental markets in the absence of American competition is shown by the shipments of soya-bean oil from the port of

Dairen, Manchuria, to European ports since January 1, 1921, as advised by cable from Dairen.

TABLE 8.—Soya-bean oil exports from Dairen to Europe, 1921.

	Pounds.		Pounds.
January.....	13,600,000	June.....	28,800,000
February.....	10,400,000	July (part).....	8,000,000
March.....	21,200,000		
April.....	23,600,000	Total.....	129,600,000
May.....	24,000,000		

That these imports displaced an equal amount of vegetable oils of American origin which could not compete at the prices at which the European was able to buy in markets in which his purchasing agents held undisputed sway through lack of American competition can readily be realized.

The export trade of the industries of the United States who use vegetable oils as raw materials has been built up on the basic principle of cheap raw materials. To interfere with the old established principle of cheap raw materials and a basis of exchange for our exports is to largely inhibit our export trade or to stifle it altogether. If our costs of manufacturing are raised we can not compete abroad.

The costs of basic essentials such as soap will be increased to the domestic consumer. In the soap industry the cost of the raw material constitutes 70 per cent of the total cost of the finished product. An increase of 2 cents in the cost of any of the oils used in the manufacture of soap will mean an increase of approximately one-half cent in the manufacturing cost of a cake of ordinary household soap made from them. The housewives will pay this and nobody will profit by it.

Soya-bean oil, when combined with linseed oil, makes excellent weather-resisting paints, more reasonable in price than those made from linseed oil alone. Paints and varnishes must be available to our population and the use of paint as a preservative for out-of-door structures, agricultural implements, and in improving the sanitary condition of our surroundings must be encouraged and not restricted by the levying of import duties upon important ingredients.

If we do not buy abroad we can not sell abroad, and it must be realized that the oriental countries which are enormous buyers of American steel, agricultural implements, machinery, leather goods, and other manufactured commodities have only a restricted list of export commodities which they can ship us in return in any considerable volume, of which soya-bean oil and other vegetable oils are important items, and to discriminate against these oils is to threaten the life of our whole Asiatic commerce.

In the light of the foregoing facts we urge the committee to retain on the free list this important raw material of American vegetable oils and fats industries.

#### FLAXSEED AND LINSEED OIL.

##### PROPOSED AND PRESENT RATES OF DUTY.

Flaxseed: H. R. 7456, 25 cents per bushel; act 1913, 20 cents per bushel.

Linseed oil: H. R. 7456, 2½ cents per pound (equals 18½ cents per gallon); act 1913, 10 cents per gallon.

We object to the duty of 18½ cents per gallon on linseed oil, as this rate of duty represents an unwarranted increase above the rate of 10 cents per gallon in the tariff act of 1913 when compared with the much smaller increase made in the rate of duty on flaxseed in House bill 7456, as compared with the rate in the tariff act of 1913.

The problem involved in constructing a tariff on flaxseed and linseed oil is almost entirely one of—

First. Establishing a duty on flaxseed that equitably encourages the growth of flaxseed by the American farmer without unduly imposing too great a burden on the American consumer who buys the products of flaxseed.

Second. Establishing a rate of duty that equitably protects the American crusher of flaxseed who produces linseed oil from the flaxseed.

In regard to the first consideration, we believe the rate of duty of 25 cents per bushel in House bill 7456 is as high a rate of duty as could be equitably imposed. Various grains can generally be grown to better advantage by American farmers and flaxseed in the United States is generally in the class of a catch crop and high prices have not contributed to any general increase in its production by American farmers; therefore, to date tariffs have not induced a regular progressive development of its production and tariffs have not resulted in developing the industry in accordance

with the theory of production development commonly associated with a tariff on such a commodity as flax. This is shown by the following statistics:

*Flaxseed crops of the United States.*

Year.	Bushels.	Average price.	Tariff.
1910.....	12,718,000	\$2.34	Payne-Aldrich.
1911.....	19,370,000	2.31	Do.
1912.....	28,073,000	1.72	Do.
1913.....	17,833,000	1.34	Underwood.
1914.....	13,749,000	1.52	Do.
1915.....	14,030,000	1.79	Do.
1916.....	14,296,000	2.22	Do.
1917.....	9,184,000	3.69	Do.
1918.....	13,369,000	3.94	Do.
1919.....	8,919,000	4.53	Do.

It will be seen from the above there is no indication of anything but irregular intermittent production with no evidence of tariffs or values being associated with the promotion of the industry. It is to be presumed, however, that when the American farmer does plant flaxseed that he receives a higher price when a tariff is in effect, as our production has been slightly more than 50 per cent of our requirements, consequently with the necessity of importing nearly 50 per cent of our requirements it is likely that our flaxseed farmers have obtained for our domestic production an average price equal to the world-wide average price plus the amount of the duties that have been in effect. In other words, it is apparent that when our farmers have planted flax they have received the subsidies created by the tariffs, but it is also apparent that such subsidies have not induced any regular development of flaxseed growing and, therefore, such tariffs act as a subsidy without promoting regular increase in the direction of our requirements.

In regard to the second consideration, we wish to point out that the question is one of protecting the American linseed-oil crusher by a compensatory duty against foreign linseed oil that will enable him to sell linseed oil made from American flaxseed in the purchase price of which is contained the subsidy paid to the American flax grower. Without a compensatory duty on linseed oil the tariff on flaxseed itself would be ineffective. But the question of maintaining the rate of duty on linseed oil at a proper compensatory figure and not at a rate that in addition to the compensatory requirement gives to the linseed-oil crusher a further subsidy of an unwarranted amount is manifestly the important feature to be regulated if justice is to be accorded the American manufacturers of paint and varnish and the ultimate consumer.

The United States Tariff Commission considers the average oil yield of flaxseed to be 18 pounds per bushel, which yield appears to be regarded by the linseed-oil crushing industry as being a fair figure. The problem, therefore, is to see that a proper differential is maintained between the rate of duty on a bushel of flaxseed as converted to a duty per gallon on the oil content of each bushel of flax and the duty on foreign linseed oil.

ANALYSIS OF TARIFFS.

Tariff act of 1913:

Linseed oil, 10 cents per gallon equals 24 cents per bushel of flaxseed.

Flaxseed, 20 cents per gross bushel (actual 21 cents per bushel).

Difference, 3 cents per bushel.

House bill 7456:

Linseed oil, 2½ cents per pound equals 18½ cents per gallon equals 45 cents per bushel.

Flaxseed, 25 cents per bushel less drawback (actual 18½ cents per bushel).

Decrease, 2½ cents per bushel, or 12½ per cent.

Difference, 26½ cents per bushel. Increase, 23 cents per bushel, or 700 per cent.

In establishing the compensatory duty on linseed oil it should be observed that the 18 pounds of oil in a bushel of flaxseed is eighteen sixths of the weight of a bushel of flax and that actually the duty on flax is applicable to the oil content only, as the substance or linseed cake that remains after the oil is pressed is not dutiable, as there is no duty on linseed cake.

Owing to the drawback provision in House bill 7456, the net duty paid by the American linseed crusher on foreign flaxseed is 18½ cents per bushel, as the drawback

received on linseed cake is equal to 6½ cents per bushel of foreign seed, and we export not only all of the cake made from foreign seed on which this drawback is collected by the crusher, but we also export a large portion of the linseed cake which results from the crushing of our domestic seed, on which no drawback is paid.

#### CRUSHING OF FOREIGN FLAXSEED.

In H. R. 7456 the crusher when crushing imported flaxseed is protected against foreign linseed oil to the extent of the duty on oil at 18½ cents per gallon, which is equal to 45 cents per bushel of flaxseed. The crusher pays a net duty of 18½ cents per bushel on foreign flaxseed, and therefore is given a subsidy equal to the difference between 18½ cents actual duty paid and 45 cents per bushel oil content on foreign linseed oil or 26½ cents, which great difference as compared with the crusher subsidy of 3 cents per bushel in the tariff act of 1913 represents an increase of over 700 per cent as compared with the decrease in the flaxseed growers' protection of 2½ cents per bushel, or 12½ per cent decrease.

It must be clearly understood that in a tariff providing for drawbacks on by-products of such commodities as flaxseed wherein the drawback is paid irrespective of whether the by-product is similar to or the same as an article on which there is no duty, that the rate of duty on the primary product (linseed oil) after deducting the amount of duty on the by-product is the true rate at which the domestic (whole) commodity is protected. In the case of flaxseed this is particularly true, as an amount of linseed cake is exported which more than exceeds the total quantity of linseed cake yielded from foreign flaxseed. In other words American linseed crushers export all of the cake made from the flaxseed they import and in addition export a large part of the cake made from domestic flaxseed.

As flaxseed in this country is practically all used for its linseed-oil content, it must be borne in mind that the rate of protection enjoyed is the net rate of duty paid by the crusher on the linseed-oil content of the imported flaxseed.

If the oil crusher can bring foreign flaxseed into the country by the operation of a drawback on the cake it must be borne in mind that the American flax growers' protection is not the rate of duty specified on a bushel of flaxseed but is the net rate of duty paid by the crusher after receiving his drawbacks on the cake, but at the same time the crusher is protected in the case of his product, linseed oil, to the extent of the duty specified on linseed oil. In H. R. 7456 the American flax grower is only protected to the extent of 18½ cents per bushel.

This is clearly pointed out in the brief of Spencer Kellogg & Sons, linseed-oil crushers of Buffalo, N. Y., appearing on page 4397, in the volumes entitled "Tariff Information, 1921, Hearings on General Tariff Revision before Committee on Ways and Means." This brief in the tables appearing in the first paragraph states plainly that under the Payne-Aldrich law with its drawback provisions that with the duty of 25 cents per bushel on flaxseed that the net duty paid on a bushel of imported flaxseed would be 18½ cents. Under the Underwood-Simmons Act it is shown plainly that the duty paid is 21 cents per bushel.

This shows conclusively that the American flax growers' protection is decreased 2½ cents per bushel, yet the text of this brief continues with language intended to convey the thought that its authors were proposing added protection for the farmer, whereas they actually propose a decrease in the farmer's rate of protection as contained in the Underwood-Simmons act and on linseed oil ask a duty of 5 cents higher than was contained in the Payne-Aldrich law.

It must be emphasized that with linseed cake on the free list the application of a tariff on flaxseed is only effective so far as applied to the oil content of imported flaxseed, hence the net duty paid by American crushers on foreign flaxseed (after deducting drawbacks on cake) is the actual protection which the American flax grower has, and unless there is no drawback on cake, as in the case of the Underwood-Simmons law, the rate of duty on flaxseed does not indicate the protection received by the American flax grower, who in the actual analysis is the only one for whom the need of protection can be argued.

According to section 316 of H. R. 7456, drawback is allowed on linseed cake exported from the United States that results from the crushing of imported flaxseed. The amount of drawback paid is in accordance with the relative value of the linseed cake and the linseed oil at time of separation. We assume that the rate of drawback paid on linseed cake which was paid under the same tariff conditions in the Payne-Aldrich Act as set forth in the brief of Spencer Kellogg & Sons, linseed-oil crushers of Buffalo, N. Y., is correct, but in accepting the figures suggested by those linseed-oil crushers who ask these absurd subsidies we are merely taking their own figures.

That such great subsidies should be required is absurd, as the labor cost of crushing flaxseed is only a small portion of the value of the resulting products, linseed oil and linseed cake, and the total labor cost does not exceed 5 per cent in the operation of crushing. We again refer your committee to paragraph 4357, "Tariff information, 1921, hearings on general tariff revision before the Committee on Ways and Means," wherein appears the brief of Spencer Kellogg & Sons (Inc.), of Buffalo, N. Y., one of the largest crushers of flaxseed in the United States.

In this brief it is stated in the third paragraph that the difference of 3 cents per bushel in favor of crushing flaxseed in the United States would not be a serious matter so far as the difference in American and foreign labor costs are concerned but "which is serious because the whole matter is one of ocean freight rates and we are at certain disadvantages in that respect, which we will attempt to show later on." Careful examination of this brief reveals no further reference to the matter of ocean freight rates and no information appears concerning these vaguely mentioned disadvantages.

The linseed-oil crushers of England and Holland must transport their supplies of flaxseed from the Argentine, India, Morocco, and in normal times from Russia, and they have a market for both the oil and cake in close proximity to their crushing plants. However, these foreign crushers have no supply of home-grown flaxseed upon which to operate and all their supply is transported, hence in securing their supplies they are hardly in as favorable position as American crushers who have factories in the centers of American flaxseed production, such as Minneapolis, and who also have factories at the Atlantic and Pacific seaboard for crushing foreign flaxseed which comes to these ports. The American crushers are advantageously located for the crushing of domestic flaxseed and the sale of linseed oil made from domestic flaxseed and also have crushing plants at the seaboard for the crushing of foreign seed, with a large outlet for linseed oil in the immediate vicinity of these seaboard crushing plants. In the marketing of cake, however, the American crusher is at some disadvantage, as he must ship his cake abroad to the same foreign markets in which the European crusher sells his linseed cake, and in the case of American crushing mills inland freight must be paid on the cake to the Atlantic seaboard, and this cake, as well as the cake from the seaboard plants, must be shipped across the Atlantic. However, by a similar situation, the foreign linseed crusher, if he desires to sell oil in the United States, must pay the freight from Europe to the United States on his oil, which is a disadvantage the foreign crusher would be under irrespective of the further obstacle presented by our tariff at whatever rate it might be.

Beyond the actual duty required on linseed oil to compensate for the duty of 25 cents per bushel on flaxseed any further subsidy in the form of a tariff favoring the crushing of flaxseed in the United States should be established with due regard to what is actually necessary to protect the American linseed-crushing industry without making such subsidy excessive or beyond the bounds of reasonable protection.

If the rate of duty on flaxseed in House bill 7456 is adopted by your committee, and if the rate of duty on linseed oil of 2½ cents per pound or 18½ cents per gallon in House bill 7456 is reduced to 10 cents per gallon and the drawback provisions are retained, this rate of 10 cents per gallon would represent a substantial increase in the rate of subsidy favoring the crushing of linseed oil in the United States.

#### THE EMERGENCY TARIFF.

By the emergency tariff an injustice was imposed on American linseed-oil crushers by the provisions in the measure increasing the duty on foreign flaxseed from 20 cents to 30 cents per bushel or an increase of 50 per cent without making any increase in the duty of 10 cents per gallon on imported linseed oil. During the period in which this emergency tariff was in process of being made a law and since being passed it has encouraged the importation of foreign linseed oil for sale to American industries principally located on the Atlantic seaboard, but even under this inconsistent tariff on flaxseed and linseed oil little of this imported oil was purchased by inland paint and varnish manufacturers for the reason that the risk and inconvenience of entering into foreign purchase contracts as compared with the more convenient and suitable terms of sale offered by American linseed-oil crushers enabled American crushers to continue the sale of domestic linseed oil at prices considerably higher than the price at which foreign oil was offered, *c. i. f.* New York, showing conclusively the many advantages which the American linseed crusher has which are entirely apart from tariffs or ocean freight rates.

Those who have sought such high duties on linseed oil as contained in H. R. 7456 do not appear to have submitted anything but extraneous statements, lacking completely in any kind of evidence as to their labor costs and actual need for protection at such high rates, and have made no mention of the many advantages they have

which serve as protection in a very definite way against foreign linseed oil. The American crusher manufactures a uniform quality of oil, and the purchasers place considerable value on the factor of knowing the exact source and quality of oil which they will receive on their purchase contracts. In purchasing foreign linseed oil they do not know its source of production, and have not the assurance of uniform quality which is assured when purchasing American linseed oil. The American crusher manufactures special refined and heavy-bodied grades of linseed oil for special purposes, in the manufacture of paint and varnish, which are not obtainable from foreign linseed-oil crushers in a manner satisfactory to American users of these special grades.

Foreign linseed oil must be shipped in barrels, which, after the voyage across the Atlantic, are frequently landed in bad condition at American ports and must be reconditioned; and other troublesome features arise in handling the foreign oil, which the paint and varnish manufacturers generally prefer to avoid. In fact, the sum total of these disadvantages in connection with importing foreign linseed oil as compared with purchasing the domestic product is actually of such importance that foreign oil must generally sell at the same American seaport, such as New York, with the duty paid at a price fully 10 per cent less than American oil at the same point of delivery, before American paint and varnish manufacturers consider the differential in price between foreign and domestic oil as sufficient to compensate them for the disadvantages connected with the purchase and use of foreign oil. These elements in favor of American linseed-oil crushers are entirely apart from tariff considerations, and are to be added elements of protection over and above any duties imposed on foreign linseed oil.

It must be apparent that the American linseed crusher has many advantages over the foreign crusher, who is not in a position to distribute oil economically in the United States in competition with the efficient facilities which the American crusher possesses by way of the strategical location of his plants, tank-car delivery facilities, and methods of distribution that eliminate waste, etc.

As the representatives of paint and varnish manufacturers who desire to sell their finished products at prices that will encourage consumption and maintain for us a good healthy volume of business are vigorously opposed to the granting of subsidies in the nature of a tariff rate that is excessive and above the requirements of fair and reasonable protection, we urge that the rate of duty of 2½ cents per pound in H. R. 7456 on linseed oil, as compared with the duty of 25 cents per bushel on flaxseed, is excessive and with a duty at the rate of 10 cents per gallon we are confident the American linseed-oil crusher is amply protected, and we also urge that the duty of 25 cents on flaxseed amply protects the American flax grower.

There are only 16 companies operating linseed-crushing plants in the United States. About 75 per cent of the entire business transacted is done by four leading companies, and we direct your special attention to the fact that in the statement submitted to the Committee on Ways and Means no actual evidence was offered indicating the need of such a high rate of duty on linseed oil as was written in H. R. 7456, and the proposed duty of 2½ cents per pound should be reduced to 10 cents per gallon. We also recommend that in establishing the rate of duty that it be expressed in gallons and not pounds.

That the linseed-oil business of the United States is highly competitive is subject to varied opinion owing to the fact that 75 per cent of the flaxseed produced at home and imported is crushed by only four large linseed-oil crushers in the United States. For the seven years 1914-1920 the combined production and importation of flaxseed of domestic and imported varieties was 25,000,000 bushels per year. Considering the narrow margin of competition in this linseed-oil industry, it is not difficult to believe that the subsidy granted by the proposed tariff of 18½ cents per gallon (2½ cents per pound) in H. R. 7456 would be fully operative, and as this rate of duty on linseed oil coupled with the drawback on linseed cake is fully 8½ cents per gallon in excess of any logical or actual protection required by American crushers, it can be estimated that the abnormal subsidy granted this long and well established industry would amount to approximately \$5,200,000 on the 450,000,000 pounds average yearly production of linseed oil in American mills at 7½ pounds per gallon.

That this subsidy would be collected from American consumers is evident, as we import over 50 per cent of our requirements of flaxseed, and imported supplies must sell at levels making the importations possible at the world-wide price plus the rate of duty in force, and if the flaxseed is sold on this basis of the duties being operative, it is safe to assume that the duties on linseed oil are operative, and that therefore over and above the protection paid by American consumers of 18½ cents per bushel on 11,000,000 bushels of our average yearly crop and 14,000,000 bushels average yearly imports, or a total of 25,000,000 bushels, or \$1,625,000, must be added the crushers,

abnormal subsidy on linseed oil of \$5,200,000, or a total of \$9,825,000 in one average year.

As further evidence of the effectiveness of the operation of the subsidy on linseed oil is the crushers' petition that the duty on linseed oil be made 25 cents per gallon instead of 18½ cents per gallon, or, in other words, this petition has asked for nearly double the excessive subsidy of \$5,200,000, or close to \$10,000,000. (See page 4398 "Tariff information, 1921—Hearings on general tariff revision.")

This amount of nearly \$10,000,000 being over and above a liberal amount of protection calculated between the stated rate of 25 cents per bushel or actual rate of duty of 18½ cents per bushel and our recommended rate of 10 cents per gallon on linseed oil to protect the American crusher against the admittedly "not serious" difference in the labor cost of crushing in the United States and in Europe.

That the rights of American consumers and the interests of hundreds of paint and varnish, linoleum, and imitation-leather factories who are anxious to supply their products to the public at reasonable prices and maintain the largest possible volume of the demand and consumption of their products should be subordinated to a process of paying excessive subsidies to a few linseed-oil factories who in 1914 employed less than 1,500 people is absurd. The subsidy for linseed-oil crushers proposed in H. R. 7456 is equal to a bonus of \$3,500 per year for every man and woman employed in the industry, or probably more than three times the actual wages paid to them. That the operators of this industry should receive from the American public a subsidy (over and above liberal protection) equal to more than three times the yearly wages paid by them to American workers is absurd.

If the duty on flaxseed in H. R. 7456 is retained at 25 cents per bushel and if the drawback provision covering exports of linseed oils is retained, no duty higher than 10 cents per gallon on linseed oil can be justified. If the drawback provision should be eliminated or if by increasing the duty on flaxseed the net rate of duty on foreign flaxseed should be established at 25 cents per bushel, then the duty on linseed oil should not exceed 12 cents per gallon.

### SULPHONATED COD AND CASTOR OILS.

[Paragraphs 49 and 51.]

#### STATEMENT OF C. P. GULICK, NATIONAL OIL PRODUCTS CO., NEWARK, N. J.

Mr. GULICK. My name is C. P. Gulick; my residence, Newark, N. J.  
The CHAIRMAN. What is your occupation?

Mr. GULICK. I am treasurer of the National Oil Products Co., manufacturing sulphonated cod and castor oils, and I am also representing the sulphonated-oil manufacturers to the extent of about 90 per cent of the sulphonated-oil production.

I wish to first address myself to paragraph 49, as regards cod and cod-liver oils. I would say in that connection, primarily, that of the production of cod and cod-liver oils only about 20 per cent—this is an estimation—is for medicinal purposes; that the bulk of the oil imported into the country or produced in the country is for industrial use.

Senator SMOOT. What is your suggestion as to the rate?

Mr. GULICK. I am asking that cod-liver oil be maintained on the free list, as in the Underwood law, I think, for just one or two reasons, which I will give briefly: In the first place, the production of domestic oil is inadequate for the industries, from the standpoint of quality. It can not be improved in this respect, because to get the proper oil for the tanning industry, which is the chief source of outlay for cod oil, we must have an oil produced in cold northern waters to produce certain cold tests; otherwise, we have a very bad reaction upon the leather, which causes serious and irreparable damage.

It is impossible to produce domestic oil from fish caught in our warmer waters that have this necessary cold test. There is an addi-

tional reason why our domestic oil is noncompetitive with the Newfoundland oil.

Senator REED. Let me ask you a question. Do you know that the American fish ought to be protected against the fish in Canada?

Mr. GULICK. If you could improve the fish, perhaps; unfortunately, he lives in a different environment. It is a question of environment upon the animal itself that we can not overcome. I have no objection to protecting the fish as such, or even the man who catches it, but I do say it is impossible by any protective measure to produce a cod oil from American waters that will be satisfactory for the production of leather; as I say, it is about 80 per cent of the demand for cod oil.

Senator REED. Do you think that we could put a tariff high enough to make up for the natural difference between the inferior fish of our waters and the superior fish of other waters?

Mr. GULICK. No; you simply can not use that oil on any kind of leather. Of course, unless you wanted to go out and pay usually 10 or 15 cents for a shine and have a frost come out through the shine after you had gone two blocks in cold weather. It is a natural condition of the livers produced in the fish living in cold water.

Senator REED. You do not think, then, if there is a natural advantage of one country over another, that natural disadvantage one country suffers should be made up by a tax; you do not agree with that proposition?

Mr. GULICK. If a disadvantage will act as a protection and foster the industry which is under disadvantage, yes.

Senator REED. And afterward make it so it can stand alone?

Mr. GULICK. Provided the product so protected can stand alone intrinsically. You can not change the chemical nature of these two oils, their chief difference being through the cold test, and the cold test is different by virtue of the temperature in which the fish lives.

There is an additional reason why the domestic oil is not satisfactory for the purpose, and that is that the American fishermen do not separate the livers; they are too busy catching fish, or for some other reason they do not separate the livers. So far as protection to the American producers of oil is concerned, they are already receiving about 7 cents per gallon, even though cod oil is on the free list, due to the export tariff from Newfoundland, which constitutes the bulk of our source of supply of cod oil, and the transportation charges to New York or Boston market. There is a 2-cent-per-gallon export tax from Newfoundland and about 5 cents transportation charges, which makes a total of 7 cents per gallon, which is ample protection, if protection is needed for the American fishermen.

But the American fisherman, even under the stimulus of a quadruple price for his oil during the war, was practically unable to increase his production to a point where he could come anywhere near meeting the consumption. In other words, the consumption of cod oil for leather purposes has been 10,000,000 pounds per annum, whereas the domestic total production is only about a half million, and can not be increased, for the reason that the oil is unfit for use on the leather, which is the only outlet for cod oil, because of its peculiar properties, outside of medicinal purposes.

To substantiate that fact I have statements here which I will not read, but which I will leave with you, in the form of a brief, from the

principal tanners of the country, stating why they can not use the domestic oil from purely an intrinsic standpoint on the question of the quality of the oil—some of them give other reasons, but primarily I happen to be in the oil business producing oil, and know that in our products where we use cod oil as a raw material that we can not make the same class of product or satisfactory product at all from domestic oil on account of the cold test I have spoken of.

There is another point I would like to emphasize and in that connection read a telegram from the Globe Trading Co. in Newfoundland, at St. Johns, apropos of the general tariff discussion. That telegram states as follows:

The whole Newfoundland business community hear with astonishment and indignation of proposed tariff on fish and oils and all products of the sea. Practically excluding our product from American market. We are requested by importing firms to request your services and active work have adjustment made. Newfoundland has no discriminatory tariff. United States manufacturers have enjoyed preference even over United Kingdom for past years, both paying customs tariff on par averaging preference of 30 per cent of tariff to America. Newfoundland use 15,000,000 American product 1920; exported to America under 5,000,000. Believe strong representations from you and other exporters would have tariff adjustment made more equitable to Newfoundland. Use your utmost endeavors. If tariff stands believe public opinion will compel enforcement discriminatory tariff our side.

I would like to address myself to the paragraph on castor oil, if there are no questions in regard to cod oil.

The CHAIRMAN. The committee has thoroughly gone into these statements, and the statement you submit will be printed. Of course, we do not want to shorten your statement, but we really have heard a good deal on this subject.

Mr. GULICK. On the subject of sulphonated castor oil?

The CHAIRMAN. Only in a general way on that. Go ahead.

Mr. GULICK. I will only take a minute.

The CHAIRMAN. Go on.

Mr. GULICK. I simply want to point out, on the question of sulphonated castor oil, under paragraph 51, that it is proposed to apply 25 per cent ad valorem duty, whereas a 4½ cents per pound specific duty is proposed on raw castor oil. According to market values for the past 10 or 15 years, with the exception of a short time during the war, the normal value of castor oil was approximately 9 cents; raw castor oil. So that 4½ cents per pound specific duty is the equivalent of 50 per cent of its value. Upon the manufactured product, the sulphonated castor oil, which is made exclusively from castor oil, only 25 per cent ad valorem is imposed, giving Germany, England, and France 25 per cent handicap, minus transportation charges, of course, over the American manufacturer of sulphonated castor oil.

Senator REED. That would encourage the people here to buy the foreign product?

Mr. GULICK. Undoubtedly.

Senator REED. How much of the raw material is produced in this country? What proportion is produced in this country?

Mr. GULICK. Under the schedules as applied to the Underwood law there has been considerable. I haven't the figures, but there has been considerable imported raw castor oil from Brazil and the Orient; also England, which produces large quantities of castor oil in India. Under the 4½ cents per pound specific duty the American manufacturer of castor oil has monopolized the American market, so that

no foreign oil can come on the American market as sulphonated oil, and the American manufacturer is protected to the extent of 50 per cent of his product, which is our raw material, and we are protected to the extent of only 25 per cent. We are not asking for undue protection, but we feel there is a discrepancy there this committee will want to consider, and we feel that we are absolutely entitled to a tariff that will be commensurate with that upon our raw material.

Let me state that castor oil comprises 95 per cent of our finished product. The other is incidental substances. We can not compete with England, Germany, and France, who are large manufacturers of sulphonated oil, and who incidentally have no tariff like we have on those oils, unless the discrepancy is changed.

Senator McCUMBER. Increasing the differential?

Mr. GULICK. The differential must be increased, or the original duty upon raw castor oil should be decreased to compensate the present difference.

Senator McCUMBER. How much should we increase the differential now, if we retain the tariff fixed in the bill?

Mr. GULICK. If you maintain the tariff fixed in the bill, of a specific duty of  $4\frac{1}{2}$  cents per pound, then the tariff on sulphonated castor oil should be  $4\frac{1}{2}$  cents per pound for the castor-oil content, which would be 50 per cent ad valorem upon an ad valorem basis. In other words, there is a discrepancy in the present law. They take our raw materials and apply a specific duty, and to our finished product they apply an ad valorem duty.

Senator McCUMBER. It should be 50 per cent instead of 25 per cent?

Mr. GULICK. It should be 50 per cent instead of 25 per cent.

Senator REED. You have spoken of sulphonated castor oil. I do not understand the term, although I presume other members of the committee do. Is that what is used for medicinal purposes?

Mr. GULICK. No, absolutely not. It is entirely an industrial product. It is used principally in the textile industries. Practically everything you wear is treated with sulphonated castor oil, either in the process of dyeing or softening or finishing.

Senator McCUMBER. When you speak of 50 per cent instead of 25 per cent, do you mean 50 per cent upon the American valuation? These figures are all based upon the American valuation, whatever that may be.

Mr. GULICK. It would have to be, because I am basing my statement upon the fact that  $4\frac{1}{2}$  cents per pound on the raw castor oil is 50 per cent of the American valuation of castor oil. I would submit, however, that I believe that if the tariff on castor oil would be put proportionately in a commensurate manner with the duty on castor beans, then the 25 per cent ad valorem now applied on sulphonated castor oil would be ample, because the duty then on castor oil would not be over  $1\frac{1}{2}$  or 2 cents a pound; but if a subsidy is going to be granted the castor-oil crushing industry, then we as consumers of the product must have equal protection.

I have a brief on this subject which I would like to file.

The CHAIRMAN. It will be printed.

## BRIEF OF C. P. GULICK, REPRESENTING THE SULPHONATED OIL MANUFACTURERS OF THE UNITED STATES.

## COD AND COD-LIVER OILS.

[Paragraph 49, Schedule 1.]

This petition is presented to you by a group of manufacturing chemists serving the tanning trade and whose business consists primarily in the manufacture of sulphonated cod oil.

The writer has been requested by the sulphonated-oil manufacturers of the United States to represent them and to protest against a duty being placed upon cod oil.

This appeal is not made by the tanning industry except indirectly through us, and we desire to present the fact to your honorable body that unless we are able to procure our raw material as cheaply as our foreign competitors that our industry will cease to exist.

As our industry represents the investment of several millions of dollars and employment of several thousands of persons, the matter is of sufficient interest to warrant your most careful consideration.

We therefore respectfully urge that cod oil be retained upon the free list instead of bearing a tax of 12½ cents per gallon, as provided for in the present bill, for the following reasons:

1. Protection on cod oil is not necessary nor desirable, as domestic oil is absolutely unsatisfactory as a substitute for Newfoundland oil, and is therefore noncompetitive with it. Domestic oil is unsuited for use on leather for two reasons, viz:

(a) Coming from fish caught in comparatively warm waters, it lacks the necessary cold test and is therefore too gummy, and spews out on the finished leather, causing irreparable damage.

(b) There is practically no pure domestic oil produced, as American fishermen do not separate the cod livers from those of the other fish which constitute the average catch, and therefore the so-called domestic cod oil is rarely, if ever, a pure cod-liver oil. Only a liver oil is suitable for tanning purposes, and therefore the leather manufacturers insist upon pure Newfoundland oil only.

2. Newfoundland cod oil as such is the basic oil used in the majority of all leather. It is used either in the original state, or as a sulphonated oil, or as a Moellon degraas or oxidized cod oil. To put a prohibitive tariff on such an important raw material would be a calamity to the oil and leather industries. As a raw material for one of our largest industries it is entitled to free entry, as provided for under the present law.

3. The proposed tax would increase the cost of leather and all leather products. Any influences which would thus increase the cost of the necessities of life should be resisted to the utmost, as we can not continue the much-needed industrial readjustments by creating artificially high costs in necessary staples.

4. Any tax upon this important raw material will result in diverting it to foreign tanners, who will monopolize the bulk of the foreign and export field, thus injuring our export trade, if not entirely demolishing it, and resulting in a severe constriction of American prosperity.

5. A prohibitive tax, such as that proposed, would be ruinous to certain oil refineries which have been established in Newfoundland with American capital. Considerable investments have been made of American capital in Newfoundland for the production of cod oil for use in the American market, and it is unfair to legislate these necessary industrial enterprises out of existence by a prohibitory tax.

6. At the present time there is a Newfoundland export tax of 2 cents per gallon on cod oil, which taken together with ocean freight, which approximates 5 cents per gallon more, makes a total of 7 cents per gallon without including incidental charges, such as insurance, wharfage, etc., which must be paid on all oils imported into this country. Said figures are calculated on charges to the port of New York, which is the principal port of entry for these oils into the United States. This 7 cents per gallon is more than ample protection to American fishermen, and should any additional tariff be applied it would render the cost of this oil prohibitory.

Our total imports of all kinds from Newfoundland are about four million dollars (\$4,000,000) per annum, whereas our exports to Newfoundland amount to sixteen millions of dollars (\$16,000,000) per annum. We are confident that any tariff legislation which would impair the present trade relations existing between that country and the United States would be to very seriously damage the very friendly relations now existing. To support this we quote verbatim a telegram recently received by one of our large soap manufacturers from a permanent member of the Board of Trade of Newfoundland, located at St. Johns, Newfoundland.

"Whole Newfoundland business community hear with astonishment and indignation of proposed tariff on fish and oils and all products of sea, practically excluding our product from American market. We are requested by importing firms to request your services and active work. Have adjustment made.

"Newfoundland has no discriminatory tariff. United States manufacturers have enjoyed preference even over United Kingdom for past years, both paying customs tariff on par averaging preference of 30 per cent of tariff to America. Newfoundland used fifteen millions American product 1920. Exported to America under five millions. Believe strong representations from you and other exporters would have tariff adjustment made more equitable to Newfoundland. Use your utmost endeavors. If tariff stands believe public opinion will compel enforcement discriminatory tariff our side."

We respectfully request, therefore, that cod oil be retained upon the free list.

(Committee: National Oil Products Co., Harrison, N. J.; Atlas Refinery, Newark, N. J.; Martin Dennis Co., Newark, N. J.; Salem Oil & Grease Co., Salem, Mass.; Falk Co., Pittsburgh, Pa.; F. S. Walton & Co., Philadelphia, Pa.)

*Michigan Tanning & Extract Co., Chicago, Ill.*—The proposed Fordney tariff act now before Congress carries a duty on cod oil of 12½ cents per gallon. At present cod oil is on the free list and we consider this an excessive rate of duty, which will decidedly limit if not prohibit its importation.

Pure Newfoundland cod oil is a basic raw material and is very essential to the manufacturer of sole leather and is greatly superior to the domestic oil.

As a large sole-leather tanner we are greatly against duty being imposed on cod oil.

*The Adam Kroehle's Sons Co., Cleveland Ohio.*—We are advised that under the proposed Fordney tariff act now before Congress cod oil is set down to pay a duty of 12½ cents per gallon.

This we consider an excessive rate of duty, which will decidedly limit, if not prohibit, its importation. At the present price of Newfoundland cod oil, 43 cents per gallon, 12½ cents duty is 30 per cent.

As tanners of leather we do not want to be obliged to pay this excessive duty.

*Algonquin Leather Co., Salem, Mass.*—The proposed new tariff now before Congress proposes putting a duty on cod-liver oil of 12½ cents per gallon. This duty would make its use practically prohibitory in the tanning industry, in certain branches of which large quantities of this oil is used.

We protest vigorously against this excessive duty.

*Van Tassel Tanning Co., Stoneham, Mass.*—I believe that cod oil, which is at present on the free list, should also be continued thereon, as the excessive rate of duty, 12½ cents per gallon, which has been suggested would limit its importation and practically prohibit its use, and unquestionably, as it is impossible to continue this on the free list, it should carry a much lower rate of duty.

*General Leather Co., Newark, N. J.*—We understand under the proposed Fordney Tariff Act, now before Congress, it is intended to place a duty on cod oil of 12½ cents per gallon, which is at the present time on the free list.

We consider this duty excessive, and will prohibit to a large extent the use of this material by tanners and others, and would urge you to use your influence toward keeping this material on the free list, which we know would be beneficial to all the manufacturers of this country using this product.

*Radel Leather Manufacturing Co., Newark, N. J.*—We notice, by the newspapers, that the proposed Fordney Tariff Act intends to put a tariff of 12½ cents per gallon on imported cod oil.

We know that in the manufacture of leather, and for other purposes, the native cod oil is not as pure or as suitable for our purpose as the imported Newfoundland cod oil. The native article is inferior in every way, and it seems essential to the manufacture of first-class cod oil to have it done in a cold climate.

Consequently, we think the proposed tariff will prevent or almost prohibit the importation of the superior grade, and will react to the detriment of the American manufacturers. We therefore think if there is any possibility of changing this tariff that Newfoundland cod oil should be admitted duty free, same as it is at the present time.

*The Martin Dennis Co., Newark, N. J.*—We understand that under the proposed Fordney Tariff Act now before Congress imported cod oil is to be removed from the free list and set down to pay a duty of 12½ cents per gallon. We really think it would be a great mistake to remove this material from the free list because the amount of revenue to be derived from the tariff on this commodity would never be a very large sum of money because the total quantity of cod oil imported is not great.

Furthermore, imported cod oil is a basic raw material much needed in this country because the domestic cod oil is an inferior product and for many uses can not safely

be substituted for the imported cod oil. The supply of domestic cod oil is always limited and would not be sufficient to supply the American market, even though it could be substituted for the imported cod oil. It seems to us, therefore, that it would be a calamity of no mean proportion to impose any duty on imported cod oil, for the result would be to raise the price of the domestic cod oils, which are of inferior quality and of which there is never a sufficient supply.

We trust you will give the above statement your most careful consideration and urge that imported cod oil be allowed to come in duty free, as at present.

*England, Walton & Co. (Inc.), Philadelphia, Pa.*—It is our understanding that the proposed Fordney Tariff Act now before Congress proposes a duty of 12½ cents per gallon on cod oil, which is at present on the free list. Pure Newfoundland tank cod oil is a basic raw material and is most essential to the manufacturer of first-class leather, and is undoubtedly superior in many ways to the domestic oil. The duty proposed is a most excessive duty, and will undoubtedly limit, if not prohibit altogether, its importation.

*Leas & McVity (Inc.), Philadelphia, Pa.*—We are writing you in reference to the proposed duty on Newfoundland cod oil. In the Fordney Tariff Act, now before Congress, cod oil is set down to pay a duty of 12½ cents per gallon. At present it is on the free list.

Pure Newfoundland cod oil is a basic raw material and is far superior in every way to the domestic cod oil. Newfoundland oil is purer, contains less "foots," and is uniform in quality from year to year, whereas the domestic oil can not be relied upon. As for ourselves, we found it necessary to discontinue entirely the use of domestic cod oil some years ago.

*J. G. Curtis Leather Co., Ludlow, Pa.*—We have been informed that the new tariff bill now before Congress provides for a duty of 12½ cents per gallon on cod oil, which at the present time is on the free list.

We are large users of pure Newfoundland cod oil, buying it in tank cars. That oil can not be produced along the coast of the United States because it is made from fish in cold water in the northern climate, which produces a better grade of oil. Such oil is used in the manufacture of the higher classes of upper leather. If it is the purpose of Congress to protect American industries and American labor, there should be no duty placed upon this product, which can not be produced within the United States. Such a duty will add to the cost of leather without any benefit to the manufacturers in this country. The only benefit from such a duty would be the increased revenue for the Government, which we understand is not the basis upon which the new tariff is being framed.

*Reiff & Co., Philadelphia, Pa.*—This tax we unhesitatingly believe is excessive, unjust, unreasonable, and practically prohibitive. We further believe that there is not a Representative in Washington who, if he were a practical tanner, or even had a fair conception of the tanning industry, would ever vote for such a tax.

The enactment of this tax would practically prohibit the use of pure Newfoundland tanked cod oil, one of the principal and essential products for producing leather of the better grade. It has always been recognized as a basic raw material and is essential to the manufacturer of a high-grade product.

It is true we have a domestic product, but it is also true that pure Newfoundland cod oil is far superior to the domestic brand and will produce a finer and better leather.

Ask yourself this question (your answer will be that of the great mass of American people): Do you want to pay more for an inferior pair of shoes? Does the American farmer want to pay more for an inferior set of harness?

*The Graton & Knight Manufacturing Co., Worcester, Mass.*—It has been brought to our attention that there is a proposed tariff of 12½ cents per gallon on Newfoundland cod oil. This would seem an unreasonable tariff.

Heretofore it has had a small tariff, the latest 2½ cents per gallon.

The leather industry of this country needs all the assistance it can get, especially as we have it from good authority that Germany has been an active buyer of bargain lots of hides in this country and the world over, and is also bringing into this country more or less of the finished product, but especially distributing it in other markets which the United States has been cultivating recently.

A moderate tariff of, say, 2½ cents a gallon, as it was at one time, to equalize the cost of labor, would not be objectionable, but 12½ cents is excessive and should be opposed.

*The Queen City Tanning Co., Chicago, Ill.*—We learn that in the proposed Fordney Tariff Act now before Congress that cod oil is set down for a duty of 12½ cents per gallon. We believe that this duty will practically prohibit the importation of Newfoundland cod oil, of which there is a very large amount used in the tanning of leather. This cod oil can not be classed as a manufactured article, but is essentially a raw material and is usually sulphated for use in the tanneries by concerns in the United States.

We recognize that the condition of the cod-oil market at the present time is demoralized, but probably not more so than any other business, especially the tanning business, which has suffered from a depreciation of prices more so than any other business.

We think that it would be unwise to endeavor to restore by any radical slapping on of a big duty on materials in the present depression, but rather to allow matters to adjust themselves in the readjustment through which all must pass. Governmental assistance is not the remedy in this crisis, but in fact may even be a hindrance to the proper restoration of business.

*Armour Leather Co., Chicago, Ill.*—As you no doubt are aware, under the Fordney Tariff Act now before Congress cod oil is set down to pay a duty of 12½ cents per gallon. At present this commodity is on the free list, and as we use considerable of the Newfoundland pure cod oil we would like very much to have this product exempt from any duty.

The pure Newfoundland tanked cod oil is a basic raw material and is essential to the manufacture of first-class stock by our domestic refiners. To place the proposed high duty on this product would practically prohibit its importation for tanning purposes and compel industries to use an inferior oil.

*Pfister & Vogel Leather Co., Milwaukee, Wis.*—We note that under the Fordney Act cod oil is to be taken from the free list, and it is proposed to add a duty of 12½ cents per gallon. This is equivalent to over 30 per cent duty, which we do not think is warranted for the protection of American labor as compared with Canadian labor.

*The Ulmer Leather Co., Norwich, Conn.*—We wish to remonstrate on the duty of 12½ cents per gallon on cod oil such as is used for tannery use.

As we understand it, at the present time same is on the free list, and while we believe it should remain on the free list, we also know that the Government needs money, but we think that 12½ cents per gallon duty is way and beyond what it should be, and is very excessive.

*Strasbourg & Schallck, New York.*—With reference to the proposed duty of 12½ cents per gallon on the importation of cod oil, I beg to say that it seems to me that this is a most ridiculous proposition.

I happened to be receiver of the National Spongo & Chamois Co., which is manufacturing chamois and uses imported cod oil for the purpose. The imported oil, I am advised, is absolutely essential as it turns out a higher grade of chamois than the domestic oil would produce. To use domestic oil would result in a chamois which could not compete with imported English or French chamois. At present our chamois are almost exclusively used by the American consumer in preference to the imported chamois, but if we had to pay this additional cost of imported cod oil the price of American chamois could not compete with the imported article.

I see no reason for this duty, particularly as I am advised that all cod oil produced in this country is consumed, and the only benefit which would be brought about would be for the benefit of the domestic producer by enabling him to increase his price and enlarge his profits.

It seems to me what our tariff tinkers ought to do is to protect domestic manufacturers, but not for the purpose of enabling them to increase their profits, but for the sole purpose of giving the American labor plenty of work. This can be done by freeing raw materials required in the manufacture of goods in this country.

*John Reilly Co., Newark, N. J.*—As far as our class of manufacture is concerned the domestic cod could never take the place of the Newfoundland cod, and any duty assessed on the latter would affect our business in as far as the cost of manufacture is concerned.

*Ashland Leather Co., Ashland, Ky.*—It seems to us that it would be very unwise at this time to place a duty upon Newfoundland cod oil, as this oil is very essential in the manufacture of leather, and a duty on same would only tend to increase the cost of manufacturing leather in this country, and it is very important to the tanners and leather manufacturers to hold down the cost of manufacture of leather in order to compete with Canada, England, and other countries in the manufacture of same.

*Janney & Burroughs, Philadelphia, Pa.*—Our experience with the Newfoundland oil show that it is made from nothing but cod, whereas in the domestic there is a mixture with the cod of menhaden, herring, and other fish oils, entirely spoiling the uniformity of the oil and spoiling the excellent results which would be obtained from a pure unmixed oil, such as the cod oil received from Newfoundland.

*General Leather Co., Newark, N. J.*—Pure Newfoundland cod oil is more likely to be pure than domestic, and there is not so much probability of the same being doped with fish and mineral oils.

*Stengel & Rothschild, Newark, N. J.*—Domestic cod oil is a much inferior article to the Newfoundland, and in our line especially it does not come into very direct competition with the imported. The Newfoundland cod oil has no tendency to bloom

or gum up like the domestic, and this is the reason for it being a much superior article.

*F. S. Walton Co., Philadelphia, Pa.*—The domestic cod oil may mean a mixture of any number of oils, such as menhaden, salmon, herring, and others of like character, where the pure Newfoundland is pressed only from cod livers, and which of course is far superior for tanning purposes.

*McAdoo & Allen, Philadelphia, Pa.*—The Newfoundland cod oil from long years' experience has been proved essential in many of the operations of our tanning industry, and consideration of the domestic product as a substitute would not be possible, inasmuch as the results achieved are not identical. We can not conceive that our Congress would legislate against an industry as basic as the leather trade nor put a trade in such a position, with international conditions as they exist and bid fair to exist for some time to come.

*Hans Rees Sons, New York.*—It has always been our experience that the very best of pure Newfoundland cod oil has superior qualities over domestic cod oils in bringing about the best results in high-class leathers. We believe the use of pure Newfoundland cod oil to be essential to the best interests of the leather industry at large and trust no barrier may be placed against its importation.

*Geo. Laub's Sons, Buffalo, N. Y.*—The superiority of pure Newfoundland cod oil over domestic cod oil is due to the fact that the Newfoundland cod oil chills more slowly than the domestic, thereby keeping sole leather and also harness leather from becoming hard and brittle in the cold winter weather, at the same time acting as a lubricant.

*Wm. Flaccus Oak Leather Co., Pittsburgh, Pa.*—Incidentally we are opposed to the placing of tariffs on any raw materials, as the leather market is back on a prewar basis to-day, and we can not possibly hope to stay in business unless our raw materials, such as hides, tanning materials, and fat products, are on a comparatively equal level.

*Geo. Stengel (Inc.), Newark, N. J.*—In solving out the difference between the Newfoundland cod oil and the domestic we wish to state that the Newfoundland cod is far superior in every respect both in working qualities and in price for our use.

CHICAGO, August 13, 1921.

SENATE FINANCE COMMITTEE.

GENTLEMEN: In connection with the impending tariff bill now before Congress, in which it is contemplated to remove cod oil from the free list and apply a specific duty of 12½ cents per gallon, we beg to make the following statement for your kind consideration:

1. In our experience we find that domestic cod oil is absolutely unfit in our tannage, inasmuch as domestic cod oil comes from fish caught in comparatively warm waters, and therefore does not stand the necessary cold tests, consequently causing the finished leather to become gummy, and will also seep out on the finished article, causing irreparable damage.

In view of the above fact, it is our opinion that domestic cod oil is absolutely non-competitive with Newfoundland oil, and it is entirely unsatisfactory and unsuited to the tanning industry.

We trust that you will give this statement due consideration, and beg to remain,  
Sincerely, yours,

REPUBLIC TANNING Co.,  
By S. HORWICH, Secretary.

WILLIAMSPORT, Md., August 12, 1921.

SENATE FINANCE COMMITTEE,  
Washington, D. C.

GENTLEMEN: We understand from the daily papers that a specific duty of 12½ cents per gallon has been proposed on cod oil shipped into the United States from Newfoundland.

We use approximately 1,000 gallons of this oil per month, and are naturally interested in the cost of this oil to us.

We find that the Newfoundland cod oil is the only cod oil suited to our purpose, and have never used any domestic cod oil or fish oil. This duty, of course, would mean an additional burden to us, and as far as we are concerned would not assist any domestic producers of this commodity.

From census reports and other figures that we have it does not seem to us as though the domestic production of cod oil is large enough to warrant it being protected. We notice from statistics just received from the Bureau of Census that while the domestic production of cod oil was 60,000 gallons, the consumption for the same

quarter was 1,500,000 gallons. This we feel will show you that the larger part, by far, of this oil is imported.

Another reason for our using Newfoundland cod oil is that it comes from fish caught in cold water, and is subjected to the necessary cold tests before it reaches us.

It goes without saying that a duty on this oil will be passed on to the tanner at once, and we see no other way to protect our own interests than to add this cost to the cost of our finished leather.

We do not feel that this is a proper time to raise prices on leather and leather goods, and do not desire to do so, but as you will see this duty will assist in providing the tanner with excellent propaganda for raising his prices.

We trust that you will give this matter your very careful consideration and give our recommendations the weight that may be due.

Yours, very truly,

W. D. BYRON & SONS (INC.),  
JOSEPH W. BYRON.

NEWARK, N. J., August 12, 1921.

SENATE FINANCE COMMITTEE,  
Washington, D. C.

GENTLEMEN: We desire to protest on the subject of the proposed permanent tariff which carries a duty on Newfoundland cod oil.

We have been purchasing Newfoundland cod oil for the past 30 years of our business existence and, while we have made tests from time to time on domestic cod oil, we have found out that it does not answer our purpose and that a duty on Newfoundland cod oil would simply mean that we would have to pay more for the same oil. The cold test of the domestic cod oil is so high that in cold weather leather which is stuffed with this spew, and for this reason we can not use it. You will therefore see that domestic cod oil does not compete with Newfoundland cod oil as far as our own industry is concerned, and we can not see why there should be a duty placed thereon. We trust that the Finance Committee will look at this matter from the manufacturers' standpoint, especially inasmuch as practically all leather is on the free list and we can not be expected to compete with foreign leathers if we have to pay a duty on our raw materials.

Yours, respectfully,

MAX HERTZ LEATHER CO.,  
By NORMAN HERTZ.

ALZARIN ASSISTANT, TURKEY-RED OIL, SULPHONATED CASTOR OIL, ETC.

[Paragraph 51, Schedule 1.]

We desire to point out that the proposed duty of 25 per cent ad valorem is not commensurate nor adequate in the case of alizarin assistants, turkey-red oil, sulphonated castor oil, etc., which products are made from castor oil as a base. The Fordney bill provides for 4½ cents per pound specific duty on castor oil (par. 50). According to market reports values over the past 10 to 15 years, exclusive of part of the war period, ranged from 7 cents to 10 cents per pound with an average of about 9 cents.

With a nominal value of 9 cents per pound on castor oil, a duty of 4½ cents would be exactly 50 per cent of its value, therefore an ad valorem duty of 25 per cent on sulphonated castor oil, or by whatever name this product is known, would be insufficient to enable the American manufacturer of sulphonated castor oil or other castor-oil products to compete with foreign producers. In other words, the American manufacturer would be handicapped by about 25 per cent ad valorem, which is more than sufficient to divert this business to either European or oriental countries on account of the fact that this product is sold on a very close margin and in sympathy with fluctuations in the castor-oil market.

The sulphonated-oil industry must have protection to an amount at least equivalent to that applied to its basic raw material, castor oil, or it will cease to exist. The industry gives employment to several thousand workers and represents investments of several millions of dollars, and is therefore entitled to full consideration. It should be a self-evident fact that we can not pay a tariff of 50 per cent on our raw material and be protected to only the extent of 25 per cent on our finished product.

Therefore, if it is desirable to maintain a specific duty of 1½ cents per pound on castor oil, we pray that paragraph 51 be so amended as to apply a specific duty of 4½ cents per pound on sulphonated oils or soaps composed wholly or in part of castor oil or containing 50 per cent or more of castor oil; and 2½ cents per pound if containing less than 50 per cent of castor oil. These figures are very slightly in excess of mathematical

compensatory duty as based on the raw castor oil and are necessary on account of the fact that sulphuric acid and other chemicals are employed, which must be purchased under higher tariff schedules than exist in foreign countries which also manufacture this same class of material.

As an alternative and perhaps a more scientific basis for assessing duties other than those above outlined, we would point out that starting with the tariff as proposed on castor beans of one-half cent per pound and calculating upon a basis of the fact that castor-oil beans yield 40 per cent of castor oil, then it would be necessary to provide a compensatory duty of 1½ cents per pound upon castor oil. Any duty upon castor oil above this figure would be in the nature of a subsidy or protection to the castor-oil crushers. If a duty of 1½ cents per pound should be applied to castor oil or any other figure protecting the crushers up to a duty of 2 cents per pound, then and in that event the proposed ad valorem rate of 25 per cent on sulphonated castor oil would be in correct alignment with that on its raw material, namely, castor oil.

Sulphonated castor oil, or, as it is sometimes designated, alizarine assistant, or turkoy-red oil, is produced essentially from castor oil as a raw material. Castor oil is treated under certain conditions of temperature with sulphuric acid, which acid is subsequently removed by a washing process. Only about 4½ per cent of active SO<sub>2</sub> remains in combination with the castor oil, so that the resultant product contains approximately 95 per cent of castor oil in an altered state except for moisture in varying proportions. Some grades of sulphonated castor oil contain as low as 15 per cent moisture, while other grades run up to approximately 50 per cent moisture, with the price or value depending primarily upon the actual castor-oil content.

From the foregoing it will be readily seen that the proposed ad valorem tariff as proposed in the Fordney bill is very badly out of alignment with that of its raw material, and that in view of the fact that Germany, England, France and certain other foreign countries are large producers of sulphonated castor oils this industry will cease to exist unless the tariff on its finished product is made adequately commensurate with that upon its raw material, and that unless this readjustment is remedied the industry itself will not only be severely crippled, but also that of American castor-oil crushers themselves, who now sell a large bulk of other output to the sulphonated-oil industry.

We therefore most respectfully request that this matter receive your most careful consideration and that the discrepancy herein described be eliminated by complying with the suggestions herein contained.

(Committee representing the sulphonated-oil manufacturers of the United States: National Oil Products Co., Harrison, N. J.; Jacques Wolf & Co., Passaic, N. J.; John Shaw & Co., Boston, Mass.; Providence Dry Salters Co., Providence, R. I.)

## VEGETABLE OILS.

[Paragraphs 50 and 1620.]

### STATEMENT OF W. M. HUTCHINSON, SECRETARY OF THE CRUDE COTTONSEED OIL TARIFF COMMITTEE.

Mr. HUTCHINSON. Mr. Chairman, the Crude Cottonseed Oil Tariff Committee filed with the Ways and Means Committee of the House a printed brief. I shall not consume any time to read from that brief. I have it here, and we reiterate the statements therein and ask that the duty stipulated therein be imposed.

Senator SMOOT. The House gave you a duty of 2 cents per pound. Are you not satisfied with that?

Mr. HUTCHINSON. No, sir. We ask for 5.

The CHAIRMAN. Have you the brief here with you?

Mr. HUTCHINSON. I have the brief.

The CHAIRMAN. Is that the same brief that was printed in the House hearing?

Mr. HUTCHINSON. Yes, sir. I want to call your particular attention, Mr. Chairman, to the fact that no duty was imposed upon copra—dried coconut meats—and soya beans.

The CHAIRMAN. Do you wish that printed as a part of your statement?

Mr. HUTCHINSON. I do.

The CHAIRMAN. It will be so printed, as you ask a substantial increase in the duty.

Mr. HUTCHINSON. If copra and soya beans are imported without duty, undoubtedly mills will spring up to extract the oil in this country, and the oil would therefore come in competition with cottonseed and peanut oil. Furthermore, it will place in competition with peanut and cottonseed meal and cake the coconut and the soya-bean cake after the oil is extracted.

I shall file this brief, sir, and earnestly ask your consideration of it.

The CHAIRMAN. The committee will very carefully consider it.

Senator SIMMONS. I should like to ask you one question. What is the production of cottonseed oil in this country?

Mr. HUTCHINSON. About 1,000,000,000 pounds.

Senator SIMMONS. How much was imported during the year 1920?

Mr. HUTCHINSON. For the year 1920 the nearest figures we have are 22,789,000 pounds of cottonseed oil imported.

Senator SIMMONS. The report I have before me says 9,457,000.

Mr. HUTCHINSON. This was for the fiscal year of August 1, 1920, Senator.

Senator SIMMONS. This is for the calendar year 1920. During that year, according to the official documents here, less than ten million, about nine and one-half million, pounds were imported. The total value was \$1,300,000.

Mr. HUTCHINSON. That would indicate that the imports the latter part of 1919 were heavier and would account for the difference.

Senator DILLINGHAM. Where does the imported cottonseed oil come from?

Mr. HUTCHINSON. England and Holland. Sometimes our markets get disturbed here and they import that oil.

Senator SIMMONS. You say it is imported from England?

Mr. HUTCHINSON. And Holland.

Senator SIMMONS. Where do they get the cotton seed?

Mr. HUTCHINSON. They use cotton seed imported from India.

Senator SIMMONS. They have to import the seed out of which they crush that oil?

Mr. HUTCHINSON. Yes, sir.

Senator SIMMONS. And then it is imported here?

Mr. HUTCHINSON. Yes, sir.

Senator SMOOT. Fifty-four per cent of the cottonseed oil coming into the United States comes from China.

Mr. HUTCHINSON. That is not material.

Senator SIMMONS. What oil might be imported in competition with that?

Mr. HUTCHINSON. In competition with cottonseed oil?

Senator SIMMONS. Yes.

Mr. HUTCHINSON. Coconut oil and coconut meats, the oil being extracted in this country, and soya-bean oil.

Senator SIMMONS. And you are chiefly afraid of the importation of those two oils?

Mr. HUTCHINSON. That is true. They come in competition with our domestic cottonseed oil and peanut oil.

Senator SIMMONS. What is your cottonseed oil used for?

Mr. HUTCHINSON. It is used for edible purposes, and some in soap, and some in margarine.

Senator SIMMONS. Is it not practically all used for the purpose of making edible things?

Mr. HUTCHINSON. Practically all; yes, sir.

Senator SIMMONS. What is coconut oil used for?

Mr. HUTCHINSON. It is used for edible purposes also, and for soap.

Senator SIMMONS. The same edible purposes?

Mr. HUTCHINSON. My impression is that most of the coconut oil is used in the manufacture of margarine and some in soap. Cottonseed oil is also used in margarine.

Senator SIMMONS. But to a limited extent?

Mr. HUTCHINSON. To a considerable extent, I think, Senator.

Senator SIMMONS. What is the largest use of cottonseed oil?

Mr. HUTCHINSON. The major part of the cottonseed oil is consumed in edible oils, such as salad oils, and in the manufacture of lard substitutes and compounds.

Senator SIMMONS. Soya-bean oil is used for what?

Mr. HUTCHINSON. Soya-bean oil is used in the manufacture of compounds, to some extent, in the paint, and in the margarine industry also. I have not the exact figures. They are hard to obtain.

Senator SIMMONS. So those uses are not identical with the uses to which cottonseed oil is put?

Mr. HUTCHINSON. But they come in competition with us. They have displaced cottonseed oil largely in its use in margarine.

Senator SIMMONS. I think you will find there is only a very small percentage of cottonseed oil used in making oleomargarine at the present time.

Can you give the committee the importations of soya-bean and coconut oil?

Mr. HUTCHINSON. I can, sir. It is incorporated in our brief.

Senator SIMMONS. If it is in your brief you need not give it now. I will just ask you this general question:

Is it not a fact that in the latter months of last year and the early months of this year there was a tremendous falling off in the importations of peanut oil and soya-bean oil, in those two competing oils? Has there not been a very striking falling off in the importations of those two oils, instead of an increase?

Mr. HUTCHINSON. My information is that the imports have decreased.

Senator SIMMONS. They have decreased enormously during the months of October, November, and December of last year. I have not kept up with it this year, but I did investigate it then, and it had almost become inconsequential.

Mr. HUTCHINSON. Well, Senator, we feel that the imports, which were very heavy for the years 1919 and 1920, had probably caused some stocks to accumulate in this country.

I should like to make the statement that we produced in the United States, for the years 1919 and 1920, 992,000,000 pounds of vegetable oils. That is composed of cottonseed oil and a limited amount of peanut oil.

Senator SIMMONS. It includes all other oils made from vegetables, does it not, if it is vegetable oil?

Mr. HUTCHINSON. Yes, sir; but those are practically the only edible vegetable oils that are made in this country. Considerable coconut oil is produced after the meats are imported. We consume more vegetable oil in the United States than we produce. Adding to our domestic production the imports and deducting the exports of vegetable fats, we consume more than we produce. Therefore, the imposition of duty on these imports should create a very considerable revenue.

Senator SIMMONS. Have you there the exports of cottonseed oil?

Mr. HUTCHINSON. I have.

Senator SIMMONS. Can you give those to the committee?

Mr. HUTCHINSON. I have that tabulated in printed form. Shall I read it?

Senator SIMMONS. Yes.

Mr. HUTCHINSON. The exports of cottonseed oil in 1919 and 1920 were 152,436,000 pounds.

Senator SIMMONS. What percentage was that of the total production in this country?

Mr. HUTCHINSON. About 15 per cent.

Senator SIMMONS. About 15 per cent of the total production was exported?

Mr. HUTCHINSON. True.

Senator SIMMONS. And there was imported during that period of time how much cottonseed oil?

Mr. HUTCHINSON. Twenty-two million pounds, but of coconut oil and of soya-bean oil there were 895,000 pounds of edible oils and fats imported.

Senator SIMMONS. What period does that cover?

Mr. HUTCHINSON. The period for the year ending August 1, 1920. That is as near as we have it tabulated.

Senator SIMMONS. That was a period of large imports. The importations began to fall off about August, the very time you mention, and have been rapidly falling off ever since.

Mr. HUTCHINSON. They have been decreasing.

I hope the committee will consider particularly the fact that the raw materials, soya beans and dried copra meats, have been omitted from the bill, placed on the free list, which we feel makes the duty imposed of 2 cents a pound on oil practically inoperative.

Senator SIMMONS. What do you ask?

Mr. HUTCHINSON. Five cents a pound.

Senator WALSH. Will not the coconut-oil people and the soya-bean people want 5 cents if you get 5 cents?

Mr. HUTCHINSON. We are asking it for them.

Senator WALSH. I thought you were asking only for yourself, so far as this item is concerned.

Mr. HUTCHINSON. We are asking it for those coming in competition with cottonseed and peanut oil products.

The CHAIRMAN. Would 1 cent help the industry any?

Mr. HUTCHINSON. An increase of 1 cent?

The CHAIRMAN. No; reduce it to 1 cent.

Mr. HUTCHINSON. I do not think it is adequate at all, Mr. Chairman.

The CHAIRMAN. I only called your attention to it because it has been suggested as being an adequate duty.

Senator SIMMONS. What is cottonseed oil being sold at now on this market?

Mr. HUTCHINSON. At about 9 cents per pound in barrels in New York, refined cottonseed oil. The crude oil in the South when I left was bringing about 7 cents a pound.

Senator SMOOT. That is 50 cents per gallon?

Mr. HUTCHINSON. About 50 cents a gallon.

Senator SIMMONS. What would the duty of 5 cents which you ask amount to reduced to ad valorem?

Mr. HUTCHINSON. About 10 per cent.

Senator SIMMONS. I asked you what it was selling for on the market per pound.

Senator SMOOT. That would be 35 cents.

Senator SIMMONS. I asked you what it was selling for per pound.

Mr. HUTCHINSON. Seven cents per pound, crude oil in the South, and in New York about 9 cents.

Senator SIMMONS. And you want a duty of 5 cents a pound?

Mr. HUTCHINSON. That is true.

Senator SIMMONS. I asked you what that would be measured in ad valorem.

Senator SMOOT. Seventy-two per cent.

Senator SIMMONS. You want it taken off the free list and 72 per cent duty imposed at a time when there is only about a million dollars' worth being imported into this country, against how many million pounds produced here?

Mr. HUTCHINSON. About a billion pounds. But, Senator, may I repeat that the oils that come in contact with these, soya-bean and copra oils, are the commodities that depress our industry.

Senator SIMMONS. You do not deny the proposition that the imports of those two things are decreasing, were decreasing when they were on the free list? You want them taken from the free list when there are no importations to speak of.

Mr. HUTCHINSON. Yes.

Senator SIMMONS. And other products on the free list are decreasing instead of increasing.

Mr. HUTCHINSON. I will leave my brief with you.

We are supported in this request, gentlemen of the committee, by the Southern Tariff Association. A representative of that association is here, and if permissible I should like to surrender a moment or two of my time to him.

The CHAIRMAN. How do you explain that you want this article taken from the free list, where it has always been, to receive a very heavy duty, when we export a large part of our own production?

Mr. HUTCHINSON. Mr. Chairman, the oils have been on the free list as well as the materials. Our position is that the importation of these oriental oils coming here and being intermingled with our domestic products are consumed in the displacement of cottonseed and peanut oils, and a certain amount of cottonseed oil is exported. Taking the whole of the imports of edible vegetable oils, plus our product, minus our exports, we consume very much more edible oils and fats than we produce.

Senator SMOOT. Then, you want an embargo?

Mr. HUTCHINSON. No; we do not ask for an embargo. As I stated a moment ago, we feel that this duty would create a consider-

able revenue. In our examination before the House Ways and Means Committee we stated twenty or twenty-five million dollars. We do not feel that it is an embargo and do not ask an embargo.

Senator SMOOT. On the basis of 5 cents a pound will it produce \$20,000,000?

Mr. HUTCHINSON. Yes, sir.

Senator SMOOT. Provided we ship in as much under 5 cents as we did under the free list?

Mr. HUTCHINSON. Not altogether as much.

Senator SIMMONS. What is the duty on cottonseed oil under the emergency tariff act?

Mr. HUTCHINSON. Two cents.

Senator SIMMONS. You did not complain of that at that time, did you?

Mr. HUTCHINSON. Senator, we did not, because we realized that was a hurry-up measure and we bided our time.

Senator SIMMONS. It was a measure that was giving pretty good protection. Everybody recognized it was intended to be ample protection, a little bit more than we thought would be given in any permanent bill, because it was intended to meet an emergency situation. I understood your people were satisfied. I come from the South, as you do, and I thought you were very much satisfied.

Mr. HUTCHINSON. We were satisfied to the extent of the protection it afforded, but we felt that was only a temporary measure and we contemplated all the while, when the permanent measure came up, going into the matter thoroughly and exhaustively.

The CHAIRMAN. What stares me in the face, and what I can not reconcile, is the fact that we exported about 283,000,000 pounds of cottonseed oil of American production and imported 37,000,000 pounds. There is an enormous difference there between the exports of the article and the imports.

Mr. HUTCHINSON. Absolutely, but you will notice the exports of other vegetable oils. That is the point, Mr. Chairman. These other vegetable oils displace and compete with cottonseed oil.

Senator SIMMONS. What is the price of coconut oil that you say competes?

Mr. HUTCHINSON. It is just a little above cottonseed oil. The present market, though, Mr. Chairman, I do not feel is hardly a criterion to go by. The industry is disturbed and has been for some time. Our committee gave most careful consideration to the preparation of the statements and tables in this brief, and I hope you will consider them very seriously. Our farmers in the South need all the assistance they can get. Cotton seed is now selling at \$20 and \$25 a ton to the farmers. It has been as high as \$95 and \$100. We feel that unless we pay the farmer a fair price for his seed, which we previously calculated at a minimum of \$30 per ton, he will utilize that seed as a fertilizer and our country will be deprived of the enormous food value of the oil and feed value of the meal.

**BRIEF OF W. M. HUTCHINSON, SECRETARY OF THE CRUDE COTTONSEED OIL TARIFF COMMITTEE.**

Under date of February 12, 1921, the Crude Cottonseed Oil Tariff Committee appeared before the Committee on Ways and Means of the House of Representatives and filed a brief in behalf of the crude cottonseed-oil industry. A copy of that brief is attached hereto, and we now reiterate the statements contained therein and request of your committee the imposition of the duties stipulated therein.

Paragraph 50, H. R. 7456, does not allow the duties which we have asked, except in the case of unshelled and shelled peanuts, having fixed less than 50 per cent of the duties requested. This act omits altogether any duty on copra (dried coconut meats) and soya beans. Soya-bean oil and coconut oil are strong competitors of cottonseed oil, and without the imposition of duty on these oil-producing commodities they would undoubtedly be imported, and the oil extracted therefrom in the United States would come in competition with cottonseed oil. Furthermore, the cake produced would constitute further competition to our domestic cottonseed cake and meal.

The duties stipulated in this brief were carefully considered and represent the exact amount of protection which must be furnished in order to preserve the crude cottonseed-oil industry and enable the crushers to pay the farmer a fair price for cotton seed.

**BRIEF OF THE CRUDE COTTONSEED OIL TARIFF COMMITTEE BEFORE THE COMMITTEE ON WAYS AND MEANS, HOUSE OF REPRESENTATIVES.**

This brief is filed on behalf of the Cotton Seed Crushers' Association of Georgia, the Texas Cotton Seed Crushers' Association, the Arkansas Cotton Seed Crushers' Association, the Oklahoma Cotton Seed Crushers' Association, the Alabama Cotton Seed Crushers' Association, and other crude-oil interests in the States of South Carolina, Mississippi, Louisiana, Tennessee, and North Carolina. It presents the views of crushers of cotton seed generally. We represent also the California and Arizona crude cottonseed-oil interests.

The oils and oil products next below listed are now on the free list, with the exception of peanuts and peanut oil, which are subject, respectively, to duties, under Schedule G of the present tariff laws, of three-fourths of 1 cent per pound on peanuts and 6 cents per gallon on peanut oil.

**SPECIFIC DUTIES REQUESTED.**

We respectfully ask the imposition of the following duties on the following products, namely:

- First. On coconut oil of 5 cents per pound.
- Second. On copra (coconut meats) of 3 cents per pound.
- Third. On crude peanut oil of 5 cents per pound.
- Fourth. On refined peanut oil of 6 cents per pound.
- Fifth. On shelled peanuts of 4 cents per pound.
- Sixth. On unshelled peanuts of 3 cents per pound.
- Seventh. On olive oil (edible) of 5 cents per pound.
- Eighth. On olive oil (not edible) of 4 cents per pound.
- Ninth. On cottonseed oil (crude) of 5 cents per pound.
- Tenth. On cottonseed oil (refined) of 6 cents per pound.
- Eleventh. On palm oil of 5 cents per pound.
- Twelfth. On palm-kernel oil of 5 cents per pound.
- Thirteenth. On palm kernels, on palm nuts, and on palm fruits of 3 cents per pound.
- Fourteenth. On soya-bean oil (crude) of 5 cents per pound.
- Fifteenth. On soya-bean oil (refined) of 6 cents per pound.
- Sixteenth. On soya beans of 3 cents per pound.
- Seventeenth. On Chinese nut oil of 5 cents per pound.
- Eighteenth. On sesame seeds of 3 cents per pound.
- Nineteenth. On sesame oil of 5 cents per pound.

**ARGUMENTS IN FAVOR OF DUTIES RECOMMENDED.**

This brief sets forth a request and recommendation which is impelled by conditions which have but recently confronted the cottonseed-oil industry. So far as prior tariff legislation is concerned, the instant case is one of first impression. The duties asked are vital to the preservation of the cottonseed-oil industry, which is to-day menaced by ruinous competition with oriental oils, namely, coconut, soya-bean, palm, peanut, and similar oils, which are flooding this country and dominating the market for all vegetable oils. The importation of these oils in large quantities is a development of the last few years only. To-day, however, it is the overwhelming influence in the vegetable-oil business and market. In view, therefore, of the newness of the situation to which we direct your attention, we repeat that this case presents for the first time in any legislative committee or forum the problem of the cottonseed-oil crushers.

The importance of the matter presented is apparent. An adverse decision in Congress would be far-reaching in its disastrous effects. While in this argument we invoke, primarily, protection for the cottonseed-oil industry, the questions considered are of almost equal importance to the general agricultural and dairying interests of the United States.

Lard substitutes and oleomargarine (margarine) must be reckoned with in the hog-raising business and in the dairying business. Vegetable oils may be said, therefore, to come into competition with butter fat and pure lard. As will hereinafter more particularly appear, these oriental oils are being used more and more in the manufacture of lard substitutes and oleomargarine—almost, in fact, to the exclusion of cottonseed oil. The importance to the dairying interests of the imposition of the duties, in this argument contended for, has been heretofore made plain to your committee by representatives of the dairying business in arguments which have been incorporated into your records and concerning which, therefore, nothing additional need be said in the present argument.

The agricultural and dairying interests having already, to an extent, at least, made plain their case, we refer thereto in this immediate connection only that the committee may apprehend the full importance of placing duties on all vegetable oils, and in order that the committee may appreciate to the fullest extent the fact that the interests of the producer in this regard are identical with the interests of the crushers, as well as the further fact that the ramifications of the questions made herein touch directly the great dairying industry and the general agricultural interests.

The development of the cottonseed-oil industry in this country, generally speaking, dates back only to the year 1880. From that time until the present the extraordinary importance of the foods and of the by-products of the cotton seed has been gradually comprehended and progressively appreciated. There are now over 800 oil mills in the United States, representing an invested capital of approximately \$180,000,000, and giving employment to a substantial percentage of the labor in the cottonseed-oil producing States.

Prior to 1880 the cotton seed was regarded as practically worthless, except for the purpose of planting the new crop and to turn into the ground as fertilizer. At the present time, however, the aggregate annual value of the cottonseed yield is enormous. In recent years the average value of the cotton seed produced has meant to the farmers of this country about \$300,000,000 per annum. More complete statistical tables are appended hereto for the information of the committee.

It is respectfully submitted in all sincerity and with all earnestness, and as a literal unexaggerated statement of fact, that the future development and the future continuation of this tremendous industry depend absolutely and entirely upon the levying of duties adequate to protect it from the ruinous market conditions which have resulted from the dumping into this country of cheap oriental vegetable oils produced under conditions which are fortunately unknown in American standards of agricultural and industrial occupations or employments.

Your attention has been called to an article prepared by the United States Tariff Commission, in which the following statement is made:

"Since the United States produces about three-fourths of the world's supply of cottonseed oil, and is the only heavy exporting country, there appears to be no immediate tariff problem." This conclusion of the commission is developed from the untenable premise that cottonseed oil stands as a product unaffected by the competition of other vegetable oils. The fact is, however, that coconut oil and soya-bean oil enter, for almost all purposes, into practical competition with cottonseed oil. While it is true that a certain amount of cottonseed oil is exported (approximate figures on exports being furnished in tables appended hereto), the total amount exported is negligible as compared with the imports into this country of competing vegetable oils. Our Census Bureau is without statistics on the supply of oriental peanut, coconut, soya-bean, and similar oils, but, judging from the enormous quantities imported during the past three years, the supply would seem to be unlimited and practically inexhaustible. In the years 1919 and 1920 alone approximately 1,000,000,000 pounds of vegetable oil per annum were imported. The relatively small exports of cottonseed oil from this country were largely for special purposes, such as in substitution for European olive oil and for human consumption.

The country is, therefore, utilizing almost as much imported vegetable oil as it produces, and there is apparently no limit to the quantity with which the country may be flooded. Recently in one year alone there were built and put into operation in one town in Manchuria 40 oil mills, with a very large aggregate crushing capacity. Bear in mind that this oriental oil is, as above stated, in direct competition with cottonseed oil. The situation is, therefore, the same, practically speaking, as though the United States did not produce "about three-fourths of the world's supply of cottonseed oil." The fact is, on the contrary, that the American producer of cottonseed oil faces

a competition which he can not meet unless protection be given him. A practical monopoly of cottonseed oil avails nothing if that product must be and is in competition with an oriental product to all intents and purposes, and at least in so far as practical utilization is concerned, interchangeable with cottonseed oil.

In the face of the facts as above stated, we respectfully submit that there is no basis for the statement that "there appears to be no immediate tariff problem." On the contrary, the "problem" is grave and imminent.

The article above referred to contains the further statement that—

"The products which compete with cottonseed oil are imported in large and increasing quantities. Recent accomplishments in deodorization have made possible the use of these competing oils in the manufacture of lard substitutes. This is a new development, the effect of which can not be foretold." We respectfully submit, in answer thereto, that the "effect" is actually now apparent, and that the future of the cottonseed-oil industry, unprotected by tariff duties, can be foretold to a mathematical certainty. Unless protection be provided without delay the "effect" of this "new development" will inevitably be complete ruin.

This important American industry should not be allowed to face ruin on the idea (again quoting the aforementioned article) that "it is too early as yet to determine what will be the effect in this industry of competition from other oils." If immediate relief be not given, specific information as to the "effect of competition from other oils" will be ascertainable only from a post-mortem. The patient will die while the physicians are still consulting the clinical chart. Those who are in the cottonseed-oil business know from disastrous experience the actual effect to-day of this competition. They know that the flood of vegetable oils from the Orient is the dominating factor in the vegetable-oil market.

There is no practical way to produce cottonseed oil in this country in competition with oriental oils except behind tariff barriers. Cotton seed in America is not produced, nor is the oil expressed therefrom, by half-clothed, half-starved, unsanitary, disease-ridden labor, requiring a handful of rice as a daily ration and living under conditions which no American would regard as tolerable.

Unless the cotton seed were practically handled without charge to the crushers by the producer, the oil could not in America be put on the market at the price at which oriental oils may apparently be profitably delivered at any point in this country.

Nor is the situation protected because of the fact that, for certain limited purposes, cottonseed oil is better adapted than these imported oriental oils. Such limited purposes require a quantity of oil relatively insignificant, and therefore are unimportant factors in the situation. The fact is that about 75 to 80 per cent of the crude cottonseed oil, after being refined, is used in making lard substitutes. About 5 per cent is used in the manufacture of oleomargarine, while approximately half of the remainder is exported and the balance absorbed by soap manufacturers or devoted to minor uses. Heretofore from 85 to 90 per cent of the total of fats and oils used in making lard substitutes was cottonseed oil, approximately 1,000,000,000 pounds a year having been consumed in this way, but the use of cottonseed oil in lard substitutes and oleomargarine is to-day largely dispensed with, and in lieu thereof there is being used the peanut, coconut, and soya-bean oils imported into this country from the Orient. These facts are unquestionably true and can not be controverted.

In the face of these conditions the cottonseed-oil business must cease in the absence of a tariff differential, because successful competition, under American farming and manufacturing conditions, is otherwise impossible.

A serious check to the cottonseed-oil industry would be calamitous. History will record the fact that a vital factor in winning the late war was the allied control of unlimited fat supplies. The large contribution of the American cottonseed-oil production to these fat supplies is well known. Mr. Hoover stated that the result of the war would turn largely upon the control of fats, and his prediction proved to be accurate. Neither this country nor the world can afford to lose the fat supply which comes from the cotton seed. The high protein value of cottonseed meal makes it peculiarly adapted to the feeding of dairy stock and beef cattle. Cottonseed meal is also the principal source of fertilizer ammoniates produced in this country. Cottonseed oil enters into the cooking or menu of practically every American family. The yield, or by-products, of the cotton seed may be roughly divided into three classes—linters, hulls, and meat kernels. The uses to which linters are put are well known. Hulls are used for stock feeding, for fertilizers, for fuel, and for fiber. The meat kernels yield food supplies, namely, cottonseed oil, cottonseed cake, and meal. Flour made from cottonseed cake is food suitable for human consumption and actually used as such. There is one mill in Texas the entire output of which is cottonseed-meal flour, and bread, cake, and crackers made of such flour.

The crude oil expressed from the cottonseed kernel is utilized for manifold purposes. It is the most important vegetable oil used as food. The average annual production

of cottonseed oil from 1912 to 1919, inclusive, was about 1,462,000,000 pounds. It was greater than the combined production of all other vegetable oils. It was almost equal to the farm, small shop, and factory production of lard, and nearly equal to the total butter production.

There is no basis in fact for the argument that the country needs such large quantities of vegetable oils that all available supplies, whether natively produced or imported, can profitably be absorbed and utilized without destruction of the American industry. Theorists may argue that, if there be an active demand for the available supply, economic laws will keep the price level at a point where the American industry will survive, but such argument is theoretical only, and rests upon a disregard of the facts. We are confronted to-day with facts, and not theories, and the outcome of the present life-and-death struggle of the cottonseed-oil industry will be determined by the facts, and not upon theoretical conceptions, based upon economic doctrines, of what the facts should be.

The cottonseed-oil industry is essentially a seasonal business. The seed are sold, and must be sold, during a limited period. Inasmuch as cotton seed contains a high percentage of moisture, the seed will not keep. Therefore, the crushing mills are forced to accumulate within a limited period the raw material with which to operate. When they have purchased from the producers this raw material at prevailing prices and have crushed the same they are not, under present conditions, able to fix a price upon the oil when expressed on the basis of the cost of production, plus a reasonable profit.

The interests that control the distribution of edible fats in this country avail themselves of the opportunity to control the price of cottonseed oil through the tremendous influx of oriental oils. With the prevailing price of oriental oils as a lever, they can and do depress the price of crude cottonseed oil until they acquire such quantities as are needed to carry their factories through the dormant period. Thus the cheapening of the price of cottonseed oil does not extend to the consumer. He reaps no benefit therefrom. We repeat that the cottonseed-oil business is essentially a seasonal business, and that the ruinous competition of cheap oriental oils will tear down and destroy the entire cottonseed-crushing business, through the breaking of the market at the seasonal period, when the crude cottonseed oil must seek a market.

Thus we make the unqualified statement that the cottonseed-oil market is now controlled absolutely by prevailing prices on coconut oil, soya-bean oil, and oriental peanut oil. The importance of the above statements become all the more apparent when such statements of fact are considered in connection with the further well-known fact that the mills producing crude oil are limited in the sale of the product to a very few buyers. Statistics available to this committee will show that a limited number of concerns control the edible fat situation in this country.

The enormous and increasing volume of imported vegetable oils not only constitutes a serious menace to the cottonseed-oil industry, but indicates what, of our own knowledge, we know and what we state the fact to be, namely, that foreign interests are actively endeavoring to control and dominate the edible oil business of America. In order to accomplish this, these foreign interests are constructing large receiving tanks at many of the American ports. We are informed, and so state, that they are granted special inducements in the shape of exceedingly low ocean rates on subsidized vessels transporting this oil. Furthermore, they are maintaining within the United States large sales organizations for distribution. In a recent publication it was announced that one foreign corporation had acquired an important American oil industry and had thereupon increased its capital stock to \$150,000,000. It is obvious that the purpose of such increased capitalization was in line with the concerted movement of foreign interests to take over and control the edible oil and other like interests in this country.

If the argument be made that this country is an exporter of fats, and, therefore, that a tariff wall should not be placed around the importation of any fats, for the reason that we actually produce more than we can utilize, a conclusive answer thereto is that the exportation of vegetable fats is negligible compared to the imports, and that this country actually imports vegetable oils in a quantity almost equal to the total production of cottonseed oil. The figures in this connection are set forth approximately in a preceding part of this argument, and are more completely shown in tables annexed hereto. It is obvious, therefore, that, inasmuch as this country is utilizing imported oils in quantities almost equal to the native production, the effect of a tariff would not be to place an embargo on the importation of oriental oils, but would simply protect the American industry and give both the producer and the crusher of cotton seed a chance to compete in the American market, protected by a tariff differential, on a living basis and on a basis in consonance with American standards of farming and manufacturing. The imposition of duties such as those requested and recommended

herein would, we confidently assert, yield a large and substantial revenue to the United States.

In so far as concerns the respective amounts of the various duties hereby recommended, we desire to say that such respective amounts so suggested as specific duties on the various oils and oil products listed are, in our opinion, fairly representative of the differences in the production costs of those foreign oils and of our American cottonseed oil, with due allowance made for transportation charges.

#### CONCLUSION.

No attempt has been made in this argument to justify the basic theory of a protective tariff. We have assumed the soundness of the protective principle. We have not attempted to argue the venerable economic controversy between protectionists and free-trade advocates. The interests in whose behalf this brief is filed believe in protection and invoke a duty on vegetable oils and oil products for the purpose of preserving an American industry which can not survive without such protection. Conceding the soundness and advisability of a protective tariff policy, it seems to us that no argument can logically be advanced which would in any wise militate against the contentions which we make. If ever an industry vitally needed protection for its bare existence, it is the cottonseed-oil industry in its present extremity. Upon the issue of whether these oils and oil products are to be placed upon the dutiable list depends the continued existence of the business of the cottonseed crushers. With us it is a case of "To be, or not to be." We say, with a sincere belief in the literal verity of the statement, that the cottonseed-oil industry is doomed if cottonseed oil must be sold in a market fixed by prices prevailing on coconut, soyabean, and similar oils. The passing of this business would withdraw an enormous available food supply. It would ruinously affect the producer of cottonseed. It would adversely touch the American producers of any kind of vegetable oils. It would handicap the great dairying interests. It would affect adversely the labor which now goes into the production of the seed and of the oil.

We respectfully ask a consideration of the above and foregoing by this committee, as well as a consideration of the various statistical tables hereto appended. We also ask for a short time the privilege of amplifying this argument and the statistical information furnished herewith, if the same should be deemed necessary.

All of which is respectfully submitted.

#### ADDENDA TO ABOVE BRIEF.

The interests filing the within and foregoing brief state in amplification thereof the following:

If cotton seed are to be acquired by the crude-oil mills for crushing, the farmer must be paid the equivalent of the fertilizer value of the seed, plus a reasonable amount to induce him to put the seed on the market. The truth of this statement is established by the present situation. Cottonseed crushers to-day are paying to the farmer a price for seed which renders the production of crude oil unprofitable, and yet the farmer regards a sale at such price as unprofitable to him, as in fact it is. In other words, the farmer is actually receiving for his seed less than his production cost. The consequence is that at least 1,000,000 tons of seed which would otherwise be available for crushing purposes is now being put into the ground for fertilizer purposes. It is manifest that this means an enormous economic loss to the country, there being no fertilizer value in the oil and in the lint. The oil and lint value of the 1919 crop amounted to in excess of \$200,000,000.

An adequate price must be paid the farmer if the cotton seed is to be put into food and feed products. We have made careful and painstaking estimates, and we state it as a fact that the cottonseed crusher can not acquire seed at a price less than \$30 per ton and continue to obtain a supply for crushing purposes. Upon a basis of \$30 seed, competition with oriental oils is out of the question. The respective specific duties suggested in the brief represent nothing but the minimum differential which will enable us to continue in business, paying to the farmer the minimum price which will induce him to part with his seed.

We give it as a result of careful calculation that cottonseed oil (crude) must be sold to the refiner at a minimum price of 10½ cents in order that the crusher may make reasonable profit upon a ton of seed acquired on the basis of \$30 per ton. The present market price of crude cottonseed oil is 5½ cents per pound f. o. b. producing point. It will be seen, therefore, that the duties asked represent the exact amount of protection which must be furnished in order to enable the crushers to remain in business. We might add that the price being paid for cotton seed by the crushers to the farmer is

around \$22 per ton. We regard it as only natural that the farmer prefers to use his seed for fertilizer rather than to sell at this price. But even at this price the cottonseed crushers are losing heavily every day, and are faced with a constantly declining market.

The direct cause of this declining market is the fact that soya-bean oil may be purchased at the Pacific coast for 4½ cents per pound, and soya-bean oil is the leading competitor with cottonseed oil.

## EXHIBIT A.

*Domestic production vegetable oils, season Aug. 1 to July 31, inclusive, except last column.*

(Thousands of pounds.)

	1911-12	1912-13	1913-14	1914-15	1915-16
Cottonseed.....	1,360,875	1,253,625	1,304,250	1,554,375	1,155,000
Peanut.....	454	.....	1,008	.....	28,534
Total.....	1,361,329	1,253,625	1,305,258	1,554,375	1,183,534
	1916-17	1917-18	1918-19	1919-20	1920, Aug. 1 to Nov. 30.
Cottonseed.....	1,187,961	1,183,213	1,158,864	992,009	266,654
Peanut.....	50,287	95,034	87,216	.....	.....
Total.....	1,238,248	1,283,247	1,246,080	992,009	266,654

NOTE.—Domestic production of coconut oil has been included in imports on basis of 60 per cent copra imported. Limited quantities domestic soya-bean oil produced, but statistics not available.

## EXHIBIT B.

*Export of vegetable oils, compound lard (lard substitutes, etc.), season Aug. 1 to July 31, inclusive, except last column.*

(Thousands of pounds.)

Oils.	1911-12	1912-13	1913-14	1914-15	1915-16
Cottonseed.....	394,401	313,241	191,019	339,279	250,909
Corn.....	.....	.....	18,955	17,019	8,896
Total export vegetable oils.....	394,401	313,241	209,974	356,298	259,805
Lard compound.....	63,635	65,854	60,136	69,712	49,929
Oleomargarine.....	.....	.....	2,497	5,552	5,427
Total compound, etc.....	63,635	65,854	62,633	75,264	55,356
Grand total export vegetable fats....	458,036	379,095	272,607	431,562	315,161
Oils.	1916-17	1917-18	1918-19	1919-20	1920, Aug. 1 to Nov. 30.
Cottonseed.....	159,849	109,437	174,268	152,436	37,925
Coconut.....	.....	.....	21	120,360	1,955
Peanut.....	.....	.....	547	4,493	97
Soya-bean.....	.....	.....	5,067	63,446	2,485
Corn.....	8,481	1,452	1,819	12,281	3,009
Total export vegetable oils.....	168,330	110,889	181,723	353,016	45,471
Lard compound.....	56,072	31,114	132,069	39,936	8,673
Oleomargarine.....	5,639	6,414	18,971	20,411	3,201
Coconut butter.....	.....	.....	1,585	9,607	1,026
Total compound, etc.....	61,711	37,528	152,625	69,957	12,900
Grand total export vegetable fats....	230,041	148,417	334,348	422,973	58,371

EXHIBIT C.

*Importation of vegetable oils, season from Aug. 1 to July 31, inclusive.*

[Each column this period taken for purpose of uniformity with Census Bureau report on domestic production of cottonseed oil.]

[Thousands of pounds.]

	1911-12	1912-13	1913-14	1914-15	1915-16
Coconut oil.....	46,736	54,099	74,067	61,620	66,121
Coconut oil (produced from imported copra)	40,492	16,823	26,935	60,512	67,501
Total coconut oil.....	87,228	70,922	101,002	122,132	133,623
Total peanut oil.....	6,619	9,989	9,078	6,375	12,515
Total Chinese-nut oil.....	37,118	46,673	35,020	35,792	42,759
Total olive oil (edible).....	37,777	38,778	47,207	51,026	53,136
Total olive oil (fit for manufacturers' purposes only).....	4,911	4,417	6,183	4,963	6,137
Total palm oil.....	47,246	51,073	69,145	31,324	35,216
Total palm-kernel.....	26,547	23,406	34,968	3,387	6,752
Total soya-bean.....	26,515	12,218	15,572	19,204	113,354
Total cottonseed oil.....	1,969	44,640	18,227	13,970	17,351
Total importation.....	275,933	262,122	326,407	288,206	422,847

	1916-17	1917-18	1918-19	1919-20	1920, Aug. 1 to Nov. 30.
Coconut oil.....	90,339	260,050	370,398	252,978	44,706
Coconut oil (produced from imported copra)	161,481	288,652	176,384	126,774	63,392
Total coconut oil.....	251,821	548,602	546,783	379,753	98,098
Total peanut oil.....	25,884	63,383	110,804	137,493	12,853
Total Chinese-nut oil.....	49,827	36,438	44,662	82,165	20,558
Total olive oil (edible).....	59,024	11,118	40,076	45,182	12,243
Total olive oil (fit for manufacturers' purposes only).....	5,276	302	1,095	1,418	78
Total palm oil.....	44,109	18,921	32,687	41,862	10,883
Total palm-kernel.....	1,699	34	1,929	604	987
Total soya-bean.....	169,205	377,551	245,691	184,358	18,268
Total cottonseed oil.....	12,360	16,967	19,170	22,789	175
Total importation.....	619,207	1,023,321	1,042,901	885,628	174,167

EXHIBIT D.

*Production, importation, exports, and consumption of vegetable oils, compound lard (lard substitutes), etc.*

[Thousands of pounds.]

	1911-12	1912-13	1913-14	1914-15	1915-16
Production vegetable oils (Exhibit A).....	1,361,329	1,233,625	1,305,256	1,554,375	1,183,534
Importation vegetable oil (Exhibit C).....	275,933	262,122	326,407	288,200	422,847
Total production and importation vegetable oils.....	1,637,262	1,515,747	1,631,663	1,842,581	1,606,361
Deduct export (Exhibit B).....	458,036	379,095	272,007	431,562	315,161
Domestic consumption vegetable oil.....	1,179,226	1,136,652	1,359,656	1,411,019	1,291,200

	1916-17	1917-18	1918-19	1919-20	1920, Aug. 1 to Nov. 30.
Production vegetable oils (Exhibit A).....	1,238,248	1,283,247	1,246,081	992,009	266,654
Importation vegetable oil (Exhibit C).....	619,207	1,023,321	1,042,901	885,628	174,167
Total production and importation vegetable oils.....	1,857,456	2,306,569	2,288,982	1,877,637	440,821
Deduct export (Exhibit B).....	230,041	148,417	334,348	422,973	58,371
Domestic consumption vegetable oil.....	1,627,415	2,158,151	1,954,634	1,454,663	382,450

NOTE.—Since domestic consumption of vegetable oils greatly exceeds domestic production, duties suggested will yield larger revenue and would not result in embargo of importation.

## EXHIBIT E.

Acreage of cotton, production, crush, and value of cotton seed.

[In thousands.]

	Cotton.	Seed product.	Seed crushed.	Total value.	Oil.	
					Quantity.	Value.
	<i>Acres.</i>	<i>Tons.</i>	<i>Tons.</i>		<i>Gallons.</i>	
1912.....	34,766	6,104	4,579	\$132,230	185,750	\$39,100
1913.....	37,458	6,305	4,847	159,670	192,330	31,020
1914.....	37,406	7,186	5,779	152,880	229,260	80,540
1915.....	32,107	4,992	4,202	180,260	167,110	87,640
1916.....	36,052	5,113	4,479	237,192	187,668	153,419
1917.....	34,925	5,040	4,251	360,736	174,996	217,902
1918.....	37,207	5,360	4,478	383,580	176,711	227,816
1919.....	33,960	5,074	4,012	352,138	161,529	206,668

  

	Cake and meal.		Hulls.		Lint		Total value of products.
	Quantity.	Value.	Quantity.	Value.	Quantity.	Value.	
	<i>Tons.</i>		<i>Tons.</i>		<i>Bales.</i>		
1912.....	1,999	\$45,970	1,640	\$9,710	683	\$7,450	\$132,230
1913.....	2,220	59,810	1,400	11,210	660	7,630	159,670
1914.....	2,648	57,740	1,677	8,450	820	6,150	152,880
1915.....	1,923	53,860	1,220	12,340	889	26,120	180,260
1916.....	2,225	74,586	969	13,594	1,273	45,193	237,192
1917.....	2,068	97,352	998	18,878	1,080	26,604	360,736
1918.....	2,170	116,119	1,137	17,917	889	22,223	383,580
1919.....	1,817	119,039	1,143	11,095	584	12,336	352,138
Total.....							2,008,686

## STATEMENT OF A. M. LOOMIS, REPRESENTING THE NATIONAL DAIRY UNION, WASHINGTON, D. C.

Senator McCUMBER. Give your name and business for the record.

Mr. LOOMIS. A. M. Loomis; secretary of the National Dairy Union, 630 Louisiana Avenue, Washington, D. C.

Senator McCUMBER. You speak on what paragraph of the bill?

Mr. LOOMIS. Paragraph 50, in particular, and on paragraph 1620 of the free list, which we hope to have very largely changed over and added to paragraph 50, with the rate of duty revised according to the request that we are making here to-day. The free list now includes copra, which we are asking to have changed.

I want to state our case first, then read a few telegrams showing the very large and widely distributed number of big organizations of dairy men which unite in this request, and then to file a brief. Five or ten minutes will be sufficient, I am sure, unless you gentlemen may wish to ask questions.

Senator SMOOR. What do you want on copra?

Mr. LOOMIS. Not less than one-half of whatever rate is fixed on coconut and vegetable oils.

Senator SMOOR. If it is 2 cents a pound, you want 1 cent?

Mr. LOOMIS. We are asking 10 cents a pound on this group of edible vegetable oils.

Senator SMOOR. Ten cents a pound?

Mr. LOOMIS. Yes, sir. I want to explain that in just one particular. Transmitting to this committee the action of the conference of dairy organizations held in Buffalo, N. Y., on July 8 and 9, we ask for a tariff on the edible vegetable oils equal to that which this

committee decides to put on butter, but are perfectly willing to agree to a drawback to the amount of whatever is deemed wise for those edible vegetable oils which may be denatured or which can be shown to the satisfaction of the administering officials that they are not used for foods. Therefore we hope to take care of the necessities on a fairly equitable basis of these other industries.

Senator SMOOT. So I understand now that you want 10 cents a pound on all edible vegetable oils, with a drawback if those oils are used in the manufacture of soap, or denatured in any way?

Mr. LOOMIS. Yes, sir; that is the gist of the situation.

Senator McCUMBER. Or if they are used in the manufacture of anything but edible products?

Mr. LOOMIS. Anything but edible products.

We respectfully ask you to put a duty on coconut oil, cottonseed oil, soya-bean oil, and peanut oil of 10 cents a pound, to take copra off the free list, and put a duty of not less than 5 cents a pound—

Senator WATSON. Why?

Mr. LOOMIS. Copra, because it is expressed into oil in this country, furnishing approximately 50 per cent of its weight in oil.

Senator WATSON. It competes with the American product?

Senator SUTHERLAND. It competes with oleomargarine, does it not?

Mr. LOOMIS. If you will permit me I will get to that very shortly.

Senator WATSON. All right.

Mr. LOOMIS. These oils are used to make imitation butter, imitation milk, and imitation lard. They are used for some other purposes. We are perfectly willing to permit a drawback of 7 or 8 cents a pound for all duty-paid imports which are denatured and not used in the manufacture of food products in competition with the very best products of our farms.

These imports have reached very large proportions. The importation of coconut oil has increased four or five hundred per cent in the last five years. Two hundred and eighteen million pounds came in in 1920, and 215,000,000 more pounds of copra.

The increase in imports of soya-bean and peanut oil is even greater, amounting to between two and three thousand per cent in the same period. The totals are of course much smaller.

These oils are produced in tropical countries with native labor, probably earning but a few cents a day. Arriving here so nearly duty free that it is a negligible item, these cheap oils were made last year into more than 370,000,000 pounds of imitation butter in competition with our product, nearly 100,000,000 pounds of imitation condensed milk, and a thousand million pounds of imitation lard.

I perhaps ought to emphasize those figures again. Three hundred and seventy million pounds of imitation butter went into the American market in competition with the product of the American dairymen.

Senator WATSON. What is that made from?

Mr. LOOMIS. At the present time very largely from coconut oil.

Senator WATSON. How many million pounds of coconut oil come into the country?

Senator SUTHERLAND. Do they use cottonseed oil for that purpose?

Mr. LOOMIS. Just a moment, please. The imports of coconut oil for the last years for which the figures are available—no; I do not find it. I had not expected to refer to these figures and I am not especially prepared with them.

Senator SMOOT. I can tell you in a minute.

Mr. LOOMIS. I now have it. The imports of coconut oil were 356,000,000 pounds in 1918—omitting the last six figures; in 1919, 281,000,000 pounds, and in 1920, 215,000,000 pounds. With a product of 370,000,000 pounds of imitation butter it is evident that coconut oil did not take care of all of it.

Senator WATSON. That is what I was trying to find out. What else do they put into it?

Mr. LOOMIS. Soya-bean oil, cottonseed oil, oleo oil, and various American products.

Senator SMOOT. A great deal of the coconut oil is used in soap making, is it not?

Mr. LOOMIS. I can not answer that question; I do not know.

Senator SMOOT. I am quite sure it is.

Mr. LOOMIS. This imported vegetable oil is so cheap that these imitation food products can be sold below any price our products can possibly be produced for.

Senator SUTHERLAND. Have you the figures there for 1920?

Mr. LOOMIS. I have the figures for 1920 from the Bureau of Foreign and Domestic Commerce.

Senator SMOOT. Are you objecting to these oils coming in here to go into substitute lards?

Mr. LOOMIS. I represent the dairy industry, Senator, and I am not prepared to speak on that. I know that the lard industry expects to make a showing here in some way before the committee on that subject. My work has been entirely on the dairy end of it.

Senator SMOOT. You do not care about my calling your attention to the amount of these vegetable oils that go into lard and go into Crisco and things like that?

Mr. LOOMIS. I think it is a matter of fact which ought to be in the record.

Senator SMOOT. If somebody is going to come here in behalf of lard, I will reserve it until that time.

Mr. LOOMIS. I understand that that is to be done.

Repeating just a little bit: This material is so cheap that these products can be sold below any price our products can possibly be produced for. Our prices are fixed by open competition. These oil products are sold at an arbitrary price always below our products. The dairymen of the United States compete with one another, and there is no question, I think, but what the price of dairy products in this country is fixed in open competition.

Our products are the products of American labor. These products are made with a minimum of American labor and are chiefly the product of native labor in the East Indian islands.

We do not need these oils for food purposes. In 1920, when we imported five or six hundred million pounds of these oils, we exported at the same time nearly 800,000,000 pounds of cottonseed oil and lard.

The United States Food Administration had a great deal to do with loosing this flood of cheap oils on this country. Its head was advised that we might have a shortage of fats, and that was a war-time scare. But its results have been disastrous to every American producer of a food fat since that time.

We look to our Government, which was responsible, in part, for this situation, to now come to our help and apply the perfectly apparent remedy.

Senator SMOOT. You have 10 cents a pound tax, have you not, on oleomargarine?

Mr. LOOMIS. On a very small amount of oleomargarine. If it is colored, there is a tax of 10 cents a pound, and that is a very considerable part of oleomargarine which is consumed in this country.

Senator WATSON. Has this competition interfered with the selling of butter in the United States?

Mr. LOOMIS. To the extent of 370,000,000 pounds, Senator.

Senator WATSON. In what way?

Mr. LOOMIS. That has gone into the American market in place of butter, sold at a price which was below the price of butter, irrespective of its quality.

Senator WATSON. All the butter that has been made has been sold?

Mr. LOOMIS. I think that is true.

Senator WATSON. And sold at a pretty good price.

Mr. LOOMIS. I would not say that.

Senator SUTHERLAND. You would make that much more additional butter?

Mr. LOOMIS. It would be perfectly easy to make that much additional butter in a very short time.

Senator SMOOT. Where would it be made, mostly? I was thinking of the western part of the country. Really, I do not know.

Mr. LOOMIS. I am glad to have that question asked, because the chief of the dairy division is just on his way to your State, now, to investigate the activities of dairying and the development of dairying out there. All through the semiarid regions of the west dairying is growing just as rapidly as marketing conditions will permit, and it is perfectly safe for me to say, and scientific evidence is perfectly available, that upon the dairying and cattle industries depend the future progress, prosperity, and continuance of American agriculture; and that, of course, is the basic reason we are making such a fight as we are trying to make here for this protection.

In addition to the economic argument which I am trying to present there is another and even more basic argument, and that is the argument of public health.

Even if these products made of vegetable oils were of equal food value with our own food fats, we would still urge you to protect our American industry. But they are not of equal food value. Scientific authority agrees that the vegetable oils are deficient in the vital food elements which produce growth, protect health, and prolong life.

The imitation dairy products of these oils are therefore inferior foods. It will be not only protection of American industry, but protection of American health to put a tariff on them which will make them cost as much as butter costs. That is our whole argument in all of this contest against the imitation dairy products.

Senator SUTHERLAND. Have you any figures showing the difference in the food value of these two products?

Mr. LOOMIS. Not here. We just had a hearing before the Committee on Agriculture in the House in which we brought scientists here and had that matter all put into the record, as a result of which a bill prohibiting the manufacture and sale of filled milk has just been

reported out of that committee. There are copies that can be distributed to the members of this committee.

Senator McCUMBER. I think we had that in testimony that we took on the emergency tariff.

Mr. LOOMIS. That was brought out also in the hearings on the emergency tariff.

I now wish to read the following telegrams.

The first telegram is from former Gov. Frank O. Lowden of Illinois. He wired me yesterday, as president of the Holstein Friesian Association of America, the largest organization of owners of pure-bred cattle in the world. He says:

The Holstein Friesian Association of America is strongly in favor of protection against cheap vegetable oils which are being used more and more as substitutes for dairy products. Justice to the great dairy interests not only requires this protection, but the public health as well. Scientists agree, I think, that there is no substitute for milk which contains the essential life-sustaining qualities of milk. Anything, therefore, which displaces milk as an article of human food is injurious to public health.

The next telegram is from N. P. Hull, president of the National Dairy Union and of the Michigan Milk Producers' Association, saying:

Kindly lay before the Senate Finance Committee the urgent request of the Michigan Milk Producers' Association and the National Dairy Union for adequate protection against vegetable oils used in the manufacture of imitation dairy products.

Senator WATSON. Can you not just file those telegrams without reading them?

Mr. LOOMIS. May I read the signatures?

Senator WATSON. Certainly.

Mr. LOOMIS. I will file the telegrams. I wish to retain them, so I would like to arrange to get them back.

The next one is from the Illinois Agricultural Association, signed by C. Larsen.

The next one is from the Dairymen's League of New York State, signed by John D. Miller.

The next one is from the New England Milk Producer's Association, signed by Richard Pattee.

The next is from the Interstate Milk Producers' Association, representing 15,000 milk producers in Pennsylvania, New Jersey, Delaware, and Maryland.

The next one is from the State of Ohio, signed by the Ohio State Grange, by C. A. Dyer, overseer; the Ohio Farm Bureau Federation, by M. D. Lincoln, secretary; the Ohio Home Protective League, by O. E. Bradfue, president.

The next telegram is from the State of Wisconsin, signed by E. C. Pommerening, president of the Wisconsin Society of Equity; Hoards Dairyman; the Wisconsin Farmer; J. Q. Emery, dairy and food commissioner; Paul C. Burchard, secretary Wisconsin Dairymen's Association; H. C. Larson, secretary Wisconsin Buttermakers' Association; Chris. Schroeder, secretary Wisconsin Farm Bureau Federation; C. H. Everett, editor Wisconsin Agriculturist; J. L. Sannis, secretary Wisconsin Cheesemakers' Association.

The next telegram is from the California Dairy Council, by S. H. Green, president.

The next one is from J. H. Frandsen, dairy editor Capper Farm Press, sent from Lincoln, Nebr., and containing the approval of the Nebraska Dairy Association.

The next one is from Prof. Oscar Erf, secretary of the Ohio State Dairymen's Association.

And here is a telegram which contains a resolution which I would like to read. It is signed by Andrew L. Felker, commissioner of agriculture for the State of New Hampshire.

Senator McCUMBER. I should say to the witness that his time is up, but if he can close in just a moment—

Senator WATSON. I suggest that this is very interesting, and that he go on, provided he does not read the telegrams. They can be printed in the record, and he can then give us his argument.

Senator DILLINGHAM. How recently were those telegrams received?

Mr. LOOMIS. Within the last two days.

Senator McCUMBER. If you can just close by making your argument, we will have the telegrams printed in the record.

Mr. LOOMIS. I shall ask permission, now, without reading it, to file a comparatively short brief, only five pages, which contains the details of the argument.

Senator SUTHERLAND. Is there not a tax of 1 cent per pound on uncolored oleomargarine?

Mr. LOOMIS. No. The tax on uncolored oleomargarine is but one-quarter of a cent per pound—merely sufficient to pay for the inspection. It is practically not a revenue tax at all.

{TELEGRAMS.}

UTICA, N. Y., August 16, 1921.

A. M. LOOMIS, *Washington, D. C.:*

You are authorized to represent this association at tariff hearing before Senate Committee Wednesday, August 17, 1921.

DAIRYMEN'S LEAGUE COOPERATIVE ASSOCIATION (INC.),  
By JOHN D. MILLER.

BOSTON, MASS., August 15, 1921.

A. M. LOOMIS, *Washington D. C.:*

New England Milk Producers Association squarely and emphatically indorses action conference Buffalo July 8, relative tariff on copra and vegetable oils.

RICHARD PATTER.

PHILADELPHIA, PA., August 15, 1921.

A. M. LOOMIS,

*Secretary the National Dairy Union, Washington, D. C.:*

Our organization, 15,000 strong, located in Pennsylvania, New Jersey, Delaware, and Maryland, urge tariff on vegetable oils sufficient to protect dairy industry from unfair competition.

INTERSTATE MILK PRODUCERS' ASSOCIATION.

COLUMBUS, OHIO, August 15, 1921.

A. M. LOOMIS,

*Secretary National Dairy Union, Washington, D. C.:*

Our organizations are supporting you in your efforts to obtain a tariff on vegetable oils equal to that on butter fat when used in dairy substitutes, and also your endeavor to secure a tariff on copra equal to 50 per cent of the rate on oils.

OHIO STATE GRANGE,

By C. A. DYER, *Overseer.*

OHIO FARM BUREAU FEDERATION,

By M. D. LINCOLN, *Secretary.*

OHIO HOME PROTECTIVE LEAGUE,

By O. E. BRADFUE, *President.*

MADISON, Wis., August 15, 1921.

A. M. LOOMIS,

*Secretary National Dairy Union, Washington, D. C.:*

Dairymen of Wisconsin if compelled to pay protective tariff prices for things they buy justly call for reciprocal and equitable tariff protection for their own productions. Any assumed protection dairy products may receive by a tariff will fail to protect unless a tariff rate in excess of that levied on butter fat is levied on its counterfeit coconut and other edible vegetable fats with a tariff rate on copra proportionate to that on coconut fat.

E. C. Pommerening, president Wisconsin Society of Equity; Hoards Dairyman; The Wisconsin Farmer; J. Q. Emery, dairy and food commissioner; Paul C. Burchard, secretary Wisconsin Dairymen's Association; H. C. Larson, secretary Wisconsin Buttermakers' Association; Chris Schroeder, secretary Wisconsin Farm Bureau Federation; C. H. Everett, editor Wisconsin Agriculturist; J. L. Sammis, secretary Wisconsin Cheesemakers' Association.

SAN FRANCISCO, CALIF., August 15, 1921.

A. M. LOOMIS,

*Secretary National Dairy Union, Washington, D. C.:*

Sending following wire to California Senators: "Senate Finance Committee will hold brief hearing Wednesday, seventeenth, on vegetable oil tariff. Entire dairy industry of Nation needs protection against this competition of an inferior fat. Dairying must be intelligently protected since it is the foundation of all successful agriculture. California most keenly interested because of the importance of the industry to our welfare and because we are nearer to Orient than other parts of the Nation. We earnestly urge that you do all possible at this hearing to obtain favorable action of committee on schedule that will be urged by National Dairy Union."

CALIFORNIA DAIRY COUNCIL.

LINCOLN, NEBR., August 16, 1921.

A. M. LOOMIS, *Washington, D. C.:*

With the approval of the Nebraska Dairy Association and in my judgment any protection the dairy industry receives from the tariff on dairy products will fail to protect unless there is a duty on edible vegetable oils equal to the tariff on butter fat, would not object to rebate being given on denatured oils not used for human food.

J. H. FRANDSEN,  
*Dairy Editor Copper Farm Press.*

COLUMBUS, OHIO, August 16, 1921.

A. M. LOOMIS,

*National Dairy Union, Washington, D. C.:*

Ohio State Dairymen's Association favors adequate tariff protection for dairy products and duty on vegetable oils at least equal to tariff on butter fat. Dairy industry should be protected against flood of cheap vegetable oils.

O. ERF,  
*Secretary Ohio State Dairymen's Association.*

CONCORD, N. H., August 16, 1921.

F. C. ATKINSON, *Washington, D. C.:*

New Hampshire farm organizations, including State grange, federated farm bureaus, Granite State Dairymen's Association, and State department of agriculture, join in resolution as follows:

Whereas, the dairy interests of the United States are directly and seriously affected because of the manufacture, sale, and use of bogus milk products, being compounds of skim milk and vegetable oils, and believing same to be a menace to the public health: Therefore be it

*Resolved*, That Congress shall, by restraining laws, prevent the manufacture and sale thereof. In case such legislation is found impossible of enactment that a tax sufficiently high shall be levied upon such bogus dairy products as will afford ample protection to the dairy industry; be it further

*Resolved*, That a tariff tax of 10 cents per pound be levied upon all importations of vegetable oils which enter into the manufacture of said bogus dairy and other food products; and be it further

*Resolved*, That we approve the tariff schedule on milk and butter as recommended by the New England dairy tariff committee, namely, milk 3½ cents per gallon, cream 35 cents per gallon, butter 10 cents per pound.

ANDREW L. FELKER,  
*Commissioner of Agriculture for the Conference.*

#### BRIEF OF A. M. LOOMIS, REPRESENTING THE NATIONAL DAIRY UNION.

The dairy industry of the United States is now organized to such an extent that its wishes as to impartial treatment in tariff and other legislation are fairly and fully expressed through two national organizations—the National Dairy Union and the National Milk Producers' Federation.

The responsible officers of these associations, with representatives of national farm organizations, were in conference at Buffalo, N. Y., on July 8 and 9, 1921, to consider questions of legislation. The following resolution was unanimously passed at the conference:

"That any protection the dairy industry may receive by a tariff on dairy products themselves will be very largely negatived if there is not a duty on edible vegetable oils at least equal to the tariff on butter fat. We would urge that there be placed a tariff on copra not less than 50 per cent of the rate of duty placed on vegetable oils. We also recognize the importance of these oils in the industries and arts and would suggest that importers and refiners be allowed a suitable rebate on all such oils that are denatured and used for any purposes other than human food."

I am here to ask your favorable consideration of the dairy tariff schedules therein when you reach this item in the bill now before you, and to ask you to pass favorably to-day upon the request of the dairy industry to be protected against cheap and inferior food products coming into this country in an ever-increasing volume, to be made into that worst of all business menaces, an imitation or substitute dairy product.

I refer to copra, coconut oil, soya-bean oil, and peanut oil, particularly.

Paragraph 50 of the bill before you provides:

"Oils, expressed or extracted: Castor oil, 4½ cents per pound; cottonseed oil, coconut oil, and soya-bean oil, 2 cents per pound; hempseed oil, 1½ cents per pound; linseed or flaxseed oil, raw, boiled, or oxidized, 2½ cents per pound; olive oil, weighing with the immediate container less than 44 pounds, 7½ cents per pound on contents and container; olive oil, not specially provided for, 6½ cents per pound; peanut oil, 2½ cents per pound; poppy-seed oil, raw, boiled, or oxidized, 2 cents per pound; rapeseed oil, 1½ cents per pound; all other expressed and extracted oils, not specially provided for, 20 per cent ad valorem."

The dairy industry asks for a tariff of 10 cents a pound on these products if they are to be used for food in this country.

Paragraph 1620 of the bill before you provides on the free list for:

"Nuts: Crude in the shell and broken coconut meat or copra, not shredded, desiccated, or prepared in any manner, and not specially provided for; palm nuts and palm-nut kernels."

The dairy industry asks that this item be taken from the free list and be made a part of paragraph 50, with a duty imposed equal to not less than 50 per cent of the duty imposed on the oils made from such products.

The basis for these requests is found in the fact that these products—copra, coconut oil, soya-bean oil, and peanut oil—are imported in large quantities and are in direct competition with oils produced in this country; and, further than this, that these oils in particular are used to make imitation milk and imitation butter. The cost of production of these oils under the conditions of cheap labor where they are produced is such that they can be made here into these imitation dairy products at a cost which permits them to be sold for much less than what it costs for American labor to produce condensed milk or butter or cheese, and net only this but at a price still below the cost of the American product, so that the margin is used to put a premium on the manufacture and sale of the bogus or imitation products made chiefly of coconut oil.

Dairy interests ask this committee for protection against both the fair and unfair competition involved.

There are 4,569,866 farms in the United States engaged in producing milk. On these farms are at least 20,000,000 people dependent in whole or in part on their

ability to secure a fair price for their milk, for their comfort, their continuance in business, and their buying power.

To allow these foreign vegetable oils to continue to come here at the rate of duty provided in paragraph 50 of the present bill imperils the continuance here of an industry which we think is indispensable to health and the continuance of agriculture.

Dairy cattle are reported on 4,569,866 farms reported in the 1920 census, and the estimate of the capital invested in the farm property alone engaged in the milk industry is \$55,000,000,000.

There are upward of 25,000,000 dairy cows in the United States; 7,857 establishments are engaged in manufacturing dairy products, with products valued at over \$1,000,000,000. One-half of this is the butter business of the country, or over \$500,000,000. More than \$300,000,000 worth of condensed and powdered whole milk, made wholly from the milk produced on American farms, is depreciated in value in every market by this bogus filled milk.

Every dairy farm, every dairy cow, every pound of butter, of cheese, and of skimmed milk is depreciated in value by the flood of cheap and inferior vegetable oils which the present tariff, and the rate of duty proposed in the bill which is now before you, permits to come into the United States.

Adding to the number of farmers and their families the number of persons engaged in the butter industry, manufacture, storage, and sale, it is safe to assume that 255,000 persons are directly affected by the question whether or not this committee modifies the Fordney bill as we ask.

Vegetable oil was brought into the United States in the last few years, in pounds, as follows:

	1918	1919	1920
Cottonseed oil.....	18,372,867	27,805,784	9,457,924
Coconut oil.....	356,088,738	281,033,213	215,238,516
Soya-bean oil.....	335,984,148	195,808,421	112,213,750
Peanut oil.....	70,401,768	158,406,025	97,813,124
Copra.....	430,649,332	258,915,789	215,183,461

As nearly as can be ascertained this was used in the manufacture of food products in imitation of American products and in direct and ruinous competition with such products, as follows, in pounds:

	1918	1919	1920
Butter substitutes.....		371,000,000	370,000,000
Filled milk.....		66,000,000	83,000,000
Lard substitutes.....	1,148,000,000		1,000,000,000

These imports came in and were made into these imitation American products at a time when there was and still is a surplus of edible fats in this country. This is shown by the export of 193,000,000 pounds of cottonseed oil and 760,000,000 pounds of lard in 1919 and 184,000,000 pounds of cottonseed oil and 612,000,000 pounds of lard in 1920.

I submit that it is not only poor business to the United States, but disastrous to agriculture to permit these vegetable oils to be sent here, practically duty free, to depress the prices of American products when we have so large a surplus.

It will be noted that these oils, produced by oriental labor at oriental prices of a few cents a day, are in competition not alone with the American dairy industry, but also the American farmers engaged in raising hogs and growing cotton.

I am calling your attention only to the destructive effects of this competition on the dairy industry. As strong a case can be made out as to their destructive effect in competition with American animal and vegetable fats in other industries. It is not thinkable to me that this Congress will throw down the bars to the detriment of dairy-men, swine growers, cattlemen generally, as well as both cotton and peanut farmers, to allow a comparatively few special industries with but a small fraction of the capital invested or the number of persons engaged in such industries.

This vegetable-oil menace to American industry is a comparatively new problem. It has developed largely because of the acts of the Food Administration in 1917-18, acting to avert what that administration thought would be a shortage of edible fats. As a matter of fact, there never was such danger. But the flood of vegetable oils now coming this way bids fair to put American farmers out of the business of growing fats

in this country. The problem is so new that the Tariff Commission is not now prepared to make recommendations, but it is not so new but that American farmers have felt the heavy hand of this competition.

The committee will naturally wish from us a suggestion as to why we ask for a 10 cent a pound duty. It is found in a study of market prices, taking American valuations as the basis. I quote average American prices on butter fat and coconut oil, as follows:

Week ending—	Butter fat (per pound).	Coconut oil (per pound).	Week ending—	Butter fat (per pound).	Coconut oil (per pound).
May 14.....	\$0.26	\$0.11-\$0.114	July 2.....	\$0.28	\$0.124-\$0.13
May 21.....	.24	.11- .114	July 9.....	.28	.124- .124
May 28.....	.2306	.124	July 16.....	.32	.124- .124
June 4.....	.30	.124	July 23.....	.32	.12- .124
June 11.....	.24	.124	July 30.....	.33	.12- .124
June 18.....	.25	.124- .13	Aug. 6.....	.35	.12- .124
June 25.....	.27				

The cost of butter fat is estimated on the basis of 80 per cent of the current price for butter on the date mentioned, butter fat making up 80 per cent of the constituent of butter. The cost of edible oil is current New York quotation in the National Provisioner.

Ten cents is the difference between the cheapest butter fat of the period May 28, the flush period of butter production, and the highest edible oil quotation of the same period (July 2). This is the fairest measure of protection that we know how to apply, the difference between the cost of the cheapest butter fat produced and the highest price quoted on the competing vegetable oil.

There is another reason for asking for this tariff in addition to the economic reason. I refer to the effect of putting diet on a vegetable-oil basis. It is exactly parallel to the unscrupulous effort made during the high sugar price to put a chemical substitute into general use. It required the united effort of the medical profession and the pure-food officials, both State and National, to prevent this, and it was prevented because the chemical substitute, although sweeter than sugar, did not supply the human system with food as sugar does, and men and women must have the necessary vital foods.

This is true of vegetable oils. These oils are not vital foods. They do not supply the vital elements which are needed to sustain life, health, and growth as do the butter fat, for which they are substituted. To permit them to be imported at a price which puts a premium on their substitution in milk for milk fat and in nut margarine for butter fat is lending Government aid to a food substitution and a business practice which vitally attacks public health. If filled milk cost as much as real milk, and if nut margarine cost as much as butter, these products would only be sold for and be used for what they are. It is the low manufacturers' price and the hope of big profits which makes manufacturers and dealers seek in every way possible to put these oil products out as substitutes for dairy products, when in fact they are not even substitutes but bogus counterfeits.

We, therefore, ask you to change paragraph 50 to read: "Cottonseed oil, coconut oil, and soya-bean oil, 10 cents a pound; peanut oil, 10 cents a pound"; and to eliminate from paragraph 1620 of the free list and add to paragraph 50:

"Nuts: Crude in the shell, or broken coconut meat or copra, not shredded, desiccated or prepared in any manner"—fixing a rate of duty thereon at 5 cents per pound.

Let me point out, in conclusion, that the importations of coconut oil increased over 400 per cent from 1919 to 1920; soya-bean oil imports increased over 1,000 per cent; peanut oil increased over 2,500 per cent. The burden of absorbing this flood of products produced by a tropical climate and 5-cent a day labor fall on the American farmers. They desire this burden removed by an adequate tariff.

**STATEMENT OF FRANK O'HARA, REPRESENTING THE AMERICAN FARM BUREAU FEDERATION, WASHINGTON, D. C.**

Mr. O'HARA. My name is Frank O'Hara, Washington, D. C. I represent Mr. Gray Silver, who is the Washington representative of the American Farm Bureau Federation, who was not able to be here to-day. I wish to speak on paragraph 50, vegetable oils, and on paragraph 1620, relating to copra, which is on the free list.

Senator McCUMBER. Let me ask you, Mr. O'Hara, will your evidence be merely a duplication of the testimony of other witnesses on that paragraph 50? We had, I think, not less than 15 witnesses on that one paragraph.

Senator SMOOT. There were more than that, Senator.

Mr. O'HARA. Mr. Silver asked me to come here and to state our position in support of the other gentlemen who had come here representing the dairy interests and the cottonseed-oil producers and to state that we indorsed in general their position. If you will permit us we should like to file a brief stating more in detail what our position is.

Senator McCUMBER. We will be very glad to have you do that, and it will save time for both the witnesses and the committee, if that can be done. I will say to all witnesses that they may have a fear that their briefs will not be read, but I presume that when the committee takes this up paragraph by paragraph it will have all the evidence printed on that paragraph ready to read and to consider.

Senator LA FOLLETTE. Is there anything you wanted to say orally, aside from what you have in your brief?

Mr. O'HARA. I want to say, in general, that the American farmers do not want special treatment. We feel that the products of the farm tend to be sold in a world competitive market, whereas many of the things they buy as consumers are sold in a protected market.

Senator WATSON. You are for this?

Mr. O'HARA. For a duty? Yes.

Senator SMOOT. Do you agree with Mr. Loomis, who asked that cottonseed oil and coconut oil be raised from 2 cents to 10 cents a pound?

Mr. O'HARA. I have not had time to examine Mr. Loomis's figures. If it is correct that that amount is necessary to protect the industry and if the general policy is to be one of protection, I believe that the American producer of farm products should be permitted to sell his goods in a protected market.

Senator SMOOT. Yes; but of this coconut oil and cottonseed oil you ship hundreds of millions of pounds a year out of the country?

Senator McCUMBER. Not coconut oil, Senator.

Senator SMOOT. No; and I think it is a million pounds of coconut oil.

Mr. O'HARA. These various oils and fats are to a large extent interchangeable in their uses. Roughly we import into this country three-fourths of a billion pounds of these various oils and fats. We export, roughly, about the same amount of oils and fats. If it is possible to secure an American market for our fats and oils by excluding the foreign fats and oils, it seems to me that that is a proper thing to do from the farmer's point of view, if the farmer is going to be compelled to buy the goods which he consumes in a protected market.

Senator SMOOT. This is just the opposite of that. I agree entirely with you, if you want these prices here to remain. But Mr. Loomis is the only man who came here, and he wanted that coconut-oil duty increased from 2 to 10 cents. We exported in 1920, 140,390,408 pounds of coconut oil.

Senator LA FOLLETTE. We used a great quantity of it in combination with certain other things to displace butter products?

Senator SMOOT. There is not any doubt about it.

Senator McCUMBER. It is used for making butter and oleomargarine.

Senator LA FOLLETTE. Butter that has no vitamins in it is not, as has been stated before this committee by men who seem to possess scientific knowledge, a nourishing food.

Senator McCUMBER. Would it be satisfactory to you if the committee could make some provision in an amendment whereby cottonseed oil or those oils that are used for other food purposes could be put upon a different basis so far as the tariff is concerned from those oils that are used in the manufacture of food products?

Mr. O'HARA. I should say that if Mr. Loomis's contention is correct—and I have not had time to examine it with the care I should like to—he is justified in asking for a 10 per cent duty, provided that a lesser duty would be applied on the importation of vegetable oils for the other purposes than those of human consumption.

Senator McCUMBER. That is the same idea.

**BRIEF OF FRANK O'HARA, REPRESENTING THE AMERICAN FARM BUREAU FEDERATION, WASHINGTON, D. C.**

The American Farm Bureau Federation is in favor of the proposal to levy protective duties on imported vegetable oils competing with the American dairy and lard and domestic vegetable oil industries.

The federation is not in favor of a very high level of duties on commodities generally. Because of the fact that there is an exportable surplus of the principal farm crops it is impossible for the farmer to reap the benefits of a protective tariff in the same degree that these benefits are conferred upon manufacturers. The result is that under a high-tariff policy the farmer sells his produce at or near the world competitive market price and that he must buy a large part of what he consumes in a protected market; that is, in a market which is considerably above the world competitive price. There are important exceptions to this general principle, but, nevertheless, the general principle remains.

In general, a relatively low tariff will give the farmer as much actual protection as a very high tariff where large amounts of the goods in question are exported. As an illustration, it is probably true that very few wheat growers would receive any greater benefit from a 70 cents a bushel duty on wheat than from a 35 cents a bushel duty. This situation is very different from that of the manufacturer of the finer grades of textile goods in whose case a duty of 200 per cent on his conversion costs will actually give twice as much protection as a duty of 100 per cent. In a word, it is only in the exceptional cases that the farmer will benefit much from high rates of duty on his products, whereas it is the rule that in the case of goods which are being imported in large quantities the domestic manufacturer will benefit almost or quite to the full extent of the high protective duty.

A duty on vegetable oils would constitute an exception to the general principle. The oils in question are coconut oil, soya-bean oil, cottonseed oil, and peanut oil. These oils are highly competitive among themselves, and because they are produced so much more cheaply than butter and lard they are being substituted for these latter products in ever-increasing quantities and compelling these products to accept a price dictated in the unprotected world market. In 1920 the exports of these commodities were as follows: Lard, 587,224,549 pounds; butter, 27,155,834 pounds.

During the same year the vegetable oils were imported as follows: Coconut oil, 269,226,966 pounds; coconut meat, 218,521,916 pounds (1 pound of copra produces approximately one-half pound of coconut oil); soya-bean oil, 195,773,594 pounds; cottonseed oil, 24,164,821 pounds; peanut oil, 165,482,722 pounds.

A duty on these oils sufficiently high to prevent their entrance into the country in considerable amounts would, without any doubt, have the effect of making it unnecessary to export such large quantities of lard and butter. It is possible that with a rigid exclusion of the oils the total domestic production of lard and butter might find buyers in the home market.

The dairy interests are proposing that two different rates of duty be applied to these oils, a higher rate for edible oils and a lower rate for oils "that are denatured and used for any purposes other than human food." There can be no objection to this plan so long as the lower rate is high enough to be really protective. Otherwise there would be a shifting of domestic vegetable oils, including the Philippine coconut

oil, to the edible uses, and the foreign oils would come in in practically unlimited quantities to supply the other industrial purposes. The effect of this would be to nullify the duty and it would be of no practical value to the domestic producers of cottonseed oil.

In the present bill coconut meat, or copra, is on the free list. Unless a duty is placed on copra the effect will be the same, as far as the lard and dairy interests are concerned, as placing coconut oil on the free list. The duty per pound on copra should be one-half the duty on coconut oil.

If, therefore, the American producer of dairy and lard products is to be given a domestic market in which to sell these products, in order to compensate him for having to buy the goods which he consumes in a protected market, it will be necessary to place a duty on these imported vegetable oils sufficiently high to exclude them. The proposal to place the duty at 10 cents a pound for oils used for food and at 5 cents a pound for oils used for other industrial purposes should therefore be adopted.

### COCONUT OIL.

[Paragraph 50.]

#### STATEMENT OF BABBY MOHUN, WASHINGTON, D. C., REPRESENTING THE EL DORADO OIL WORKS.

Mr. MOHUN. Mr. Chairman and members of the committee, I appear here on behalf of the El Dorado Oil Works. Their main office is at San Francisco, and their works are in West Berkeley. The company is an old one of high standing and has been successful. They are crushers of copra, from which coconut oil is made.

In 1917 the company paid over one-half million dollars in income and profits taxes; in 1918, more than that; in 1919, about the same amount; and in 1920, nothing. They did not make any money.

They have an investment of considerably over a million dollars. There are engaged in the coconut-oil industry on the Pacific coast 30 concerns, with a total capital of about \$10,000,000. There are other manufacturers in the United States situated in the neighborhood of Philadelphia and New York and some in the South. The compressors of cotton seed use their machines for the manufacture of this oil. The investment in the Philippine Islands is about \$20,000,000.

By paragraph 50 of section 1, Title I, page 17, of the pending tariff bill, which passed the House on the 21st instant, there is a duty imposed on coconut oil to the amount of 2 cents a pound; but by section 1, page 1, the duty by the act is applicable only to importations from foreign countries, of course, as you know.

We ask that, after the words "coconut oil," appearing on line 15, page 17, the words "including coconut oil imported from the Philippine Islands" be added.

In other words, if this coconut-oil industry in this country, which has been successfully built up over a number of years, is to live, it has got to be protected against manufacturers or crushers in the Philippine Islands.

The industry in this country is relatively old, but the industry in the Philippine Islands is very new. It results solely from war conditions. There was an embargo placed on the exportation from the Philippine Islands of copra. It was done by Governor General Harrison out there during the war, and the reason therefor was the shortage of bottoms, the need for ships, because copra occupies six or seven times as much space in the hold of a ship as the oil does.

Perhaps I am not right in the ratio, but considerably more space in the hold of a ship than the oil in bulk. That embargo afforded just the opportunity which the local crusher needed. It prevented the exportation of copra, and he had then the raw material at his door and had freedom from the high income and excess-profits taxes which his competitor in the United States is subjected to, and the cheap labor.

When it was suggested to place a duty on imports from the Philippine Islands Mr. Garner said to me: "You might as well impose a duty on goods from Maryland to Texas. The Philippines are a part of the United States."

There are several responses to that proposition. The first one is that it is not such a part of the United States as not to be subjected to a tariff duty. That question was decided in the "Insular cases," as they are called, reported in 82 U. S. and 197 U. S.

Further, a precedent exists for this in the act of March 8, 1902. Such a duty was imposed. The act is in 32 U. S. Statutes at Large, page 54, chapter 40, and is entitled "An act temporarily to provide revenue for the Philippine Islands, and for other purposes," and by section 2 of that act it is provided—

That on and after the passage of this act there shall be levied, collected, and paid upon all articles coming into the United States from the Philippine Archipelago the rates of duty which are required to be levied, collected, and paid upon like articles imported from foreign countries: *Provided*, That upon all articles the growth and product of the Philippine Archipelago coming into the United States from the Philippine Archipelago there shall be levied, collected, and paid only 75 per cent of the rates of duty aforesaid.

I invite attention to section 4:

That the duties and taxes collected in the Philippine Archipelago in pursuance of this act, and all duties and taxes collected in the United States upon articles coming from the Philippine Archipelago and upon foreign vessels coming therefrom, shall not be covered into the general fund of the Treasury of the United States, but shall be held as a separate fund and paid into the treasury of the Philippine Islands, to be used and expended for the government and benefit of said islands.

We thus see that Congress has afforded protection to the American producer, but it is also provided that the moneys derived therefrom should be placed in the treasury of the Philippine Islands.

Now, we will come down to the proposed bill. I would state, in the first place, that there has been a tremendous increase in the consumption of coconut oil in the United States, over eight times in the last six years. I have mentioned an embargo, the fact that it was all that the Filipino crusher needed—the cheap labor, the raw material at his door, and his exemption from the heavy taxes of his American competitor. Now, I would like to show the result in figures. These relate exclusively to the importations of copra—that is, the raw material which we previously imported in large quantities from the Philippine Islands.

In 1917, before the embargo, 87,000,000 pounds of copra were imported. In 1918 it had increased to 219,000,000 pounds. The embargo which was placed after the middle of the year 1918 did not have its effect until the following year, and the drop from 1918, when there were 219,000,000 pounds imported, to that of 1919, was to 21,000,000 pounds. In other words, we had imported in 1918, 219,000,000 pounds of the raw material, and as soon as the Filipino started his crushers

we imported 21,000,000 pounds. It dropped in 1920, the following year, to 16,000,000 pounds. The mills sprung up in the Philippines like mushrooms. Of course, the importation of copra from the Philippine Islands declined, and the importation of coconut oil which they were manufacturing at that time tremendously increased. In 1917, 44,000,000 pounds of coconut oil were imported into the United States. In 1918, 154,000,000 pounds, in 1919, 259,000,000 pounds. In other words it transferred the business from California to the Philippine Islands. As the secretary of commerce of the islands states, in previous years hemp headed the list of principal articles exported from the islands, and in 1919 it was replaced by coconut oil.

It has been said that as long as the Philippine Islands remain a part of the United States this would constitute a discrimination against the Philippine Islands. Mr. Chairman, the present situation constitutes a discrimination against the American producer. Nonaction is often just as unjust, just as unfair, just as discriminatory as positive action—indeed, many times more so. It is true that the American Government and the American people have consistently pursued an attitude of liberality toward the Philippine Islands, and I think that every man, woman, and child in this country applauds that attitude; but that attitude has been reflected by a drain or a charge against the Treasury of the United States. In this instance we have liberality of treatment of the Filipino crusher of copra, making coconut oil, at the expense of the American crusher of copra.

I am sure no one would object to this duty being imposed, and if the act contained a similar provision as that embraced in the act of March 8, 1902, to which I have referred, namely, that the moneys so collected be covered into the treasury of the Philippine Islands, no one would object to that. But I can not see how any fair-minded person can possibly favor an injustice being done to the American crushers, who are now unable to continue business. They are being rendered practically bankrupt.

With the consent of the committee I will file a brief later.

I thank you, Mr. Chairman.

**BRIEF OF BARRY MOHUN, WASHINGTON, D. C., REPRESENTING THE EL DORADO OIL WORKS.**

The El Dorado Oil Works are manufacturers of coconut oil, with offices in San Francisco and mills located at West Berkeley, Calif. The company employs a capital and surplus of more than \$1,000,000, and for many years has been one of the largest importers of copra (the raw material from which coconut oil is manufactured) from the Philippine Islands. During the war the company was licensed under the United States Food Administration and at all times strictly complied with the Government's regulations as applied to the coconut-oil industry. For the year 1917 it paid income and excess-profits taxes to the Federal Government amounting to over \$500,000, and its income and profits taxes for 1918 and 1919 were considerably in excess of that amount. For the year 1920 it paid no taxes, for the very simple reason that on account of conditions to be presently shown it was unable to produce income.

The company in the past has sold practically its entire production of coconut oil to domestic soap manufacturers, the oil being one of the basic materials used in soap production because of its high glycerin content, which is usually above 13 per cent. Coconut oil is now used extensively for butter substitutes, especially the so-called nut margarines; laundry, marine, and toilet soaps; vegetable lard; salad oil, etc. In 1917, 168,000,000 pounds of coconut oil were consumed in the soap industry alone, as compared with 126,000,000 pounds of cottonseed oil, and 124,000,000 pounds of soybean oil, its nearest rivals. In 1918, 49 per cent of the vegetable oils used in the

oleomargarine industry was coconut oil. During the war coconut oil was used in making glycerin, which entered into the manufacture of explosives and proved an important adjunct in the carrying out of the Government's munition program.

We ask the imposition of duty of 2 cents per pound, including coconut oil imported from the Philippine Islands. The pending bill carries a duty in this amount, but it is not applicable to the Philippine Islands. We respectfully submit, in the light of the facts subsequently shown, that such exemption is unwarranted.

The domestic consumption of coconut oil previous to 1919 virtually equaled the production and imports combined—there were none exported. In 1912, the calendar year, domestic production amounted to 31,700,000 pounds and the imports of coconut oil during the same year were 46,700,000, a difference against domestic production of 15,000,000 pounds. However, in the calendar year 1918 the imports of coconut oil were 356,000,000 pounds, compared with 341,200,000 pounds produced in the United States. These figures indicate that the domestic consumption of coconut oil in the calendar year 1918 was 697,200,000 pounds, eight and one-half times as great as in 1912, when the total of production and imports amounted to only 78,400,000 pounds. It is worthy of note that the domestic production during the calendar years 1912 to 1918 shows an increase of 1,000 per cent, and places coconut oil third in importance of vegetable oils produced in the United States.

Production of coconut oil in this country is confined to three sections: (1) The Pacific coast States, (2) the territory surrounding New York and Philadelphia, and (3) the Southern States, where cottonseed-oil mills are located. The greatest domestic production, however, is on the Pacific coast. For the quarter ending June 30, 1919, the Bureau of Census reports that California and Oregon alone produced over 26,000,000 pounds of coconut oil, whereas New Jersey produced approximately 12,000,000; Pennsylvania, 7,000,000; Texas, 5,000,000; and Louisiana, 7,000,000 pounds. The domestic consumption for the same period was anomalous compared geographically with domestic production. California, which produced over 23,000,000 pounds, consumed less than 1,500,000 pounds, while Louisiana, which produced 7,000,000 pounds, consumed over 15,000,000; Illinois, without any production whatever, had a consumption record of 21,604,858 pounds; and Ohio, producing but 827,239 pounds, used the largest quantity of any particular State, its consumption being 34,510,975 pounds.

Millions of dollars are invested in the coconut-oil industry of this country. During the three years preceding 1920 the industry attained unparalleled prosperity and importance.

Besides the El Dorado Oil Works there are two other large mills crushing copra and manufacturing coconut oil in San Francisco Bay. In the East there are at present a half dozen mills actually engaged in the producing of coconut oil. Within less than two years ago there were 20 to 25. It is the oriental competition alone which has caused these companies to suspend.

According to Thomas's Register of Manufacturers (1920), there were over 30 concerns on the Pacific coast, with an approximate capitalization of \$10,000,000, engaged in the coconut oil industry. Many of these are importers and exporters of coconut oil, as well as crushers of copra. In the Philippine Islands 48 coconut oil mills during 1920 employed an estimated capital of over \$20,000,000.

The average daily wage paid by the El Dorado Oil Works during 1920 was approximately \$6.25 to each employee, whereas the wages of factory laborers in the Philippine mills ranged from \$1 to \$1.50 per day during the same period. It is well known that all labor in Japan, the South Sea Islands, and the Philippines is on a very much lower wage scale than in the United States.

Any protection granted to the industry by means of the imposition of a tariff duty on imported coconut oil would be of benefit not only to domestic manufacturers of that oil but also to producers of all other vegetable oils in this country.

We unhesitatingly state that the imposition of a duty of 2 cents per pound on coconut oil, whether coming from the Philippine Islands or any other foreign country, is absolutely essential to the very existence of this industry in the United States. We believe that the reasons which impelled the House to pass the bill with the duty of 2 cents per pound upon importations of coconut oil from countries other than the Philippine Islands are applicable and with far greater force to our contention that the tariff should be likewise enforced as to Philippine exports of this commodity to the United States.

That which is known commercially as copra is the meat of the coconut, or, in other words, copra is dried coconut meat, broken but not shredded or prepared. It is the raw material from which the coconut oil is manufactured. The oil is the fat obtained by compressing the copra. The growth and production of the coconut in commercial quantities is foreign to the continental United States. The world's supply of copra comes from the Straits Settlements, the Dutch East Indies, Japan, British, French,

and German Oceania, and the Philippine Islands. During the fiscal year 1918 the total imports of copra amounted to 486,996,112 pounds, of the value of \$26,945,569. Of this amount 219,555,171 pounds, valued at \$9,949,785, came from the Philippine Islands. The Philippines were by far the largest exporters of copra during that period. In 1919 the Philippine exports of copra to the United States dropped to 21,259,592 pounds, having a value of only \$1,316,172; and in 1920 the amount imported from the islands reached the insignificant sum of 16,724,892 pounds (valued at \$517,819), out of a total copra importation from all countries of 218,521,916 pounds.

The situation is graphically shown by the following table:

*Importation of copra and coconut oil, 1912 to 1920.*

Fiscal year.	Total imported into United States.		Imported into United States from Philippines.	
	Quantity.	Value.	Quantity.	Value.
<b>COPRA.</b>				
	<i>Pounds.</i>		<i>Pounds.</i>	
1912.....	64,580,670	\$2,810,171	46,673,718	\$2,064,279
1913.....	34,267,811	1,531,820	23,627,330	1,046,937
1914.....	45,437,153	2,395,013	27,542,443	1,497,358
1915.....	90,546,827	3,397,477	58,267,003	2,145,743
1916.....	110,077,844	4,551,427	34,679,385	1,242,151
1917.....	247,036,099	12,515,712	87,066,662	4,114,045
1918.....	486,996,112	26,945,569	219,555,171	9,949,785
1919.....	301,965,246	19,847,782	21,259,592	1,316,172
1920.....	218,521,916	14,971,465	16,724,892	517,619
<b>COCONUT OIL.</b>				
1912.....	46,370,732	3,851,279		
1913.....	50,504,192	4,183,036	1,384,314	92,006
1914.....	74,588,195	6,726,107	19,057,399	1,766,361
1915.....	63,249,424	5,430,581	31,971,810	2,902,852
1916.....	66,574,849	6,052,225	30,074,265	2,873,214
1917.....	79,359,059	9,141,536	44,254,050	5,141,002
1918.....	259,004,748	30,019,783	154,704,481	18,229,869
1919.....	347,206,283	43,769,196	259,546,952	32,848,306
1920.....	269,226,966	38,588,135	(1)	(1)

<sup>1</sup> Not available.

The explanation for the tremendous slump in the exportation of copra from the Philippines to the United States is found in the extraordinary growth and expansion of the coconut-oil industry on the islands, due primarily to an embargo against the export of copra from the Philippines, to which we shall presently more fully advert. Beginning early in 1918, Philippine crushers of copra established large modern mills for the production of coconut oil. Instead of exporting the copra it is crushed in the islands and the coconut oil, its offspring, is shipped in ever-increasing quantities to foreign countries, particularly the United States. The crushers in the Philippines have a decided advantage over American crushers of copra not only in the matter of wages, but also in that their supply of raw material is at their doors, whereas American manufacturers of coconut oil must import their entire supply of copra.

Shipping conditions existing during 1918 because of the war afforded opportunity for the placing of the embargo upon the exportation of copra from the Philippine Islands, to which reference has been made. The governor general of the islands in his annual report for the year 1919 states:

"A practical embargo upon the export of copra was laid by the Government in August, 1918, to insure locally the quantities demanded by the Philippine mills, which had outstripped the supply of raw material, and to economize in freight space during the time of shortage of bottoms, since copra occupies at least four times the cargo space required for the oil content. \* \* \* As soon, however, as it became apparent that the mills were prepared to take advantage of the situation to depress the price of Philippine copra, in May, 1919, the embargo was lifted, and small exportations restored the situation. \* \* \*"

Further, the governor general states:

"The new and remarkable expansion in the export of Philippine coconut oil, which now supplies 60 per cent of the American market, is of the greatest benefit to the permanent situation. The early depression of the market of 1919 in coconut oil gradually disappeared in part at least after a few months, and exports went finally 22 per cent over those of 1918, constituting 36 per cent of the total export trade."

The annual report of the secretary of finance of the islands states:

"Exports of this commodity (coconut oil) have been increasing from year to year, and it is expected that no decline will take place in the years to come. As in previous years the United States continued the highest proportion of our exports of this commodity, same being 62.12 per cent of the aggregate total."

As appears from the Survey of the American Coconut Products Industry, prepared by the Tariff Commission, 1920:

"The development of the copra-crushing industry in the Philippines during the war is especially noteworthy. Shipping conditions favored the shipment of coconut oil rather than the bulkier copra, and the installation of modern mills proceeded rapidly. In 1918 it was reported that 8 plants for the manufacture of oil were in operation and that 150 expeller presses and 50 hydraulic presses were turning out oil. The output of oil in 1917 was almost 100,000,000, as compared with 11,000,000 pounds in 1913. The former amount was somewhat over one-half of the production in this country during the same year."

Regarding the source of copra supply for American manufacturers, the commission states:

"Recently the Philippine Islands have lost a large part of their importance as a source for copra because of the establishment of large, modern oil mills there, which are said to have a crushing capacity greater than the local supply of copra. So that at present the supply of raw material for coconut crushing is largely in the hands of the British and Dutch interests."

This embargo was fatal to the prosperity of the Pacific coast crushers, as well as all other American producers of coconut oil. Many of them had commitments made for future deliveries. The embargo gave to the Philippine crushers the opportunity to complete mills in course of construction and to gather to themselves a strong hold upon the copra market. It left the American crushers to find, if possible, foreign markets in which to purchase their supplies of copra. The Tariff Commission in its survey cites as authority the Journal of Commerce, Nov. 12, 1919, for the following accurate statement:

"There is a very close and sharp competition between foreign and domestic oils, and it is claimed by people interested in the industry that at present there are times when the margin between the price of copra and foreign oil is so small that it does not pay to buy copra and produce the oil here."

As shown by the governor general's report, the embargo on copra had a twofold purpose, but the object to "insure locally the quantities demanded by the Philippine mills" was obviously the impelling motive. It was protection pure and simple; the local mills became large and numerous. The raw material was in the control of foreign buyers. As shown by the tables given above, in 1917 the copra exports to American crushers amounted to 87,058,662 pounds, and in 1918 increased to 219,555,171 pounds. The embargo effected a control of the copra market by the Filipino crushers, with the result that the export of copra to the United States decreased, as we have seen, from 219,555,171 pounds in 1918 to 21,259,592 pounds in 1919, or a net decrease of 198,295,579 pounds; and in 1920 the total copra export to American crushers was but 16,724,892 pounds. An embargo which works primarily to the detriment of American crushers, who were the only importers of copra from the islands in 1918, is as effective as the highest prohibitive tariff that can be imagined. We simply seek similar protection for what was for many years prior to 1919 a thriving American industry. The world demand for coconut oil is so great and the cost of production in the Philippine Islands so small that both the crushers in the islands and in the United States can and will prosper with the duty which we ask.

Attention is invited to the following interesting statement from the annual report of the Philippine secretary of finance for the year ended December 31, 1919:

"Copra to the value of 8,839,376 pesos was exported during the year, as compared with 10,377,029 pesos for 1918, or a decrease of 14.8 per cent. Copra meal, on the other hand, amounting to 2,173,471 pesos, was exported, in comparison with 7,255 pesos for 1918, or the unparalleled increase of 29,852.2 per cent. This immense increase in the export of copra meal tends to show that the amount of copra consumed locally has greatly increased, which accounts for the decrease in the exportation of copra. The continuous decline in copra exports, due to rapid development that has taken place in the local coconut-oil industry, is obvious."

(Copra meal or coconut oil cake is a valuable by-product of the coconut-oil industry, serving as it does as an excellent cattle food. It is always in great demand. In December, 1919, oil cake was quoted in New York at from \$60 to \$65 per ton. In this country the cakes are usually ground and sold in sacks, but when exported it is usually sent in cake form in conformity with generally existing greater demand abroad for concentrated dairy foods than in the United States. Prior to 1919, in which year the Philippine exports of the by-product of the coconut-oil industry attained

such a stupendous increase over the previous year, it had been the custom for the mills in the islands to burn the oil cake for fuel. The copra meal or oil cake amounts to about 35 per cent of the raw material used in the coconut-oil industry, and in 1918 the American output of this by-product was of immense value. The curtailment of the copra supply which formerly was imported from the Philippines has greatly diminished the quantity of oil cake available in the American markets; hence, unless copra is imported and crushed in the United States the oil cake must be imported from the coconut-oil producers in the Philippines and elsewhere. Due to the marked development of oil mills in the islands, the amount of copra available for exportation is at present greatly less than in former years, and since the termination of the European war the American crushers have had to meet the severe competition of European buyers. According to the report of the Philippine secretary of finance, in 1919 France and England were first and second, respectively, on the list of countries importing copra from the islands; the United States was third, the amount of our importation being 92 per cent less in value than in 1918, when we were the sole importer of this commodity from the islands.

The Pan Pacific Magazine for August, 1920, contained the following:

"The amount of copra required to supply the Philippine mills at capacity is estimated to exceed 800,000 tons. The rise of the oil mills—more than 50 are now reported—explains the steady decrease in copra exports from 139,000 tons in 1915 to 55,000 tons in 1918. During 1919 the Philippines imported copra in considerable quantities, but were not able to keep the mills running to capacity."

The Philippine Islands now lead all countries both in the production of copra and coconut oil. Hemp was at one time the premier industry and export of the islands, employing approximately 2,000,000 Filipinos, or nearly one-quarter of the population. However, the secretary of finance, in his report referred to, states:

"In previous years hemp headed the list of principal articles exported from the islands, but in 1919 it was replaced by coconut oil."

In July, 1920, three companies which were engaged in the coconut-oil industry in the Philippines—the Visayan Refining Co., the Rizal Refining Co., and the Philippine Refining Co.—merged and formed the Philippine Refining Corporation, with a capital of \$10,000,000. Corporations manufacturing coconut oil in the Philippine Islands are peculiarly favored, because, in addition to their proximity to the supply of raw material, they are not subject to the high taxes which are borne by the American crushers; there is no excess-profits tax in force in the islands, such as here. In the Philippine Islands the income-tax law of September 8, 1916, as amended, is in force, and the revenue act of 1918 is not. A Philippine corporation is not subject to the provisions of the war-profits and excess-profits tax provisions of the latter statute; and even under the excess-profits tax law of October 3, 1917, a Philippine corporation was regarded as a "foreign corporation" and subject to tax only as to business done and net income received from sources within the United States. The war income-tax law of October 3, 1917, being Title I of the revenue act of 1917, contained the following provision:

"Sec. 5. That the provisions of this title shall not extend to Porto Rico or the Philippine Islands, and the Porto Rican or Philippine Legislature shall have power by due enactment to amend, alter, modify, or repeal the income-tax laws in force in Porto Rico or the Philippine Islands, respectively."

Similar powers are granted to the legislatures of the Philippines and Porto Rico by section 261 of the revenue act of 1918, now in force.

Further, the Philippine crushers of copra have a wonderful future prospect for the development of their industry. There are literally millions of acres of idle lands available to them and which are especially suited to the growth of the coconut tree. It is estimated that there are approximately 70,000,000 coconut trees in the islands, about 40,000,000 of which are bearing trees, producing nearly 1,000,000,000 nuts per year, and that approximately 900,000,000 of these nuts are annually used in the copra trade. In a bulletin entitled "Economic Resources and Developments of the Philippine Islands," issued by the Philippine commercial agency in the United States (1920), it is said of copra:

"No other crop produced by man is reaped with more certainty and marketed with less labor and expense after the initial cost has been incurred. Because of the permanency of the trees when planted in a region free from typhoons, a coconut in bearing constitutes a crop virtually as constant and undying as the earth on which it stands."

Coconut trees begin bearing five or six years after planting. There is but slight diminution in the yield of a mature tree until it is almost a hundred years old. The trees are usually planted 50 to the acre, and the record yield is reported to be 470 nuts from one tree in a year. A conservative estimate is that each nut is worth com-

mercially about 2 cents. The Philippine Islands now produce one-third of the world's output of copra. As shown, up to 1918 almost all the copra produced was exported. In 1919 the islands exported \$4,400,000 worth of copra, but imported \$3,200,000 worth from other countries. The Yearbook of the Philippine Islands for 1920, published by the Philippine Chamber of Commerce (p. 141), states:

"Not content with manufacturing their own copra certain corporations in the Philippines have gone so far as to use their oil to manufacture many of the varied products which were formerly made only in the United States and Europe."

These products were soap, lard substitutes, and coconut butter. It is to be expected that in the future such articles will be exported not only to the United States but also to other foreign countries.

During the past few years Japanese shipping companies have been very active in the South Sea Island trade, particularly in copra-producing countries. These companies, by reason of government bounties and cheap merchandise which they vend, are in a strong position to compete with American merchants and manufacturers who have built up trade in American merchandise and imports. In addition to the development of this trading business, Japanese companies at home have erected large coconut-oil mills to which they import the raw material needed from the copra-producing countries. Our supply of copra from Japan fell from 29,473,850 pounds in 1919 to 9,172,381 pounds for the fiscal year ended June 30, 1920. The Tariff Commission's survey previously referred to states:

"Imports (of copra) have also been increased from the Dutch East Indies of Japan. \* \* \* Japan is becoming an increasingly strong rival in the copra market. Steamship lines centering in Japan bring copra to her mills from Singapore, Java, and the South Seas. The present estimated production of coconut oil in Japan is about 60,000,000 pounds annually, or about one-third the amount produced in the United States in 1917. Most of this oil is crushed in 25 modern mills in the Kobe district."

In 1919 the British merchant marine regained its supremacy of Philippine shipping which it had lost during the war; Japan was second in the total tonnage registered in the ports of the Philippines and the United States third. The production costs of Philippine manufacturers being greatly less than those of American producers, it is apparent that were it not for the present market demand for coconut oil the Philippine crushers would capture the European markets now supplied by American manufacturers and exporters. In addition to other advantages the freight from the Philippines to London is not appreciably greater than from New York to London, and hence the Philippine manufacturer is in a position to successfully compete with the American industry in the European markets. The Tariff Commission in its survey further states:

"Taking everything into consideration, conditions of shipping and freight rates have apparently considerably favored the tropical producers of coconut oil over domestic producers."

As shown by the tables heretofore given, during the period 1914 to 1920, inclusive, in which coconut oil has been on the free list, over 1,000,000,000 pounds of a value of over \$140,000,000 of foreign oil has entered this country without contributing any revenue to the Government. At the duty rate of 2 cents per pound, the customs revenues during the period specified would have totaled over \$20,000,000 from coconut oil alone, or a yearly average of \$3,860,000. It must be remembered that at the present time approximately 75 per cent of this commodity is imported from the Philippines, and unless a duty of 2 cents per pound is made to apply to such importations the amount of revenue derived from this source will be very small—probably exceeding but slightly \$1,000,000 annually. If the duty is imposed on all coconut oil imported from all countries, it will produce a substantial revenue to the Government.

The Philippine Islands are more prosperous to-day than ever before in their history. This is shown by statements recently issued by the Philippine Commercial Agency, which officially represents the Philippine Government.

The agency maintains offices at 280 Broadway, New York City. From such statements it appears that during 1920 the balance of foreign trade was in favor of the islands. For that year the total imports are shown to have been \$149,438,282.50, while the exports were \$151,123,855.50. It is significant to observe also from such statements as follows:

Copra exports, total value.....	\$3,716,870.50
Copra exports, to United States.....	191,204.50
Coconut oil, total value.....	23,268,886.50
Coconut oil exports to United States.....	21,683,043.00

In a word, the Philippines send us practically none of their copra and practically all of their coconut oil.

Can it be wondered that our coconut-oil industry is in financial straits?

It would seem the Filipino crusher has obtained all that he could have ever hoped for. His mills were built under an embargo, the raw material is at his very door, and his greatest customer, the United States, admits his product free. Under the terms of the present bill it is proposed to require his foreign competitor, if he invades the American market, to pay a duty from which he is wholly exempt.

We vigorously resist such a procedure and believe the Congress will repeal it.

Liberality of treatment of the people of the Philippine Islands has been the Government's consistent policy since the acquisition of the islands from Spain in 1899, but the generosity has been borne by the whole American people—by the Treasury of the United States. Unless the relief here sought is obtained it will become, indeed, an ironical liberality, for it will be sustained not by our Government but by one industry. Yes; at the cost of the very life of a heretofore thriving, legitimate, American industry. We can not bring ourselves to believe the Congress will sanction such a course of action.

Men may reasonably differ concerning the significance of the recent election upon our Government's foreign policy, upon the League of Nations, or upon the desirability of the reservations proposed by the senior Senator from Massachusetts to Article X of the covenant, but it can not be denied that the domestic and fundamental principles of the Republican Party received in the last election an unqualified indorsement from an overwhelming majority of the American voters. Tariff protection for American industries has been the battle cry of that great party ever since its birth. It is this only which we seek—fair protection to an American industry which is now threatened with, indeed is face to face with, extermination.

**STATEMENT OF JOHN F. CONWAY, REPRESENTING E. F. DREW CO. (INC.), NEW YORK CITY.**

The CHAIRMAN. Please state your full name.

Mr. CONWAY. John F. Conway.

The CHAIRMAN. What is your business?

Mr. CONWAY. We are importers and exporters of oil, chemicals, and manufacturers and refiners.

The CHAIRMAN. You are also a manufacturer?

Mr. CONWAY. Yes, sir.

The CHAIRMAN. What do you manufacture?

Mr. CONWAY. We refine coconut oil and other oils.

The CHAIRMAN. Is that the only article you manufacture?

Mr. CONWAY. We use soya-bean oil. We have other products, but I am only down here to-day to talk on the oil business.

The CHAIRMAN. You are in the business yourself?

Mr. CONWAY. I am department manager.

The CHAIRMAN. Where do you reside?

Mr. CONWAY. I reside at Flushing, Long Island, and my business address is 44 Whitehall Street, New York City.

The CHAIRMAN. Please proceed now and state briefly your views.

Mr. CONWAY. I am opposed to the proposed imposition of the duty on coconut oil of 2 cents a pound. It is now on the free list. The reason for that is that we use in our two refining plants about 900,000 pounds a week when running full. Unfortunately, I am not running full just at the present time. Two cents a pound on that will amount to \$18,000 a week, and in the year it will amount to \$936,000, which would practically put us out of business.

The CHAIRMAN. You make the oil out of the bean, do you?

Mr. CONWAY. We buy the oil and refine it from Ceylon and Java and the Philippine Islands. The copra is on the free list, but has got a duty here of  $1\frac{1}{2}$  to 2 cents a pound.

Senator WALSH. Of course, you get it from the Philippine Islands free of duty?

Mr. CONWAY. That is the point; if you should shut it out from other points, naturally the Philippine Island producers will take advantage

of the market and raise it to a point where we would be thrown out of our markets of the world. That is one advantage the foreign manufacturers have of being able to select their raw products from different markets of the world, and if we are shut out from those foreign markets we are at the mercy of the Philippine producers.

Senator CALDER. Is yours the finished product?

Mr. CONWAY. We refine it and sell it to soap and other manufacturers.

Senator CALDER. What quantities do you sell it in?

Mr. CONWAY. We sell in gallons, pounds, and tank cars.

Senator CALDER. What is the price to-day compared with what it was in 1914, wholesale?

Mr. CONWAY. The wholesale price to-day is about one-half of what it was in 1919. The oil was selling in 1919—

Senator CALDER. The oil was selling in 1919—I mean, in 1914, before the war.

Mr. CONWAY. Why, the price is practically back to what it was before the war. Coconut oil is selling to-day around  $8\frac{1}{2}$  to  $8\frac{3}{4}$  cents, and it ran about that figure in 1914.

Senator CALDER. In 1919 what was the price?

Mr. CONWAY. It went up to  $18\frac{1}{2}$  or 19 cents, possibly a little higher.

Senator WALSH. How much was it in 1914?

Mr. CONWAY. Between 8 and 9 cents.

Senator CALDER. And it is now back to the prewar prices?

Mr. CONWAY. Yes, sir.

Senator CALDER. How much would this duty affect the price, provided the duty were added to the price?

Mr. CONWAY. Twenty-five per cent on the raw material. After the goods are manufactured the increased cost would be 30 to 33 per cent based on present market.

Senator CALDER. You figure that the 2 cents per pound would increase the price of the finished article about 40 per cent?

Mr. CONWAY. The duty is 25 per cent.

Senator CALDER. You figure that the 2 cents per pound would increase the cost of the finished article about 40 per cent?

Mr. CONWAY. The duty is 25 per cent to start with. The cost of refining runs 3 to 4 cents and the additional duty would be about 6 per cent.

Senator SMOOT. Do I understand you to say that you import the coconut oil?

Mr. CONWAY. Not directly. We buy it through importers. We bring it in through Philippine producers.

Senator CALDER. You get your raw material from the Philippine Islands?

Mr. CONWAY. No, sir. A great deal comes from Ceylon and Java, also, through our foreign connections. We have an English branch. We bring it in from different places as the market favors us. For instance, if it is cheaper in Ceylon, we buy it in Ceylon. Of course, the oils are sold at a close margin, so that there is not so very much difference.

Senator CALDER. Two cents per pound on the raw material would mean that much on the finished product?

Mr. CONWAY. More than that.

Senator WALSH. How much coconut oil is imported into this country?

Mr. CONWAY. I can not say exactly. It is considerably over 350,000. In 1915 63,135,000 was imported; in 1918 increased to 356,089,000.

Senator WALSH. What percentage of the consumption is produced here?

Mr. CONWAY. From 25 to 50 per cent, according to prevailing conditions.

Senator CALDER. Of the finished product?

Mr. CONWAY. Of the oil secured by pressure.

Senator WALSH. The product that he wants is copra. He wants copra admitted free.

Mr. CONWAY. It is not copra we want admitted free. It is the coconut oil.

Senator WALSH. Oh, I see.

Mr. CONWAY. If you get your duty too high it means you are going to throw your importations of oil entirely to the Philippines and lose the revenue altogether.

But there is another phase of the matter to look at. We are endeavoring all over the country to establish a merchant marine. If we do not buy material from these foreign places, we do not have any sale for our goods. We are doing a great deal of business in the eastern countries, in New Zealand and Australia, and we export varied lines of manufactured articles in competition with England and other continental countries, and the more we can trade in those commodities which come from those places, the more we can exchange our own goods.

Senator SMOOT. Do you buy any coconut oil made from copra in the United States?

Mr. CONWAY. At times; yes. The quality, however, is not entirely suitable for our requirements, and we prefer coconut oil of Java and Ceylon origin.

Senator SMOOT. Importations for 1920 amounted to 218,521,946 pounds of copra. In 1921 the amount was a little less. That is manufactured into the oil in this country, is it not?

Mr. CONWAY. Yes.

Senator SMOOT. Still out of this amount of manufactured oils, you buy very little from American manufacturers?

Mr. CONWAY. We buy where the market is most favorable, but we must buy oil from Java and Ceylon for the reason that it is a better quality and more suitable for our purpose than the domestic oil.

The CHAIRMAN. Have you concluded your remarks?

Mr. CONWAY. There is one other point I want to mention. That is the duty on linseed oil. As you know, one of our great troubles in the large cities at the present time is the cost of housing. It is an expensive proposition to build houses and to keep them in repair. You can not keep them in good repair unless you keep them painted. One of the ingredients of paint is linseed oil.

Senator McCUMBER. Congress has not had to vote any money to keep the linseed oil factories on their feet, as it has producers of flaxseed and others.

Mr. CONWAY. No. I think they have enough money.

Senator McCUMBER. But some of these fellows who are producing the different oils have to get help through special legislation.

Mr. CONWAY. The foreign market for flaxseed is very bare, and the production of flax in Russia and Belgium has fallen off greatly, so that I should think they could sell their product readily.

In regard to filing a brief, the Bureau of Raw Materials have gone into this question very carefully, and they have gotten out a brief which gives all the facts and figures in connection with this matter. I would like to use their brief as my brief, and have it so considered.

Senator SMOOT. The bill provides  $2\frac{1}{2}$  cents a pound for linseed oil. What would you suggest?

Mr. CONWAY. I suggest that it be not increased over the present rate of 10 cents a gallon. The new duty makes it practically double the price,  $18\frac{1}{2}$  cents. That would be 20 cents a pound. You see the rates are practically doubled.

The CHAIRMAN. The committee will give the matter careful consideration.

**STATEMENT OF F. M. BARNES, REPRESENTING PROCTER & GAMBLE CO., CINCINNATI, OHIO.**

Mr. BARNES. I represent Procter & Gamble Co., of Cincinnati. I am interested in paragraph 50, covering vegetable oil, more particularly coconut oil. I can say just briefly that I agree with everything Mr. Colgate and Mr. Eckman have said in regard to the ultimate effect of the present or proposed duty on vegetable oils as affecting the price to the ultimate consumer of common soap.

Senator McLEAN. We will take that for granted. Is that all you have to say?

Mr. BARNES. I want to speak on the matter of coconut oil and copra. Our company is very largely interested in all those matters. We are crushers of copra in the United States, and are also crushers of cotton seed in the South. We are also importing all of these oils and we are exporting all of these oils to Europe.

Senator REED. To what extent do you export oils?

Mr. BARNES. We export coconut oil, cottonseed oil, peanut oil, and at times soya-bean oil.

Senator REED. Could you give us, in the aggregate, what it amounts to?

Mr. BARNES. Of cottonseed oil we exported about one-sixth of the oil that was exported this year.

Senator REED. How much would that be?

Mr. BARNES. Approximately 100,000 barrels.

Senator WALSH. Of what value?

Mr. BARNES. Approximately \$30 per barrel—about \$3,000,000.

Senator REED. That is cottonseed oil?

Mr. BARNES. Yes, sir.

Senator REED. And what was the other item?

Mr. BARNES. I would say the total export was around 25,000 barrels of the other oils, and the value would be approximately the same. Some of them were cheaper and some were dearer.

Senator McLEAN. Then you disagree with some things that have been said here by some witnesses?

Senator REED. Just one question, if you will permit me. I am interested in this.

Are you producing about one-sixth of the oils?

Mr. BARNES. We exported about one-sixth.

Senator REED. You exported about one-sixth?

Mr. BARNES. Yes, sir.

Senator REED. There was exported from this country, how much?

Mr. BARNES. If you will permit me to elaborate a little, there was sold between August 15 and May 27, at the time the emergency tariff went into effect, approximately 700,000 barrels of cottonseed oil, probably 750,000 barrels. We do not have the June figures. That represented about 25 per cent of the total production of the South. Of that amount practically every barrel was sold prior to the time the emergency tariff went into effect. As far as our own company is concerned, we have sold just 200 barrels of oil since the emergency tariff went into effect. We have made some shipments on sales made prior to that time.

Senator WALSH. Do you attribute that situation to the emergency tariff?

Mr. BARNES. I attribute it entirely to the emergency tariff. It was a reverse proposition, as has been explained here.

At the same time the exports of soya-bean oil from Manchuria was about 7,000 tons in January and jumped to 14,000 tons in June to Europe. The people over there are perfectly satisfied to use that low-grade oil. We have never been able to handle those oils here to any advantage, and never looked upon soya-bean oil as an edible oil. In the same manner they have been in a position to draw their supplies of copra from the islands of the Pacific without competition except from the Philippines. Thirty-five per cent of the coconut oil brought into this country prior to the emergency tariff came from the islands of the Pacific and the other 65 per cent came from the Philippines. So those markets were turned over to Europe without competition.

We had several men in the Orient and brought them home. They are in Cincinnati now. At the time this emergency tariff went into effect we were ready to spend \$300,000 and had bought some machinery to equip an accumulating station in the Orient, but practically without any notice this tariff was put into effect and it left us with part of our equipment on the Pacific coast, and we have an investment on the coast to-day lying there idle.

On the crushing of copra in the United States, certain crushers came before you and asked for protection. I think they must represent practically the minority, so far as the crushing of copra in the United States is concerned. I think we have the largest crushing plant in the United States, and we do not feel that we need any protection. We feel that we have, as far as the crushing is concerned, a distinct advantage. In the first place, as far as the Philippines are concerned, there is no market for copra cake, and out of every ton of the dried copra there is a product of 650 pounds of that cake. For a long while it was used as fuel, and they attempted to find a market in the Orient, in Japan, for it, and also shipping it to the United States.

Senator REED. For fuel?

Mr. BARNES. For feed, and in the Orient for fertilizer. Naturally, the market is very depressed. On the other hand, so far as the crusher of this country is concerned, he has a ready market for his cake.

Senator REED. Is it used for feed here?

Mr. BARNES. Cattle feed. In addition to that, we feel that our methods of operation are very much better. So that as far as crushing copra in the United States is concerned, as against the importation of coconut oil, we see no reason why a duty should be imposed on coconut oil to protect the American crusher of copra.

Senator WALSH. The labor item is very small.

Mr. BARNES. It is from 6 to 8 per cent; that is very small.

Senator REED. The total labor?

Mr. BARNES. Yes; the total labor.

I would also like to correct the impression made on the committee by one of the gentlemen who spoke. He made the statement that he wanted to protect the American producers of lard by having the lard consumed at home. The greatest consumers of lard substitutes in the United States to-day are on the farm. We look upon the State of Iowa as the greatest consumer of lard substitutes, and the great Southwest, which is a cattle country and produces cattle, is a large consumer. Why? Because it is to their advantage to get the cheaper articles, and take their toll on their own production. That is true right straight through the agricultural districts. We sell less of the lard substitutes in the large, congested cities than we do in the country districts. That holds true pretty well in Europe. Our American farmer is only following the lead of the farmer in Europe because a good many of them have settled through the West and know the advantage of using these substitutes.

In speaking of the butter proposition, what the gentleman did not enlighten the committee on was the fact that during the war butter went up to extreme prices of 75 and 85 cents per pound in the cities. The reason for that was that milk was diverted from the creamery to the condenser and went to Europe in the shape of condensed milk. If you refer to your statistics which you have before you, you will find that our exports of condensed milk jumped to tremendous figures which carried the price of butter to a high level, resulting in the development of the so-called nut butter. The demand in Europe fell off again for their own production of milk and the price of butter went down. At the same time it carried with it the price of these nut butters with the result that when butter reached the low point in some of our large cities of 30 cents per pound the nut-butter business absolutely collapsed and the production to-day is less than 40 per cent of what it was at the peak.

Not only that, but to show that the people of the United States are somewhat discriminating in their tastes, when butter gets cheap they leave these so-called nut butters and margarine and go back to regular butter. When butter starts to go up, notwithstanding the fact that nut butters are going down, they still remain with the regular butter. Butter has advanced from 30 to 50 cents, while nut butters have gone down in the same period, but it has not facilitated the business. A number of nut-butter manufacturers have already failed, and the whole industry is in a precarious condition, due to the absolute collapse of the consumption of nut butters.

Gentlemen, on this whole proposition, as has been pointed out to you, I want to say that I have personally spent 20 years in search of the world's markets for oils for the soap kettle, and have failed to find where these oils have depressed the value of edible oils. We have brought oils into the soap kettle, and they have been taken out through dire necessity, from an edible standpoint, and we are spending a good deal of money, both from a chemical standpoint as well as a development standpoint, in trying to secure the necessary materials to feed not only the soap kettle, but through the soap kettle benefit the public at large.

I have a brief I would like to submit.

Senator McLEAN. Very well. It will be printed.

**BRIEF OF F. M. BARNES, REPRESENTING THE BUREAU OF RAW MATERIALS FOR AMERICAN VEGETABLE OILS AND FATS INDUSTRIES.**

A prohibitive duty of 2 cents per pound is proposed in the Fordney measure upon all coconut oil except that originating in the Philippines. One-half to two-thirds of the importations of coconut oil are used by soap manufacturers. The great bulk of the coconut oil used in soap making goes into laundry soaps and a lesser quantity into toilet soaps.

Inasmuch as the importations of coconut oil from the Philippines can not be made dutiable, the proposed levy of 2 cents per pound on coconut oil from other islands of the Pacific and from other parts of the Tropics would be ineffective and would produce no revenue. This because the importations of coconut oil from other sources of origin would be automatically shut out by the action of the duty. Simultaneously the price of the Philippine coconut oil would be increased in direct proportion to the amount of coconut oil from other portions of the world which would be shut out by the proposed duty. This would inevitably increase the price of soap and other products in which coconut oil is used. We have already called the attention of the committee in our brief on soya-bean oil to the fact that an increase of 2 cents per pound in the price of any of the oils used in the manufacture of soap would increase the cost to the consumer of soap one-half cent for each cake of ordinary laundry soap made therefrom.

With the development of foreign oil seeds, the crushing of same, and the importation of these foreign oils, the soap maker has been enabled to keep the price of soap on a low basis to the households of the land. Were he obliged to depend upon such oils as cottonseed oil, which is primarily an edible oil, the price of soap would have ranged much higher, as edible oils naturally demand higher prices than the inedible. Having the ability under previous tariff acts, however, to select his raw materials from the stocks of the world at large the soap maker has been enabled as rapidly as one vegetable or animal oil was elevated to a more exalted position than purely a soap oil to choose another from the available number and thus hold the price of his soap to the consumer at the point where low cost remained a chief virtue. To limit the list of animal and vegetable oils from which the soap maker can choose by the addition of duties will beyond doubt increase the price of soap.

The cost of raw materials entering into the production of soap is a much more important item than the cost of labor, which to a large extent is unskilled. According to the latest data available from the Bureau of Census, the establishments engaged in the manufacture of soap paid during the year 1914 the sum of \$88,866,786 for the raw materials which entered into the manufacture of soap, while they paid for both salary and wages the sum of \$14,779,629, or a basis of 6 to 1.

The soap industry in the United States has been built up relying upon free raw materials. These materials have been on the free list and are referred to in our briefs relative to the several schedules and free list, the principal items being coconut oil, copra, palm oil, palm-kernel oil, soya-bean oil, peanut oil, olive oil (for manufacturing purposes), rosin, carbonate and hydrate of potash, silicates of soda, soda ash, caustic soda, essential oils, tallow, grease. These must necessarily remain on the free list if soap manufacturers of the United States are going to maintain their position in this country and abroad, and it is only on this condition that we are recommending that no excessive duty, but a reasonable duty, be maintained on the imported common soaps.

Tariff revision is not designed, as we understand it, to increase the cost of the everyday essentials of life such as soaps. To demonstrate that we are absolutely

sincere, we will state that we would rather see the present duty of 5 per cent on common soap, schedule A, paragraph 66, maintained with no revision upward than have any advance which might carry with it a tariff on the basic raw materials which now enter into laundry soap manufacture with its consequent and inevitable burden of an increased price of laundry soap to the consumer. We will go even further and state that rather than have a duty placed upon the basic raw materials of laundry soap we would sacrifice if necessary absolutely any and all duties as conveyed on common soap in schedule A, paragraph 66, of the Underwood tariff.

The present soap businesses of the United States have been built up on free coconut oil and other duty-free vegetable oils. The contribution of the soap industry to the people of the United States has always been the maintenance of a low price on common soap. This has been possible largely through the development of new sources of animal and vegetable oils in foreign countries, and the soap industry is to-day going farther afield for such raw materials than ever before, necessitating tremendous risks in connection with the fluctuating raw material values, all in order to continue providing suitable raw materials and the maintenance of a low price on laundry soap to the consumer.

#### COCONUT OIL MAINLY A SOAP OIL.

The production and importation of coconut oil into the United States have increased from year to year until from a combined total production and importation of 95,323,425 pounds in 1914 the similar total in 1920 was 336,677,000 pounds. The following table reveals the yearly production, consumption, imports and exports, and average price per 100 pounds prevailing for coconut oil from 1914 to 1920, inclusive:

TABLE 1.—Coconut oil.

Calendar years.	Domestic production from imported copra.	Consumption of domestic and imported oils.	Imports.	Exports.	Price per 100 pounds.
1914.....	37,311,000	86,155,000	58,012,425	508,000	\$9.98
1915.....	44,074,000	104,036,000	63,185,000	698,000	10.25
1916.....	103,381,000	154,192,000	64,349,000	478,000	14.10
1917.....	163,328,000	315,953,000	163,091,000	1,830,000	15.75
1918.....	219,831,000	421,597,000	336,088,000	926,000	17.00
1919.....	215,748,000	434,804,000	281,063,000	126,552,000	16.25
1920.....	131,439,000	337,604,000	215,238,000	28,650,000	15.43

In the above table, to obtain the total amount of coconut oil available for consumption, it is necessary to add the production columns and the import column. We will, at a point further along in our brief, call attention to the heavy volume of exports of coconut oil from the United States during the year 1920, one of the years of heavy imports and production.

To show the consumption of coconut oil by industries we give the following table:

TABLE 2.—Consumption of coconut oil by industries.

Years.	1912	1914	1916	1917	1918
	<i>Pounds.</i>	<i>Pounds.</i>	<i>Pounds.</i>	<i>Pounds.</i>	<i>Pounds.</i>
Soap industry.....	78,816,000	77,959,000	111,084,000	168,602,000	230,000,000
Margarine industry.....	293,000	112,000	563,000	19,763,000	61,773,000
Lard-substitute industry.....	.....	.....	.....	5,545,000	13,408,000
All other industries.....	.....	8,084,000	42,543,000	122,053,000	116,416,000
Total.....	79,109,000	86,155,000	154,192,000	315,963,000	421,597,000

It will be noted from this table, as indicated by our subhead, that coconut oil is mainly a soap oil. Out of the total domestic production and the total importations of coconut oil of 95,323,425 pounds in 1914, as shown in Table 1, 77,959,000 pounds went into the soap kettle. This amount increased from year to year until 1918, the last year of recorded consumption, when 230,000,000 pounds of coconut oil went into the soap kettle. The total consumption of coconut oil by all American industries in the year 1918 was 421,597,000 pounds. It can be seen, therefore, that considerably more

than one-half of all the coconut oil consumed in the United States in the year 1918, the last year of recorded consumption, went into the soap kettle.

In Table 7 of our brief on soya-bean oil are shown the quantities of all oils and fats consumed by the soap industry. It will be noted therefrom that the vegetable oils of which any considerable volume is used in the making of soap, besides coconut oil, were cottonseed oil, of which 150,000,000 pounds was used in the soap kettle, and soya-bean oil, of which 120,000,000 pounds found like usage, which demonstrates that coconut oil is the most important of all the vegetable oils used in the manufacture of soap.

To further reveal the importance of coconut oil to the soap-making industry, we give herewith table from Tariff Commission Survey on Vegetable Oils, showing the relative consumption of all vegetable and animal oils and fats and derivatives by the soap industry:

TABLE 3.—Ratio of vegetable oils to total fats consumed by the soap industry.

Products consumed.	1912	1914	1916	1917
<b>Vegetable:</b>	<i>Per cent.</i>	<i>Per cent.</i>	<i>Per cent.</i>	<i>Per cent.</i>
Chinese vegetable tallow.....	0.3	0.3	0.4	0.5
Coconut oil.....	10.0	8.3	9.8	12.6
Corn oil.....	1.3	1.2	1.1	1.2
Cottonseed oil.....	17.0	12.5	17.5	9.4
Linseed oil.....	.1	.1	.1	.1
Olive oil.....	.1	.1	.1	.1
Palm oil.....	1.0	7.7	1.3	2.0
Palm-kernel oil.....	3.0	3.3	.5	.3
Peanut oil.....	.1	.1	.1	1.2
Rapeseed oil.....	.8	.7	.6	.4
Sesame oil.....	.1			
Shea-nut oil.....			.1	.2
Soya-bean oil.....	.1	.5	5.0	9.3
Miscellaneous oils.....	1.2	.7	.6	.8
<b>Total.....</b>	<b>35.0</b>	<b>35.8</b>	<b>37.2</b>	<b>38.1</b>
Animal and fish oils.....	41.7	40.6	41.0	40.5
Derivatives.....	23.3	23.6	21.8	21.4
<b>Grand total.....</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Coconut oil becomes such a great essential in American soap manufacture because over considerable areas of the United States hard water is used, and only the superior lather-producing qualities of coconut oil and palm-kernel oil will furnish a soap of proper cleansing properties for use with this water. This is equally true where salt water is used, and also on all seagoing vessels, when soap made from these oils is indispensable.

The Tariff Commission states in its report on animal and vegetable oils and fats, page 67, Survey of the American Coconut Products Industry: "The most important use of coconut oil is in the soap industry, especially in 'cold process' soap making."

Coconut oil, while mainly a soap oil, is also an edible oil. We have shown that it was in the earlier years of its production and importation primarily a soap oil. The fact that the edible oil industry has to some extent begun in recent years the more extended use of coconut oil, thus increasing the cost of this oil to the soap maker, renders all the more vital the necessity of this oil being duty free, because with prices already advanced through the filling of the requirements of the edible oil industry the addition of a duty on a portion of the available supply would force the soap maker to pay a price which would make it impossible for him to furnish a cake of soap of the present superior quality at the present level of prices.

#### COCONUT OIL NOT COMPETITIVE WITH NATIVE VEGETABLE OILS, SUCH AS COTTONSEED OIL.

Coconut oil competes with no native vegetable oils in any serious sense. The only oil of domestic production with which imported coconut oil competes is coconut oil produced from imported copra.

Cottonseed oil, as we have previously emphasized, is primarily an edible oil. The annual production of cottonseed oil will range in the vicinity of 1,500,000,000 pounds, of which over 1,000,000,000 pounds is consumed in lard substitute. Since lard substitute is by far and large the most important edible product made from vegetable oils and inasmuch as the most important usage for cotton oil is in lard substitute,

any statement as to whether or not cottonseed oil is competed with by other vegetable oils has only to be illumined by the consumption figures of all vegetable and animal oils and fats by the lard-substitute industry which are given below for the year 1918, the last year of recorded consumption.

TABLE 4.—Ratio of vegetable oils to total fats and oils consumed in the lard-substitute industry.

Products consumed. <sup>1</sup>	1918	Products consumed. <sup>1</sup>	1918
<b>Vegetable:</b>		<b>Animal:</b>	
Cottonseed oil.....	83.0	Pork fat and lard.....	0.1
Coconut oil.....	1.1	Steards.....	4.5
Corn oil.....	.2	Tallow, edible.....	.9
Peanut oil.....	2.3	Hydrogenated oil.....	1.5
Soya-bean oil.....	4.7		
Stearin.....	1.2	<b>Total.....</b>	<b>100.0</b>
Miscellaneous oils.....	.5		

<sup>1</sup>Based on Bulletin No. 769 and supplement, U. S. Department of Agriculture.

The above table shows that 83 per cent of all the vegetable oils used in lard substitute was cottonseed oil and that only 1.1 per cent was coconut oil.

During the years of 1918 and 1919 when oleo oil, which normally constitutes from 40 to 50 per cent of the fats and oils used in oleomargarine, and neutral lard, which normally constitutes 20 to 22 per cent of the fats and oils used in oleomargarine, became very high in price, considerable coconut oil was used in oleomargarine. This, however, was not so much due to substitution of coconut oil for cottonseed oil as it was to the enforced change from the animal to vegetable oleomargarine due to the tremendous prices obtainable for export for the animal oils and fats which went into animal oleomargarine. Under these conditions 61,773,000 pounds of coconut oil went into oleomargarine in the year 1918, the last year of recorded consumption, as compared to 36,454,000 pounds of cottonseed oil. That there was some abnormal condition responsible could be inferred by the fact that in the year previous, 1917, less than one-third as much coconut oil was used in the manufacture of oleomargarine or only 19,763,000 pounds. Also it should be noted that in the year 1917, 63,652,000 pounds of cottonseed oil was used in the manufacture of oleomargarine, or more than three times as much cottonseed oil as coconut oil, clearly demonstrating that the considerable supplanting of cottonseed oil by coconut oil in the 1918 production was only temporary and will not endure under normal price levels for oleo oil and neutral lard.

Coconut oil, it should be stated, being an oil with a high melting point, is peculiarly adapted to use in vegetable oleomargarine, whereas cottonseed oil being liquid at ordinary temperatures is not, or any more so than others oils of similar nature. Any unusual condition, therefore, which would place the constituent animal oils and fats of animal oleomargarine at a premium would throw the tendency of production toward vegetable oleomargarine and higher consumption of coconut oil at the expense of cottonseed oil, which is ordinarily used in animal oleomargarine to the extent of some 25 to 20 per cent of the total oils and fats employed.

That the competition of coconut oil with cottonseed oil in the manufacture of oleomargarine is not really of much importance under any condition is manifest when consideration is given to the fact that the total consumption of all kinds of vegetable oils by the oleomargarine business would probably not run much over 100,000,000 pounds, which is a small figure compared to the more than 1,000,000,000 pounds of cottonseed oil used in the lard-substitute industry.

The price of coconut oil practically always exceeds cottonseed oil by from 1 to 3 cents per pound, which disparity in price effectually removes any element of competition between the two except for those special uses for which coconut oil is specifically adapted and cottonseed oil is not. Coconut oil is excellently well suited for the manufacture of soap, but it is of no use to the manufacturer of lard substitute because it refuses to blend with other oils and when placed in lard substitute boils and froths when it is used for frying purposes.

The fact that cottonseed oil holds undisputed sway as the main constituent of lard substitute, the great outlet for edible oils in this country, is a chief reason why the American cottonseed-oil industry has never felt the slightest need for a protective tariff. This fact along with the export business of millions of barrels annually of American cottonseed oil to Europe renders the suggestion of the need of a tariff for cottonseed oil nonsensical. The few crude-oil mill men who asked for such a tariff believed the besetting evils of the period of deflation, through which all business and industry has passed and

to some extent is still passing, to be the offspring of the importations of foreign vegetable oils, a supposition far remote from fact. With specific regard to coconut oil a few domestic crushers of copra, proceeding under the same misapprehension as regarding imported coconut oil and attributing the difficulties due to deflation to these sources, asked for a duty upon coconut oil.

**DOUBTFUL VALUE OF A DUTY UPON COCONUT OIL TO CRUSHERS OF COPRA IN THE UNITED STATES.**

Copra being a product of the Tropics is imported into the United States from the Dutch East Indies, Australia, the Straits Settlements, the islands of the South Seas, the island of Ceylon, and the Philippine Islands. Our domestic coconut-oil business has developed through the crushing of the copra imported from these different sections of the world.

The Tariff Commission in their report on animal and vegetable oils, Survey of the American Coconut Products Industry, page 55, state: "Due to the fact that the source of raw material for the manufacture of coconut oil in this country is a foreign one, the problem of maintaining the industry in this country is not so much a tariff problem as it is a matter of adjusting freight rates and of competition in buying raw material."

The Tariff Commission further states that the year of largest imports of coconut oil was in 1919 and in that year three-quarters of the importations came from the Philippine Islands. This fact alone nullifies any benefit which might accrue to the domestic crusher, as the chief source of the American crusher's copra is the Philippines, and with Philippine coconut oil entering duty free and other coconut oil held dutiable the Philippine coconut-oil mills would have every incentive for buying up and themselves crushing every pound of Philippine copra, to the complete elimination and possible destruction of the American crusher.

The following table shows the movement of copra from different parts of the world to the United States from the year 1910 until the close of 1920:

**TABLE 5.—Coconut meat broken, or copra not shredded, desiccated, or prepared—Imports by countries (fiscal years).**

Imported from—	1910		1911		1912	
	Quantity.	Value.	Quantity.	Value.	Quantity.	Value.
	<i>Pounds.</i>		<i>Pounds.</i>		<i>Pounds.</i>	
North America, British.....			2,482	\$241	505,248	\$25,699
Asia:						
Straits Settlements.....	56,061	\$2,970	3,933,350	131,024	410,558	18,373
Dutch East Indies.....			691,073	19,666		
Japan.....					1,120,000	17,932
Oceania:						
British.....	1,272,320	42,665	311,280	12,750	1,619,488	72,310
French.....	7,987,418	259,496	10,246,694	420,773	11,679,741	491,567
German.....	1,120,000	36,400			338,642	13,542
Philippine Islands.....	10,783,131	416,074	22,270,280	888,675	46,673,718	2,064,279
Subtotal.....	21,218,930	757,595	36,555,159	1,472,539	62,347,295	2,703,702
All other.....	87,289	4,965	1,261,892	64,179	2,233,375	106,469
Total.....	21,306,219	762,560	37,817,051	1,536,718	64,580,670	2,810,171

Imported from—	1913		1914		1915	
	Quantity.	Value.	Quantity.	Value.	Quantity.	Value.
	<i>Pounds.</i>		<i>Pounds.</i>		<i>Pounds.</i>	
North America, British.....	427,135	\$20,331	11,111	\$505	2,708,416	\$121,899
Asia:						
Dutch East Indies.....	14,491	682			362,610	17,163
Oceania:						
British.....	1,991,018	89,004	4,151,102	210,170	14,895,993	600,352
French.....	6,683,113	297,231	13,275,254	672,414	11,148,360	382,208
German.....	1,373,101	65,809	244,103	10,004	1,553,666	62,664
Philippine Islands.....	23,527,330	1,046,837	27,542,443	1,497,358	58,257,005	2,145,743
Subtotal.....	34,016,188	1,519,994	45,224,013	2,390,491	88,928,050	3,320,029
All other.....	251,623	11,826	213,142	4,522	1,618,777	77,448
Total.....	34,267,811	1,531,820	45,437,155	2,395,013	90,546,827	3,397,477

TABLE 5.—Coconut meat broken, or copra not shredded, desiccated, or prepared—Imports by countries (fiscal years)—Continued.

Imported from—	1916		1917	
	Quantity.	Value.	Quantity.	Value.
North America, British.....	<i>Pounds.</i> 3,830,702	\$215,527	3,677,501	\$230,811
Asia:				
Straits Settlements.....	751,797	52,632	821,200	43,468
Dutch East Indies.....	429,161	35,055	43,725,711	2,251,256
Japan.....	80	15	3,358,093	160,172
Oceania:				
British.....	29,489,090	1,321,029	72,183,416	3,791,698
French.....	26,656,315	1,138,140	19,183,888	1,077,678
German.....	11,514,335	443,239	12,662,572	615,108
Philippine Islands.....	31,679,365	1,212,151	37,056,662	4,111,045
Subtotal.....	107,401,745	4,450,808	212,981,045	12,287,154
All other.....	2,676,099	100,619	4,052,051	228,558
<b>Total.....</b>	<b>110,077,844</b>	<b>4,551,427</b>	<b>217,036,099</b>	<b>12,515,712</b>

  

Imported from—	1918		1919	
	Quantity.	Value.	Quantity.	Value.
North America, British.....	<i>Pounds.</i> 5,704,503	\$484,196	4,581,866	\$365,720
Asia:				
Straits Settlements.....	17,039,945	1,024,927	16,830,594	849,562
Dutch East Indies.....	45,327,117	2,445,362	27,471,785	1,932,969
Japan.....	7,395,480	384,925	29,473,850	1,861,438
Oceania:				
British.....	142,604,092	9,324,720	156,780,585	10,606,748
French.....	29,385,019	2,076,473	17,187,553	1,114,672
German.....	14,554,055	858,177	21,755,144	1,417,670
Philippine Islands.....	219,535,171	9,949,785	21,259,592	1,316,173
Subtotal.....	481,665,382	26,546,565	295,340,959	19,365,014
All other.....	5,430,730	399,004	6,624,277	482,768
<b>Total.....</b>	<b>489,996,112</b>	<b>28,945,569</b>	<b>301,965,246</b>	<b>19,847,782</b>

  

Imported from—	1920	
	Quantity.	Value.
Asia:	<i>Pounds.</i>	
Dutch East Indies.....	14,437,837	\$1,053,253
Japan.....	9,172,381	701,316
Oceania:		
British.....	105,989,893	7,540,583
French.....	28,494,661	2,146,782
German.....	30,275,768	1,936,514
Philippine Islands.....	16,724,892	517,619
All other.....	13,386,524	1,019,398
<b>Total.....</b>	<b>218,521,916</b>	<b>14,971,465</b>

The above table of copra imports reveals that up until the beginning of the year 1919 imports of Philippine copra were by far the preponderating element of all our copra importations in so far as the importations from the possessions of any one nation were concerned. In 1919 and 1920, however, we find the importations of Philippine copra largely decreased, with heavier importations from British, French, and German Oceania but not sufficiently heavy to compensate for the great reduction in the volume of Philippine copra. This clearly depicts the trend of future events, which trend will become more pronounced if coconut oil from sources of origin other than the Philippines is made dutiable. The Philippine mills will crush their native copra, and to the further injury of the native crushers will become more active purchasers of copra from other islands of the Pacific than they have been in times past. By following the latter course of procedure the Philippine mills could and would ship to the United States their coconut oil of purely domestic origin and with the coconut oil made from copra brought from other islands in the Pacific they would supply

European demand. That American crushers could stand up against competition equipped with a formidable two-edged weapon of this nature is not probable.

It must further be considered that the supplies of copra which American crushers have been able to secure from British and French Oceania have been obtained under conditions when these nations assumed more or less passive attitude owing to their need of their ocean tonnage for more important cargo. It should be pointed out in this connection that the table of copra imports is for fiscal years and that during the latter years shown in the table normal conditions did not obtain as regards foreign shipping. It can be readily conceived, that with normal conditions restored as regards shipping, Great Britain and France, who are commonly active bidders for copra in the markets of the world, will effectually checkmate American competition for the copra of their Pacific possessions and, if it should prove unduly troublesome, follow the example of the Dutch in their East Indian possessions and levy an export duty on copra exported to nations other than Great Britain and France.

Believing that conditions such as have been indicated would arise, large copra crushers, such as Procter & Gamble and the American Cotton Oil Co., have consistently advocated the free importation of both coconut oil and copra, and this is the earnest recommendation of the Bureau of Raw Materials of American Fats and Oils Industries, both in the interests of the laundry-soap makers of the United States and the domestic coconut-oil industry, for it should be stated that the soap makers of the country are intensely interested in the development of the American coconut-oil industry and very desirous of seeing it progress without inhibition of growth.

Unrefined or crude coconut oil has been continuously on the free list in all tariff acts since 1883, with the exception of the emergency tariff. The great development which the American coconut-oil industry has made up to the time of the passage of the emergency tariff act, which did it no good, has been accomplished without the aid of a protective tariff.

Labor costs have never been an item of paramount importance in the crushing of copra in America. This is because of the ease with which copra can be crushed by the use of modern machinery, such as the Anderson expeller, and the high coconut-oil yield of copra, which ordinarily runs from 60 to 70 per cent oil content. The following table reveals the yearly consumption of copra by American crushers since 1914 and the production of domestic coconut oil in the same years, which coconut-oil production for all practical purposes can be said to be the oil yield of the copra consumed in those years:

TABLE 6.—*Domestic consumption of copra and domestic production of coconut oil.*

Calendar years.	Domestic consumption of copra.	Domestic production of coconut oil.	Per cent oil yield.
1914.....	50,038,000	37,311,000	74
1915.....	88,147,000	44,074,000	50
1916.....	118,355,000	103,381,000	85
1917.....	334,101,000	163,328,000	48
1918.....	318,242,000	219,931,000	68
1919.....	328,647,000	215,746,000	66
1920.....	202,208,000	131,439,000	64
Average.....			65

Because of the ease of crushing copra and the high return of oil in proportion to the amount of direct and indirect labor involved, crushers of copra commonly reckon their labor cost to be from 6 to 8 per cent of the total cost of the coconut oil produced. The advantages enjoyed by crushers of copra in the primary markets, therefore, do not include the element of cheap labor, for while their labor may be cheaper than American labor, the proportion of labor to the total manufacturing cost is so small that the final difference would be negligible. It may be further stated that modern methods and machinery as used by the American crusher and more intelligent labor enable him to produce coconut oil with a lower labor cost than the crusher who operates in the primary markets with low-grade labor, primitive methods, and less modern machinery. There are further handicaps encountered by the crushers in the primary markets. For illustration, the mills of the Philippines and the South Sea Islands have no coal supplies to draw upon and must bring such fuel thousands of miles across seas from Nagasaki, Sydney, or Shanghai.

We have previously quoted the Tariff Commission in regard to their remarks that the problem of maintaining an American coconut-oil industry was not a tariff prob-

lem so much as it was a question of freight rates and the buying of their raw material. We believe we have shown that the placing of a duty on coconut oil will materially increase the difficulties of the domestic crusher in the buying of his raw material.

After all, the chief advantage which the crusher who is located in the Philippines, Java, Ceylon, or other primary market enjoys is his proximity to the supplies of his raw material and the opportunity of first call upon those supplies together with the opportunity to choose therefrom the copra of best quality. This is a condition which no tariff can rectify. On the other hand, the domestic crusher has certain advantages which more than overbalance this advantage of his competitor in the primary markets and which have no relation to a tariff on coconut oil. We have already mentioned a portion of these advantages and a further more important one is the ease of marketing his manufactured products, or the coconut oil and copra cake, possessed by the domestic crusher. He moves his coconut oil direct from his factory to the plant of the soap maker or other consumer in 8,000-gallon tank cars equipped with steam coils and, therefore, adapted for use in either summer or winter. On arrival at the soap maker's plant the 8,000 gallons of coconut oil can be pumped out in an hour's time and the car is ready to start back to the copra-crusher's mill. Contrast this with the problem of the crusher in the primary market whose mill is often located far up some narrow creek the small barges on which are his only means of transporting his product to the sea. As he produces the coconut oil it is placed in pipes, or barrels holding only a few hundred pounds, and as the quantity to be transported justifies the oil is placed aboard a barge in these containers and floated down to the sea many miles away and finally after long travel a seaport where large vessels may enter is reached. There the oil by laborious effort is bulked into storage tanks from which it is pumped into the deep tanks of steamers which must carry it the thousands of miles to the vegetable-oil terminals on the Pacific coast. Months are consumed in reaching a final destination which the domestic crusher can reach with his product in 24 hours or if he be on the Pacific coast at the outside three weeks. Further, the domestic crusher can market his copra cake to cattle feeders at \$26 to \$30 per ton, while the Filipino is often forced to burn his copra cake for lack of a market or too heavy freight charges to reach a market. This is a most formidable handicap.

Finally, we will again state that should a duty be levied upon coconut oil the impossibility of its application to Philippine coconut oil will render such a duty not only useless to the domestic crusher, but as a result of its placing the Philippine crusher in a peculiarly strong strategic position will actually menace the existence of the American crusher.

#### COCONUT OILS OF BEST QUALITY WOULD BE EXCLUDED BY TARIFF.

The coconut oils from Java and from the Malabar Coast of Africa, oil of the latter origin being termed Cochin coconut oil, are particularly well fitted for cold-made soaps because of the superior quality and color of the coconut oil from these countries, an attribute due to the great care used in the production of copra in these countries. To force soap makers, therefore, to use the Philippine or Manila coconut oil and the domestic coconut oil is to deprive many of them of the means of making what constitutes the most important soap which they produce. Only the whitest oils of best quality can be used for cold-process soaps, and neither the domestic nor Manila oils can be used. Only in rare instances can copra, owing to the fact that it deteriorates during shipment, be obtained by domestic crushers which will produce oil of quality equal to that imported as Cochin coconut oil and from Java. Inferior coconut oils when made into soap not only produce soap of poor color but such soaps do not possess lathering qualities equal to that made from the higher-grade oils.

Ceylon coconut oil from the island of Ceylon is likewise of superior quality to the Manila oil and to much of the domestic coconut oil. This is because the copra is crushed at its origin and deterioration has no opportunity to occur.

In the manufacture of coconut oil for edible purposes a very white oil is required. This applies most particularly to its use in vegetable or nut butter. The higher-grade coconut oils from Java and Ceylon are, therefore, especially desired for these purposes, and a duty upon coconut oil would rest especially heavy upon the edible-oil industry and would act to increase the cost of the edible products made from coconut oil.

In the early portion of our brief we made reference to the heavy export business of the United States in refined coconut oil with Europe. This business amounted to 126,552,000 pounds in 1919 and 28,650,000 pounds in 1920. The European trade demands a very white coconut oil of high quality, which can be made to best advantage from Java and Ceylon coconut oil. To place a duty, therefore, on oil from these sources is to imperil the continuance of our export business in refined coconut oil with Europe, a business which in 1919 was more than one-half the total domestic production of coconut oil.

**PROPOSED DUTY WOULD PROHIBIT IMPORTS OF COCONUT OIL FROM SOURCES OTHER THAN THE PHILIPPINES.**

The duty of 2 cents per pound which it is proposed to place upon coconut oil is so far out of proportion that an effectual embargo would be established against all imports except those from the Philippines.

The average market price prevailing for imported coconut oil during 1921 to date has been in the vicinity of 8 cents per pound. The duty of 2 cents per pound would amount, therefore, to 25 per cent ad valorem under normal conditions and prices such as exist at present. With Philippine coconut oil entering free, demand for the coconut oil from other sections such as Java would largely cease except for those special uses wherein higher grades of oil are required, and the duty would be productive of little revenue and would provide no protection for the domestic crusher.

The manufacturers of common soap in this brief presented through the Bureau of Raw Materials for American Vegetable Oils and Fats Industries respectfully ask that copra and coconut oil be retained upon the free list.

**STATEMENT OF LOUIS H. WALTKE, PRESIDENT WILLIAM WALTKE & CO., ST. LOUIS, MO.**

Mr. WALTKE. My name is Louis H. Waltke. I am president of William Waltke & Co., St. Louis, soap manufacturers.

I heartily agree with everything that has been said here to-day in behalf of placing coconut oil on the free list of the permanent tariff act, and just want to make this point: That we are large producers of soaps technically known as cold-process soaps, which are medium-priced toilet soaps. We need a high grade of coconut oil to make such soaps. We have tried various oils which were not satisfactory. The oils produced in the Philippines and in this country are not suitable for that purpose. These medium-priced toilet soaps are not luxuries. Every man has to use soap to wash his face and hands, and I do not think anyone can say it is a luxury to wash one's face and hands. Soap for this purpose must be a mild soap. Ordinary laundry soap could not be used for that purpose. If a 2-cent-a-pound duty is put on coconut oils, it will place the cold-process manufacturers in a peculiar position. While there will probably be considerable coconut oil coming in from the Philippine Islands, which comes in free of duty to this country, thus creating competition between the Philippine Islands' coconut oil and the coconut oil pressed in this country, it will necessarily advance the price 2 cents a pound on the finer grade oils—oils that would be coming from Java, Cochin, and Ceylon. We will respectfully ask that coconut oil be put on the free list, the same as it has been from time immemorial up to the emergency tariff act.

I have no brief, but I would like to submit one.

**STATEMENT OF VICENTE VILLAMIN, REPRESENTING COCONUT OIL MILLS IN MANILA, P. I.**

Mr. VILLAMIN. Mr. Chairman and Senators, I am a Filipino citizen. I am engaged in the coconut-oil business in New York City. The mills are located in Manila, P. I.

I wish to make some observations on Schedule 1, paragraph 50, of the tariff bill—coconut oil.

According to this bill the oil from foreign countries has to be imported at 2 cents a pound. The Philippine coconut oil will come in here free. Apparently this will be advantageous to the Philippine interests, because it will shut off importations from foreign countries. But this advantage is more apparent than real, as I am going to prove to you.

I wish to cite as an example that in 1919 75 per cent of the coconut oil consumed in the United States came from the Philippine Islands and 25 per cent from foreign sources. At first blush it would appear that the 25 per cent coming from foreign sources would have to come from the Philippine Islands, and therefore it will be a direct advantage to that country. The bill as it stands now admits copra free. That will mean that the 25 per cent that the Philippine Islands can not furnish will have to come from the mills in the United States.

My point is this, however: We take the position that what is injurious to America will be injurious to the Philippine Islands.

The tariff bill as it stands will limit the export of coconut oil and manufactured product thereof from the United States to Europe and other foreign countries. Italy has already retaliated against the United States. She has doubled the tariff on cottonseed oil from this country; France has trebled its tariff on cottonseed oil from the United States. That will mean that this cottonseed oil will be turned back onto the United States market, and the prices will thereby go down. It is a fact that the upward or downward tendency of cottonseed oil prices is reflected in the coconut-oil market. That will, of course, prove a calamity to the prices of coconut oils.

Senator SMOOT. You want coconut oil on the free list, then, do you?

Mr. VILLAMIN. Oh, yes. A duty will also limit the demand for coconut oil in the United States. Instead of gaining, therefore, 25 per cent, which in all probability we will not get, without a question we would lose more.

I wish to make a statement while I am here—

Senator WATSON (interposing). How can you make out that if you put a tariff of 2 cents on coconut oil as against all the other nations of the world, and yet it comes in here free from the Philippine Islands, that it can injure the production of coconut oil in the Philippine Islands?

Mr. VILLAMIN. This is my point: If the tariff is imposed that will affect adversely the export of coconut oil from the United States, and thereby limit the demand for Philippine coconut oil.

Senator SUTHERLAND. How can anybody be certain that they will lower those tariff duties in France and Italy even if we take this action which you suggest?

Mr. VILLAMIN. The Italian Government has already doubled its tariff on cottonseed oil from the United States.

Senator SUTHERLAND. They may have doubled even though we did do as you suggest?

Mr. VILLAMIN. Yes, sir; but if one man throws a rock at another and he hits back, we may suspect that the throwing of the rock was responsible for the trouble. A duty on coconut oil will mean that the cottonseed oil will be turned back on the American market and left to remain in America, and the use of cottonseed oil and coconut oil is interchangeable in some important commodities.

Senator WALSH. And cottonseed oil will be substituted for coconut oil, and therefore the coconut-oil business will be bad from the Philippine Islands?

Mr. VILLAMIN. Yes, sir.

Senator WALSH. Suppose they keep those duties on in France and Italy; then they will have the advantage?

Mr. VILLAMIN. If they do, then what will come about is what you will suffer here. It will limit the advantage of Philippine coconut oil.

Just as earnestly do we believe that what is injurious to America will be injurious to the Philippine Islands. So as sincerely do we ask you to accept the idea that what is injurious to the Philippines will be injurious to America, not only economically, but to its prestige as well.

Last Monday, gentlemen, the United States Shipping Board issued an order prohibiting the transportation of coconut oil in bulk. You will remember that last year the Congress of the United States passed a law generally known as the "coastwise law." According to that law, by presidential proclamation, from 1922 all the exports from the Philippine Islands will have to be carried in American ships. Now, if the Shipping Board is not going to carry coconut oil in bulk, where in the name of Heaven can we export our coconut oil?

Senator SMOOT. Did you call the Shipping Board's attention to that?

Mr. VILLAMIN. No; not yet. But there is an anomaly right there.

Senator SUTHERLAND. A great part of it is shipped in bulk?

Mr. VILLAMIN. Yes.

Senator SUTHERLAND. What percentage?

Mr. VILLAMIN. One hundred per cent of the export is shipped in bulk.

Senator WALSH. What is the reason for doing that?

Mr. VILLAMIN. Certain importers, I understand, have filed claims against the Shipping Board for loss on account of defective handling and equipment; and instead of correcting the defects in the handling, they issued this summary order.

Now, it might be stated that the coconut oil from the Philippine Islands can be exported in barrels and drums. We can do that, too, but that will automatically increase the price of coconut oil. It will increase the price of coconut oil by at least 1 cent per pound, and there will be then no necessity of discussing the pro or con on the other side of the tariff on the coconut oil, because of this automatic increase of the price of oil to the consumers, which will be prejudicial to American interests.

Senator WALSH. Do you represent a Philippine company?

Mr. VILLAMIN. Yes.

Senator WALSH. What is the name of that company?

Mr. VILLAMIN. I represent several mills.

Senator WATSON. And the mills are located in the Philippine Islands?

Mr. VILLAMIN. They are located in Manila, P. I.

Senator WATSON. And do they ship alone to the United States?

Mr. VILLAMIN. And to Europe.

Senator WATSON. They ship to the United States and to Europe?

Mr. VILLAMIN. Yes.

Senator WATSON. Do they ship more to the United States or to Europe?

Mr. VILLAMIN. We ship about 90 per cent of our oil to the United States. This is where we would naturally ship. The balance of our trade in imports and exports is with the United States.

Senator McLEAN. How much dry copra do you export?

Mr. VILLAMIN. When the mills are in operation we export none. In 1919 the Philippines exported 8,000,000 pesos worth of copra. In the same year the Philippines imported, curiously enough, 5,000,000 pesos' worth of copra from the South Sea Islands.

Senator McLEAN. Where?

Mr. VILLAMIN. From the South Sea Islands, from Java, and the Straits Settlements.

Senator WALSH. I notice from reports of the tariff commission that there are now 30,000,000 coconut palms bearing coconut fruit, and that they will export shortly 60,000,000 to America, is that a fact?

Mr. VILLAMIN. No, sir; but we will have more trees bearing fruit.

Senator WALSH. That will be a very great increase in production shortly?

Mr. VILLAMIN. Yes, sir.

Senator WALSH. Almost double?

Mr. VILLAMIN. Not so much.

Senator WATSON. Are your Philippine factories over there owned by Americans or by Filipinos?

Mr. VILLAMIN. Americans, Filipinos, and Chinese.

Senator WATSON. Owned by all three nationalities?

Mr. VILLAMIN. Yes.

Senator CALDER. What proportion do the Chinese own?

Mr. VILLAMIN. I can not tell that.

Senator WALSH. They have very large business interests in the Philippines?

Mr. VILLAMIN. Yes, sir, and the British also.

Senator WALSH. I am talking about these particular mills you represent.

Mr. VILLAMIN. Filipino and Chinese.

Senator WALSH. And no American capital?

Mr. VILLAMIN. And American capital also. Now, gentlemen, I have spoken my own personal ideas.

If there are no more questions which the gentlemen desire to ask, I will conclude my statement.

Senator McCUMBER. Much obliged to you, Mr. Villamin.

**STATEMENT OF FRANCIS M. TURNER, REPRESENTING THE AMERICAN NUT & SEED OIL CORPORATION, NEWARK, N. J.**

Mr. TURNER. We address the committee in reference to paragraph 50 on the subject of coconut oil, crude and refined.

Previous to the great war there was little or no coconut oil crushed from copra in the United States. Exigencies of the war demanded that coconut oil be pressed here, and consequently some cottonseed crushers, attracted by the high price of coconut oil, began with their cottonseed-oil machinery to produce coconut oil.

The American Nut & Seed Oil Corporation formed and built in the city of Newark, N. J., a modern coconut-oil mill with American capital, American machinery, and American labor, and the qualities of oil produced there are superior to any oils imported.

Senator WATSON. You are speaking of coconut oil alone?

Mr. TURNER. Coconut oil alone.

There have been a great many misstatements made before the committee. Whether they were made in ignorance or for some purpose, we feel it to be our duty to furnish the committee with reliable information.

Senator SMOOT. Are you in favor of the 2-cent duty?

Mr. TURNER. Yes. We are in favor of allowing things to remain as they are. We also do not object to having the Philippine oils come in free.

Statements have been made before this committee which are misleading. A manufacturer of laundry soap has stated that if the tariff that is now proposed be enacted on what our soap-maker friends term "oriental oils," an extremely vague and ambiguous expression, the consumer, the American housewife, if you please, would pay 1 cent to 2 cents more per cake.

This is emphatically not so, as the manufacturer of laundry soaps never under any circumstances uses a coconut oil that is dutiable. He uses Manila or Philippine coconut oil, and though the proportion in the soap varies with each manufacturer, it is very small, the chief ingredients being rosin, tallow (horse, beef, mutton), cottonseed oil, and last and least coconut oil.

The manufacturer of laundry soaps pays no duty on the Philippine oil. This is a fact and easily proven. On the other hand, the manufacturer of high-priced toilet soaps, liquid soaps, etc., uses a higher grade of oil, termed in the trade Cochin or Ceylon, which is imported from those countries.

The profits on this class of soaps are tremendous. They are luxuries, and the imposition of such an infinitesimal tax as is proposed in H. R. 7456 would make such a minute increase in his cost that he could not and would not saddle it upon the consumer.

Our interest in the crushing of coconut oil has been instrumental in the sale of American machinery and other accessories produced in the United States, and has been the means of employing American labor, and if the amount of protection which is now afforded us in the emergency tariff, and which we pray will be consummated in the permanent tariff, is wiped out, it will cripple the American manufacturer of copra-crushing machinery, the associated industries which cooperate, destroy an infant industry which will be a source of considerable revenue to the United States and employ a vast amount of labor.

The price of oil despite the impost of duty by the Fordney emergency bill has not advanced.

A statement has been made by a western soap maker before this committee that if the tariff proposed is enacted it will be impossible to get a grade such as Cochin, for instance. This is not so, because we are manufacturing in this country at the present time a grade of oil which is infinitely superior to any Cochin oil ever imported here. It is a product of American inventive genius coupled with superior machinery and care.

The American Nut & Seed Oil Corporation has invested a large sum in building one of the finest oil mills in the world. They have a very modern and fully equipped plant.

Senator WATSON. Have you more than one plant?

Mr. TURNER. No, sir.

Senator WATSON. Where is that plant located?

Mr. TURNER. Newark, N. J.

Senator WATSON. How many men are employed?

Mr. TURNER. About 150.

Senator WATSON. Is the plant running full time?

Mr. TURNER. Yes. We are selling all the oil we can produce here at the present time.

Senator SMOOT. Is any exported?

Mr. TURNER. There is no coconut oil exported from the United States. We do not produce more than one-fifth of what this country requires. As for exporting to the other side, that is tommyrot and buncombe, because we do not do it.

Senator SMOOT. Then the Government statistics are wrong, are they?

Mr. TURNER. Possibly so. A great deal of oil passes through this country from the Philippines.

Senator SMOOT. But that is not exportation.

Mr. TURNER. No; I know it is not.

A recent tour of Europe assured me that the European countries do not contemplate purchasing their supplies of coconut oil from the United States.

The great Danish oil interests at Copenhagen, Aarhus, and Esbjerg have enormous mills, own steamship lines, and in connection with the large German and Holland interests control the copra markets in the Singapore district; while in Great Britain the great firm of Lever Bros. controls the copra in the Sydney (Australia) market.

It is out of all reason to assume that the United States can export oil to these countries; indeed the reverse is quite possible. Moreover, they can produce coconut oil cheaper than we can; again we do not crush in the United States more than one-fifth of our present requirements.

Any Philippine coconut oil brought into the country for the purpose of refining it and then exporting it to foreign countries will not be affected by the proposed tariff; therefore this business will not be prejudiced.

Here let me make clear that there are different and very distinct varieties of coconut oil and intended for different uses, viz, Philippine coconut oil produced from "mixed" copra (i. e., copra that is either all smoke dried or part smoke dried and part sun dried). This oil is dark in color and possesses the characteristic "smoked odor." This oil is used for laundry and cheap toilet soaps.

Ceylon and Cochin coconut oils are higher grades, the former made from a much better grade of sun-dried copra, the latter from fresh coconut parings. These qualities are used for high-grade toilet soaps and also for refining into edible oils. Ceylon and Cochin oils under the proposed tariff will be subject to 2 cents per pound duty. The American Nut & Seed Oil Corporation, manufacturing these high grades of oil, begs for this protection that it may exist.

Senator McLEAN. You think this article is distinct from the other oils?

Mr. TURNER. Yes. We are not interested in the other oils; we are interested only in coconut oil. We specialize in the higher grades of coconut oil. We are trying to introduce into this country for fine soap making the grade of oil produced in Ceylon.

Senator McLEAN. Is the variety you have there the variety they make butter of?

Mr. TURNER. No, sir; that is crude oil. When it is refined they use it for edible purposes.

Senator WATSON. What do you do to refine it from that crude state?

Mr. TURNER. Crude coconut oil is refined by first neutralizing the fatty acids present, then bleaching by means of fuller's earth, carbon, etc., and finally deodorizing it by distillation.

Senator SMOOT. The Treasury Department says that we exported coconut oil during the year 1920 in the amount of 141,088,048.

Mr. TURNER. That was not crushed in this country or produced here.

Senator SMOOT. It is refined coconut oil that has been refined in this country and shipped out of this country.

Mr. TURNER. How much did you say, Senator?

Senator SMOOT. One hundred and forty-one million eighty-eight thousand and forty-eight. The cost was \$28,968,689.

Mr. TURNER. I understood that there was considerable oil refined and shipped out, but that will not continue, as Denmark, Germany, France, and Great Britain can produce refined coconut oil cheaper than we can. During the Great War and immediately afterwards, of course, it was different.

Senator SMOOT. It will not do what?

Mr. TURNER. It will not continue. In the first, Senator Smoot—

Senator WALSH. You said there was practically none. Senator Smoot is criticizing your statement that there was none.

Mr. TURNER. You will find a great deal more during the war and previous to that.

Senator SMOOT. I can go back further than that if you want me to.

Mr. TURNER. If there are any more questions, I shall be glad to answer them. All we ask is that the present duty remain.

Senator SMOOT. In June, 1921, there were 958,668 pounds exported. That was just in one month of this year. Nine hundred and fifty-eight thousand pounds, or 476 tons, is less than 50 days' output of the mill of the American Nut & Seed Oil Corporation, which when completed will have a capacity of 160 tons per diem.

Mr. TURNER. Where was that produced?

Senator SMOOT. It was refined in the United States and exported from the United States to foreign countries. If you want to know the countries to which it was exported, I will give you the names of them.

Mr. TURNER. No. I know it was exported. That was not produced in this country.

Senator SMOOT. Copra is not grown in the United States, but this is an oil that comes from the Philippines and is refined in this country.

Mr. TURNER. We have no objection to oil coming in free from the Philippines. The proposed tariff of 2 cents per pound on foreign coconut oils will not affect it and will not interfere with the business of importing, refining, and exporting Philippine coconut oil.

## CASTOR OIL.

[Paragraph 50.]

**STATEMENT OF B. E. REUTER, PHILADELPHIA, PA., REPRESENTING THE BUREAU OF RAW MATERIALS FOR AMERICAN VEGETABLE OILS AND FATS INDUSTRIES.**

Senator WATSON. Whom do you represent?

Mr. REUTER. The Bureau of Raw Materials for American Vegetable Oils and Fats Industries. I shall speak on castor oil and rapeseed.

The recent bill, H. R. 7456, places a duty of 4.5 cents a pound on castor oil and thereby does nothing more than create a subsidy for the crushers of castor oil. Where they now have three-quarters of a cent per pound difference between the imported material and importing the seed, the 4.5 cents per pound on castor oil makes an extra profit for the crusher and discriminates in favor of one industry and against the other.

Senator SMOOT. What do you suggest?

Mr. REUTER. There should not be any duty on it.

Senator SMOOT. In other words, it should be free?

Mr. REUTER. Yes; as well as the beans. They are so closely allied. They are used for nothing else. Beans are used for crushing oil. We are not an importing nation as respects castor oil.

I remember that during the war, when I was chief of the fats and oil division in Mr. Hoover's cabinet, and had charge of the different fats and oils, the Signal Corps asked us for more castor oil. We could not produce a satisfactory amount for airplane service. As you probably know, it is very valuable for lubrication. We import, in normal times, practically none. We did go up, in recent years and during the war, eight and ten million pounds, but that has dropped down to about 1,000,000 pounds. We do not produce many of the beans. We import the castor bean to make the oil.

Castor oil is consumed in two principal ways. A small amount is used for medicinal purposes—a very small amount—and a large portion of it is used in the industry, in soap manufacture, and in lubrication. Therefore, if you put on a duty of 4.5 cents a pound, you just charge it up to another industry. If we were producing beans and were importing oil, it would necessitate a duty, but we are not an importer. We export some castor oil.

As to rapeseed oil, we produce a small amount. We import rapeseed oil into this country, and it is used here for lubrication and for illumination. It is an edible oil on the continent of Europe. Our production, however, is very small, being about one-half million pounds of oil per year. In 1919 we did produce a million and a quarter pounds and imported the balance of our requirements.

By having a tariff or duty of 4.5 cents a pound on castor oil, with the beans at half a cent a pound, we create a subsidy for the crusher of  $3\frac{1}{4}$  cents profit, whereas before, under the Underwood Act, he had three-quarters of a cent per pound. Now, that is passed on down to the manufacturer who uses that, and he has to pass it on to the product he produces.

The tariff on the beans of one-half cent per pound is equal to  $1\frac{1}{4}$  cents per pound on castor oil; therefore the domestic crusher is given

a subsidy equal to the difference between  $1\frac{1}{2}$  cents per pound on the oil content of a bushel of castor beans and the rate of  $4\frac{1}{2}$  cents on a pound of oil, or  $3\frac{1}{2}$  cents, which subsidy is equal to nearly 50 per cent of the value of castor oil. In view of the fact that there is no difference in the labor cost of crushing here and abroad, we feel that both the beans and the oil should come in free of duty, but if the duty in this bill of one-half cent per pound on castor beans is going to be retained, then the duty on a pound of oil should not exceed one hundred fortieths, or two and one-half times the duty on a pound of beans, and should therefore not exceed  $1\frac{1}{2}$  cents per pound on castor oil. There is no need of protection beyond this. Of course, it depends upon how your committee views the matter. If you wish to raise revenue, we recommend the adoption of the same rates on castor oil and castor beans as now written in the tariff act of 1913.

**BRIEF OF B. E. REUTER, REPRESENTING THE BUREAU OF RAW MATERIALS FOR AMERICAN VEGETABLE OILS AND FATS INDUSTRIES.**

We desire to enter our protest against the unjust and exorbitant rate of duty imposed upon castor oil in H. R. 7456. This rate of duty of  $4\frac{1}{2}$  cents per pound on castor oil will operate as a means of exciting an exorbitant tribute from American industries who require castor oil in the manufacture of finished products, such as soap, leather, lubricating compounds, medicine, etc., and ultimately will act as an unjust burden upon the American consumer of these products. The absurdity of a duty of  $4\frac{1}{2}$  cents per pound on castor oil is apparent when considered in connection with the duty of one-half cent per pound, or 25 cents per bushel of 50 pounds, on castor beans, as is also provided for in H. R. 7456.

The problem of establishing a fair and reasonable tariff on castor oil is one of taking the tariff on castor beans as a basis and then building up from that point a compensatory duty plus reasonable protection for the American castor-oil crusher, and then by the same process establish a rate of duty on alizarin assistant, in which castor oil is an important ingredient, that will protect the American manufacturer of alizarin assistants.

We give below an analysis of the duty on castor beans and castor oil in the Underwood-Simmons Act of 1913 and the proposed H. R. 7456.

	Duty on castor oil.	Duty on castor beans.	Difference favoring the oil crusher.
Tariff act of 1913....	12 cents per gallon=30 cents per bushel of beans.	15 cents per bushel....	15 cents per bushel.
H. R. 7456.....	$4\frac{1}{2}$ cents per pound=36 cents per gallon=90 cents per bushel of beans.	25 cents per bushel....	65 cents per bushel.
Resulting changes..	Increase of 24 cents per gallon.....	Increase, 10 cents per bushel=66 per cent.	Increase, 50 cents per bushel=333 per cent.

A gallon of castor oil is calculated as being 8 pounds. Castor beans yield 40 per cent of castor oil, hence an exact compensatory duty on oil should be a rate on 20 pounds of oil that would be equal to the duty on 1 bushel of castor beans. In H. R. 7456 the duty on a bushel of castor beans is 25 cents. A duty of 25 cents on 20 pounds of castor oil would be at the rate of  $1\frac{1}{2}$  cents per pound. Therefore, on the basis of oil produced, H. R. 7456, with the duty of  $4\frac{1}{2}$  cents per pound, creates a subsidy of  $3\frac{1}{2}$  cents per pound of oil for the American crusher. In the tariff act of 1913, on the basis of 15 cents per bushel duty on beans, the duty on 20 pounds of castor oil content was 15 cents, or at the rate of three-fourths cent per pound, and with a duty on castor oil of 12 cents per gallon or  $1\frac{1}{2}$  cents per pound, the domestic crusher was protected by three-fourths cent per pound. Therefore, on the basis of oil the oil crusher in H. R. 7456 is given what can only be termed a subsidy of  $3\frac{1}{2}$  cents per pound, or over four times the protection established in the act of 1913.

On the basis of bushels of castor beans crushed by American castor-oil mills, the rate of protection afforded by the tariff act of 1913 was 15 cents per bushel. In H. R.

7456 the rate is so increased that the differential of 65 cents per bushel can only be termed a subsidy and it represents an increase of 333 $\frac{1}{3}$  per cent.

The principal crushers of castor beans are located in England, France, and the United States. All are required to bring the supplies of castor beans from India, Brazil, Indo-China, and Manchuria, and the American crusher is at no disadvantage in securing his supplies.

We refer your committee to the brief of the Baker Castor Oil Co., New York City, appearing on page 1836 of the volume entitled "Tariff Information—Hearings on General Tariff Revision Before the Committee on Ways and Means."

We desire to refer to some of the statements offered in this brief in favor of a higher tariff on castor oil but which are not supported by definite information of the kind that should be required by your committee.

Apparently reference is made in this brief to a lot of 1,200 tons of castor oil offered for sale to the United States from Marseilles, France, at less than 8 cents per pound c. i. f. New York, in December, 1920. Previous to this statement it is stated that castor beans were offered in the same month and year at 2.7 cents per pound c. i. f. New York. These castor beans would then cost 2.7 cents per pound c. i. f. New York, or \$1.35 per bushel c. i. f. New York, plus the duty, 15 cents per bushel, a total of \$1.50 per bushel.

The oil content of these castor beans per bushel (or 20 pounds) would then have cost, exclusive of manufacturing costs, 7 $\frac{1}{2}$  cents per pound. Adding to this cost the cost of barrels, at that time \$3 each, or three-fourths cent per pound, would have made the total (exclusive of manufacturing costs) 8 $\frac{1}{2}$  cents per pound. The lots of French oil referred to at 8 cents per pound, after paying the duty of 12 cents per gallon under the tariff act of 1913, or 1 $\frac{1}{2}$  cents, would have cost 9 $\frac{1}{2}$  cents per pound. The result of this comparison appears to be as follows: French oil, 9 $\frac{1}{2}$  cents per pound, duty paid; oil content of imported castor beans in barrels, 8 $\frac{1}{2}$  cents per pound; difference to cover American crushers' costs of crushing, 1 cent per pound. Furthermore, during the period of this comparison many abnormal transactions were recorded in all lines of merchandise, and hence the comparison can not be accepted as a suitable example of normal competition. Even this example shows the absurdity of a duty of 4 $\frac{1}{2}$  cents per pound on castor oil as proposed in H. R. 7456.

In further reference to this brief proposing a high tariff on castor oil, it is suggested that the cost which the American crusher must bear in transporting the castor pomace, or residue that results from crushing, is a disadvantage which must be compensated for by a tariff. Our reply to this suggestion is that approximately to the same extent that the American crusher suffers this disadvantage in transporting his castor pomace to his market where it is sold, so does the European castor-oil crusher suffer a similar and approximately equal disadvantage in transporting his oil from Europe to the United States when attempting to sell castor oil in the United States.

We also desire to call attention to the fact that in this brief no figures are submitted nor is any reference made to the difference in the actual costs of crushing castor beans in the United States and in other countries. A tariff for protection can not be justly or scientifically adjusted to meet the fundamental object of such a tariff without information bearing on the fundamental object.

The American crusher of castor oil enjoys many advantages in his home market that are clearly manifest.

1. Standard and uniform quality of oil produced. 2. Consumers' preference for such standard, uniform, and dependable quality. 3. Ability to deliver bulk shipments in tank cars. 4. Ability to offer terms of payment, convenient deliveries, etc. All of these elements are weighed by American consumers of castor oil and result in the American castor-oil crusher obtaining a premium when selling his castor oil apart from any protection afforded by a tariff.

As practically no castor beans are raised in the United States, the duty in H. R. 7456 of one-half cent per pound, or 25 cents per bushel, on castor beans will result in an increased revenue for our Government as compared with the revenue-producing results of the rate of 15 cents per bushel in the act of 1913. So far as castor oil is concerned the necessary increase in the compensatory rate of duty to create the same rate of protection for the American castor-oil crusher would require that the duty on castor oil be increased from 12 cents per gallon, or 1 $\frac{1}{2}$  cents per pound, to 2 cents per pound. If the duty of one-half cent per pound, or 25 cents per bushel, is retained in H. R. 7456, the duty of 4 $\frac{1}{2}$  cents per pound should be revised to a rate no higher than 2 cents per pound.

Castor oil is a raw material in many industries, and duties on castor oil or castor beans therefore enter into the cost of many manufactured products and thereby adversely affect the sale of such manufactured products abroad and at home, and therefore the question of raising revenue from a high tariff on castor beans presents serious aspects, and the question of imposing duties at a rate sufficiently high to restrict

succeeding industrial consumption of castor oil is worthy of careful consideration. We therefore urgently recommend that the present rate of duty of 15 cents per bushel be adopted as the rate in H. R. 7456 instead of one-half cent per pound or 25 cents per bushel, and that the rate of 1½ cents per pound on castor oil be adopted, thereby increasing the American crushers' protection from three-fourths cent per pound of oil to 1 cent per pound, which, with other natural advantages enjoyed, should fairly protect the American crusher against competing foreign oil.

We would also suggest that the costs of crushing oil seeds of all kinds in the United States be investigated and determined, as has been done by the United States Tariff Commission in the cottonseed-oil industry of the United States, where the labor cost in producing a much lower valued grade of oil has been ascertained to be less than 5 per cent of the factory value of the products produced.

Prior to 1915 the average price of medicinal castor oil in the United States ranged between 8 cents and 10 cents per pound. At an average of 9 cents per pound the duty of 4½ cents per pound in H. R. 7456 would be equal to an ad valorem duty of 50 per cent. Considering the lower value of the No. 2 and No. 3 grades of castor oil this duty can be calculated to run as high as 75 per cent on an ad valorem basis, which rate of duty on a raw material such as castor oil is exorbitant.

We therefore urge the revision of the rate in H. R. 7456 and the adoption of the same rates of duty as now contained in the tariff act of 1913.

#### SUPPLEMENTARY BRIEF.

[Presented by Cook & Swan Co. (Inc.), New York City; Swan & Finch Co., New York City; Brown Farrell, Edwards & Co., Seattle, Wash.]

We protest against the exorbitant rate of duty imposed on rapeseed oil of 1½ cents per pound as written in H. R. 7456, paragraph 50.

The rate of 6 cents per gallon in the act of 1913 is equal to 0.8 cent per pound, and therefore the rate of 1.5 cents per pound in H. R. 7456 represents nearly 100 per cent increase.

Rapeseed oil is an important oil and is used extensively as a sanctuary oil in churches of the country, and in commerce is used largely in compounding lubricating oils for marine engines. Large quantities of rapeseed oil are required to compound the lubricating oils required by our merchant marine and the American Navy.

The rate of duty in the act of 1913 of 6 cents per gallon, or 0.8 cent per pound, is as high a rate of duty as could be imposed consistently on such a raw material, and to increase this rate of duty is an injustice to compounders of lubricating oils who require this rapeseed oil in large quantities for mixture with petroleum oils.

American manufacturers must lose considerable valuable business if compelled to charge exorbitant prices for supplies required by ships, and if the products like lubricating oils are so increased in price by the imposition of exorbitant rates of duty on raw materials of which they are made, ships will aim in so far as possible to stock up with such supplies at foreign ports.

The rate of 6 cents per gallon in the act of 1913 is as high a rate as this oil can bear, and we urge that the rate of 1½ cents per pound in this act be reduced to 0.8 cent per pound, which is equal to 6 cents per gallon.

We also direct your attention to the fact that the present rate of duty on rapeseed oil in the act of 1913 is equal to an ad valorem rate of approximately 15 per cent and yields an attractive amount of revenue, hence the fallacy of curtailing this revenue and restricting industries that require supplies of rapeseed oil at reasonable prices.

Rapeseed oil is not competitive with any American produced oil, and we are entirely dependent upon supplies of East Indian and Japanese oils.

We therefore urge that the rate of 1½ cents per pound in this bill be reduced to 0.8 cent per pound.

#### COTTONSEED OIL.

[Paragraph 50.]

#### STATEMENT OF W. B. CHITTENDEN, REPRESENTING PEET BROS. MANUFACTURING CO.

Mr. CHITTENDEN. Mr. Chairman and gentlemen of the committee, my name is W. B. Chittenden. I represent the Peet Bros. Manufacturing Co., of Kansas City, Kans.

Senator WATSON. What do they make?

Mr. CHITTENDEN. They are soap manufacturers.

Senator SMOOT. You are interested in cottonseed oil?

Mr. CHITTENDEN. Yes. I would like to say a few words on the proposed duty of 2 cents per pound on oriental cottonseed oil. This duty on oriental cottonseed oil or on foreign cottonseed oil would absolutely stop imports and produce no revenue whatever. Inasmuch as the foreign oil is of very inferior quality and fit only for the soap kettle, it does not come in competition with the high-grade domestic American cottonseed oil, which is used almost entirely for edible purposes; and the proposed duty, therefore, would seem to be totally lacking in purpose, not only in respect of the nonrevenue-producing feature, but because it would furnish no protection to the American industries.

While the imports are small, yet they are very desirable; that is, the import of crude cotton seed is small, yet it is a very desirable grade of oil to the maker of soap who uses that grade of oil.

I could give you very briefly the figures for the last few years, going back to 1911, but you gentlemen have not seen fit to go back that far, so that I shall go back only as far as 1916, when the imports were sixteen and a half million pounds; in 1917 there were 13,800,000 pounds; in 1918, 18,000,000 pounds; in 1919, 27,000,000 pounds; and in 1920, a little over 9,000,000 pounds.

Almost the entire importation of crude cottonseed oil, or foreign cottonseed oil, has been from the Orient. A gentleman this morning said that a great deal came in from the Netherlands, Belgium, and France, but I have yet to hear of any coming from those countries.

Senator DILLINGHAM. Where do you say it comes from?

Mr. CHITTENDEN. From the Orient; mostly from China.

The imported oil is, as I say, of an inferior quality and is not fit for edible purposes; therefore it does not come in competition with the American oil.

Senator McCUMBER. Is none of the American cottonseed oil used for soap purposes?

Mr. CHITTENDEN. Only when it is off grade, or the price is extremely low.

Senator McCUMBER. And that is an infinitesimal part of it, is it?

Mr. CHITTENDEN. Yes.

Senator SMOOT. Is there something in the process that makes it an inferior grade?

Mr. CHITTENDEN. It lies in the process of manufacture and in the lack of care taken in protecting the seed at the time of gathering.

I have said that the imported cottonseed oil is used only for soap making. The imports are largely through Puget Sound ports and San Francisco. Inasmuch as the American buyers require chemical analyses of their purchases, they arrange to have these oils tested on arrival at Pacific coast ports. I am attaching to a short brief that I am going to file, with your permission, letters from recognized chemists on the coast, stating that the imports of cottonseed oil are of very poor quality and are not fit for edible purposes; that in many instances they are resold here after rejection barely for the price of cooerage. The Bureau of Animal Industry, I understand, will not permit oriental cottonseed oil to be used in edible products; that is, they refuse to pass upon it. Those letters to which I have referred are sworn to. I shall not take time to go into that particular matter

any further, but I will put them in the record. The certificates of these chemists at San Francisco and Seattle will conclusively corroborate our contention that it is nonedible.

Senator WATSON. What you want is free cottonseed oil?

Mr. CHITTENDEN. Yes, sir.

Members of the Bureau of Raw Materials of the American Vegetable Oil and Fat Industry agree that they have at no time received crude cottonseed oil from abroad that will refine for edible purposes.

The quantity of cottonseed oil imported is relatively insignificant. The importations in 1920 amounted to 9,500,000 pounds. Under the most favorable conditions ever existing for the importation of vegetable oils into this country, the maximum amount imported was 27,800,000 pounds in the calendar year of 1919. When we compare this importation with 1,500,000,000 pounds of domestic cottonseed oil ordinarily produced in the United States, it can be readily seen that there is no element of protection involved. The United States produces three-fourths of the world's needs—millions of barrels are exported annually—the American cottonseed-oil industry requires no protection from vegetable or animal oils or from the entire group of vegetable and animal oils considered in the aggregate.

The price of domestic cottonseed oil during the years 1913 and 1914 ranged around 4.5 to 6.5 cents per pound. This normal price has obtained during the greater portion of this season—1921. With domestic cottonseed oil selling, under normal conditions, at an average price of 5 cents per pound, it can be seen that a duty of 2 cents per pound on the inferior imported cottonseed oil would cause absolutely the stoppage of the imports.

Senator McCUMBER. Suppose you were to have what would in effect amount to a prohibition or embargo on the importation of these inferior grades of oil, what would be used for soaps in their place? I mean in place of the foreign oils?

Mr. CHITTENDEN. We would have to produce lower-grade soap from animal grease.

Senator McCUMBER. Would you use cottonseed oil?

Mr. CHITTENDEN. Yes, but in limited quantities, and cottonseed foots, the residue of the refining.

Senator SMOOT. You can not make white soap that way, can you?

Mr. CHITTENDEN. No, sir.

I stated that the imports of cottonseed oil are not large. Yet it is one of the several vegetable oils which have been on the free list which have collectively through the opportunity of selection offered enabled the laundry-soap manufacturers of this country to maintain a very low price right along on common laundry soaps.

The imposition of a duty on any of these vegetable oils, or animal oils, which constitute the raw materials of the industry, and which have been on the free list, would result in a complete readjustment of the soap industry and in an increase in the cost of soap to the consumers; and inasmuch as soap is an absolute necessity and is probably used to a greater extent in the household daily than any other article that enters the door, it will place an additional burden on every family in the land.

Senator SMOOT. Are you quite sure that there is none of the importation of cottonseed oil or coconut oil that is imported into this country that is converted into edibles or is used for edible purposes?

Mr. CHITTENDEN. I am quite sure as regards cottonseed oil. It is not suitable for edible purposes. The oil runs extremely high in acid.

Senator SMOOT. Do you know anything about whether the coconut oils imported into this country are of as good quality as those manufactured in America?

Mr. CHITTENDEN. We can import as good coconut oil into this country as we manufacture.

Senator WATSON. Do you use coconut oil?

Mr. CHITTENDEN. Yes.

Senator WATSON. In the manufacture of soaps in your factory?

Mr. CHITTENDEN. Yes.

Senator SMOOT. Do you use that in white soaps?

Mr. CHITTENDEN. Yes.

Senator SMOOT. That is getting to be popular now—the manufacture of white laundry soaps.

**BRIEF OF W. B. CHITTENDEN, REPRESENTING THE BUREAU OF RAW MATERIALS FOR AMERICAN VEGETABLE OILS AND FATS INDUSTRIES.**

A duty of 2 cents per pound is proposed on cottonseed oil in the Fordney tariff bill. Such a duty would cause a stoppage of the comparatively small imports of this soap-making oil and would be productive of no revenue.

Inasmuch as the foreign cottonseed oil which is imported into this country is of inferior quality and fit only for soap making, it is noncompetitive with any of our domestic oils, and the proposed duty therefore would seem to be totally lacking in purpose, not only in respect to its nonrevenue-producing features, but because it will furnish protection to no American product.

While the imports of oriental cottonseed oil are small they are of considerable importance to those soap makers who make use of this oil.

The following table reveals the importations of cottonseed oil into the United States since 1911:

TABLE 1.—Imports of cottonseed oil by calendar years.

	Pounds.		Pounds.
1912.....	2,160,000	1917.....	13,826,000
1913.....	11,407,000	1918.....	18,373,000
1914.....	16,017,000	1919.....	27,806,000
1915.....	11,675,000	1920.....	9,458,000
1916.....	16,598,000		

An analysis of the source of origin of the importations shown in the foregoing table shows that all important importations originate in the Orient.

Imported cottonseed oil being unsuitable for edible purposes is noncompetitive with domestic cottonseed oil.

We have stated that imported cottonseed oil is fit only for soap-making purposes. The importations largely pass through the Puget Sound ports and the port of San Francisco. Inasmuch as most American buyers require chemical analysis of oriental oils purchased an opportunity is offered the Pacific coast chemists to inspect the bulk of the importations of oriental oil. We present, therefore, the certificates of the three chemists who perform the principal inspection work on the Pacific coast.

SEATTLE, WASH., July 25, 1921.

SENATE FINANCE COMMITTEE, Washington, D. C.

GENTLEMEN: We hereby certify that we have sampled and analyzed a large percentage of the oriental crude cottonseed oil imported through Pacific coast seaports during the past four years and that we found most of this oil inferior in quality to crude American cottonseed oil.

This oriental crude cottonseed oil was very dark in color, refining with very high losses and producing an oil which was "off" flavor, and to our personal knowledge many refineries had great difficulty to utilize this oil at all, most of it being ultimately manufactured into soap and other inedible products.

We also sampled and analyzed the principal importations of oriental refined and semirefined cottonseed oil and found it almost invariably to have a musty flavor.

We have records in our files of shipments of these oils imported intentionally for edible purposes where the consignments were rejected by the inspectors of the Bureau of Animal Industry of the United States Department of Agriculture because of rancidity and other objectionable features of the odor and flavor of the oil.

This certificate is issued at the request of the Bureau of Raw Materials, as per their telegraphic inquiry of July 25, countersigned by C. Rogers Brown.

Respectfully submitted.

FALKENBURG & Co.,  
By M. J. FALKENBURG, *President.*

Certified correct, signed, and sealed before me; a notary public in and for the State of Washington, on the 25th day of July, 1921, at Seattle, Washington.

J. J. GEARY, *Notary Public.*

SEATTLE, WASH., *July 25, 1921.*

SENATE FINANCE COMMITTEE, *Washington, D. C.*

GENTLEMEN: We have been asked to report to you condition of cottonseed oil that has been imported into the United States from the Orient.

It is our opinion, based on sampling and examination of a large number of the lots of cottonseed oil that have been brought through Puget Sound ports, that oriental cottonseed oil is much inferior to our domestic oil. The color, flavor, and odor of many of the lots have been very bad. Some of it is as dark as molasses. Even the better lots have in general not been as good in quality as the American oil. The refining loss is considerably higher than with the American oil, much of it being so poor that it can not be refined at all for edible purposes, and in consequence can only be used for soap and other minor purposes. In fact, much of the oriental cottonseed oil has to be refined before it is even fit for use in soap. We have seen oil that had a refining loss as high as 40 per cent.

There has been considerable difficulty in disposing of some lots of oriental cottonseed oil that have come in, because of its poor quality. Such lots have lain on the dock for sometimes a year or more before finding a purchaser, and have been sold for a little more than the price of the barrels.

There is a grade of oriental cottonseed oil known as "semirefined." This had some refining in the Orient, but even this is not much better than the crude American oil. It is difficult or impossible to bleach or deodorize it to suit the American tastes. The packers on the Pacific coast will have nothing to do with oriental cottonseed oil, as evidenced by their statements to us and our experience. Instead they bring cottonseed oil from the Southern States, paying high freight rates rather than use the much cheaper oriental oil.

Another drawback to its introduction has been its variable quality. Users of oil want a uniform grade even if that grade is poor. Oriental cottonseed oil has varied more in its quality than any other oil imported from the Orient.

I. F. LAUCKS (INC.).  
H. P. BANKS.

Personally appeared before me this 25th day of July, 1921, H. P. Banks, known to me, and stated the foregoing to be true to the best of his knowledge and belief.

L. W. EILERTSEN,  
*Notary Public in and for the State of Washington.*

SAN FRANCISCO, *July 29, 1921.*

SENATE FINANCE COMMITTEE, *Washington, D. C.*

HONORABLE SIR: Concerning the proposed permanent tariff on oriental vegetable oils, we wish to call attention to the fact that oriental cottonseed oil mentioned therein is a very inferior product and can in no way compete with American oil.

The inferior property of this oriental cottonseed oil makes it only usable as a substitute for soap-manufacturing purposes and does not compare with our domestic edible product. It is objected to by the edible oil manufacturers on account of its high refining loss, dark color, and lack of bleaching quality, while its flavor is noticeably unpleasant. Due to these facts this oriental oil has never to our knowledge been in competition with our domestic cottonseed oil, its use being confined to the soap trade.

It was very aptly stated some time ago by I. F. Laucks (Inc.), a well-known firm of oil chemists at Seattle, in some correspondence we reviewed, that dark Chinese cottonseed oil is hardly worthy of being called edible. This statement appears to be very pertinent in the present consideration before your committee. We only know of a few isolated instances where oriental cottonseed oil was used in the preparation

of edible products, and this during the period of the war when our domestic oil was at a maximum price and the supply much below the demand.

We sincerely hope that facts of this kind will be taken into account in considering the character of imported oils on which tariff is proposed.

Yours, very truly,

CURTIS & TOMPKINS,  
By P. W. TOMPKINS.

The above certificates presented by chemists at Seattle and San Francisco, where practically all of the importations enter, conclusively corroborate our statement that oriental cottonseed oil is of value only as a soap oil.

Those members of the Bureau of Raw Materials for the American Vegetable Oils and Fats Industries who are refiners of vegetable oils agree that they have at no time seen shipments of oriental cottonseed oil which produced satisfactory results when refined for edible purposes.

#### QUANTITIES OF COTTONSEED OIL IMPORTED RELATIVELY INSIGNIFICANT.

Our importations of cottonseed oil were only 9,458,000 pounds during the calendar year of 1920. Under the most favorable conditions ever existing for the importation of foreign vegetable oils into this country the maximum amount imported was 27,806,000 pounds in the calendar year of 1919. When we compare these importations with the 1,500,000,000 pounds production of domestic cottonseed oil ordinarily produced in the United States, it can readily be seen that there is no element of protection involved, and to say that American cotton seed needs any protection from the importations of foreign cottonseed oil would be as sensible as to state that an elephant required protection from the predatory inclinations of a humming bird. The United States produces three-fourths of the world's supply of cottonseed oil. It has an exportable surplus of millions of barrels annually. The American cottonseed-oil industry requires no protection from any other vegetable oil or animal oil, or the entire group of vegetable and animal oils considered in the aggregate.

#### PROPOSED DUTY WOULD MEAN STOPPAGE OF IMPORTS.

The price of domestic cottonseed oil during the season of 1913-14, a prewar season, ranged around 4½ to 6½ cents per pound. This normal price has obtained during the greater portion of 1921. With choice domestic cottonseed oil selling under normal conditions at an average price around 5 cents per pound, it can be readily seen that a duty of 2 cents per pound on the inferior imported cottonseed oil would cause an absolute stoppage of imports.

We have stated that imports of cottonseed oil are not large, yet it is one of the several vegetable oils which, being on the free list, have collectively through the opportunity of selection offered enabled the laundry-soap makers of the United States to maintain a uniformly low price on common soap.

The imposition of a duty on any of those vegetable or animal oils which constitute the raw materials of the industry and which have been on the free list would result in a complete readjustment of the soap industry and a resulting increase in the cost of soap to the consumer, and inasmuch as soap is an essential in every household, there would be imposed an undue burden upon the average family of small income.

We respectfully request, therefore, that cottonseed oil and similar soap-making oils be retained upon the free list.

#### LINSEED OIL.

[Paragraph 50.]

#### STATEMENT OF WILLIAM O. GOODRICH, MILWAUKEE, WIS., REPRESENTING THE WILLIAM O. GOODRICH CO.

The CHAIRMAN: Mr. Goodrich, please state your name to the committee.

Mr. GOODRICH. William O. Goodrich.

The CHAIRMAN. You reside in Milwaukee?

Mr. GOODRICH. Yes, sir.

The CHAIRMAN. You are a member of the firm of W. O. Goodrich Co.?

Mr. GOODRICH. I am president of the firm.

The CHAIRMAN. You desire to address the committee on paragraph 50, linseed oil?

Mr. GOODRICH. Yes, sir.

The CHAIRMAN. Will you proceed briefly and state your views?

Mr. GOODRICH. I am chairman of the linseed crushers and flaxseed committee, which is a committee representing the entire linseed-oil producing industry in this country.

The CHAIRMAN. If the witnesses would state just what they want before they go into generalities, it would be very helpful to the committee. That request has been repeatedly made of witnesses, but does not seem to be observed.

Mr. GOODRICH. Mr. Chairman, we do not come here with any protest. We are entirely satisfied with the provision made for protecting our industry in the tariff bill now before you. We have prepared this statement, and in view of what you have just said—

Senator SMOOT. Do you think it absolutely necessary to have 2½ cents on linseed oil?

Mr. GOODRICH. Yes, sir.

Senator SMOOT. And your brief will give the reasons why?

Mr. GOODRICH. Yes, sir.

The CHAIRMAN. I think you would be protected if we print your brief.

Senator WALSH. Are you satisfied with the duty on linseed?

Mr. GOODRICH. Yes, sir. That is a question which we have not touched upon.

Senator WALSH. You could produce linseed oil cheaper if there was no tariff on linseed, could you not?

Mr. GOODRICH. Yes, sir; but we feel it is very essential for the country to maintain the flaxseed industry.

Senator WALSH. Has the duty been increased on linseed?

Mr. GOODRICH. It has been increased in the last tariff bill.

Senator CALDER. What was the duty on it under the Underwood bill?

Mr. GOODRICH. Twenty cents.

Senator WALSH. What is it under this bill?

Mr. GOODRICH. Twenty-five.

Senator WALSH. The same as under the Payne-Aldrich bill, excepting the American-valuation plan?

Mr. GOODRICH. Yes, sir.

Senator CALDER. How much will the American-valuation plan increase the duty on linseed oil?

Mr. GOODRICH. The American-valuation plan?

Senator CALDER. Yes.

Mr. GOODRICH. I don't think I can answer the question. I don't know how this American-valuation plan will work.

Senator SMOOT. Linseed oil as provided in this bill is 2½ cents a pound?

Mr. GOODRICH. Yes, sir.

Senator SIMMONS. What is it in the Underwood law?

Mr. GOODRICH. Ten cents per gallon in the Underwood law.

Senator SIMMONS. And how much in the emergency law?

Mr. GOODRICH. The same, 10 cents a gallon. They did not change the duty on oil.

Senator WALSH. Have you worked out the difference between the tax upon linseed and linseed oil in this House bill?

Mr. GOODRICH. The difference between linseed and linseed oil?

Senator WALSH. Yes.

Mr. GOODRICH. I don't quite understand you.

Senator WALSH. Under the Payne-Aldrich Act linseed was taxed at 25 cents per bushel and linseed oil at 15 cents per gallon.

Mr. GOODRICH. Yes, sir.

Senator WALSH. And the difference as worked out represented 7½ cents per bushel, but under the Underwood bill it was only 3 cents per bushel. Have you worked out the difference between the tax upon the two under the House bill?

Mr. GOODRICH. Not exactly in that way. We have shown the difference now existing in this bill over the increased cost.

Senator WALSH. It is pretty important, is it not, to know how the tariff rate upon linseed compares with the tariff rate upon linseed oil?

Mr. GOODRICH. The tariff rate upon linseed only affects us as an industry in this country in so far as it raises the cost of the seed by the extent of the duty paid. If there is a duty of 25 cents on linseed we must have primarily protection to the extent of its equivalent on imported oil, which is 10 cents per gallon. It is, of course, of prime importance to have the tariff rate placed upon linseed oil in proper relationship to the tariff rate placed upon flaxseed or linseed, and it is just this point which we discuss fully in our brief.

The emergency tariff bill provides for a duty of 30 cents on linseed and 10 cents on linseed oil, which is out of all proportion and has been the cause of promoting a large importation of English and Dutch linseed oil at a price far below the cost of the American crusher. We are all operating in a limited way at a great loss in order to maintain our organizations, and, in consequence, if the present condition should long prevail there would be no American crushing of linseed. This phase of the question forms the basis of the principal argument in our brief.

Senator WALSH. The tax upon the oil has been increased.

Mr. GOODRICH. Yes, sir.

Senator WALSH. Has the tax upon linseed been increased?

Mr. GOODRICH. Five cents.

Senator WALSH. And the tax upon the oil has been increased 1 cent, from 1½ cents to 2½ cents?

Mr. GOODRICH. It is now 2½, or 18½ a gallon, and it was 15 cents in the Payne-Aldrich bill.

I respectfully ask that this brief be included in the record.

The CHAIRMAN. It will be printed.

**BRIEF OF WILLIAM O. GOODRICH, MILWAUKEE, WIS., REPRESENTING THE LINSEED CRUSHING INDUSTRY.**

#### HISTORY OF TARIFF ON FLAXSEED AND LINSEED OIL.

The growing of flaxseed in the United States has been protected by a duty imposed upon importations for many years. Commencing in 1890 the rates of duty have been as follows:

1890: 30 cents per bushel on seed; 32 cents per gallon on oil.  
 1894: 20 cents per bushel on seed; 20 cents per gallon on oil.  
 1897: 25 cents per bushel on seed; 20 cents per gallon on oil.  
 1909: 25 cents per bushel on seed; 15 cents per gallon on oil.  
 1913: 20 cents per bushel on seed; 10 cents per gallon on oil.

## UNITED STATES FLAXSEED ACREAGE.

[According to United States Government statistics.]

1902-1909, inclusive, eight years, average acreage of flaxseed, 2,750,000. During this period the import duty on flaxseed was 25 cents per bushel; on linseed oil, 20 cents per gallon.

1910-1913, inclusive, four years, average acreage of flaxseed, 2,591,000. During this period the import duty on flaxseed was 25 cents per bushel; on linseed oil, 15 cents per gallon. During the period 1910-1913, the import duty on flaxseed remained as in preceding period, but duty on imported linseed oil was reduced 5 cents per gallon, equal to 25 per cent reduction from oil duty in preceding period.

1914-1920, inclusive, seven years, average acreage of flaxseed, 1,684,000. During this period the import duty on flaxseed was 20 cents per bushel; on linseed oil, 10 cents per gallon. During the period 1914-1920, the import duty on flaxseed was reduced 5 cents per bushel from the rate of duty during the two preceding periods.

Duty on linseed oil was reduced 5 cents per gallon or 33 1/3 per cent from period 1910-1913, and 10 cents per gallon or 50 per cent lower than during period 1902-1909.

In the foregoing statements we have used 1910, 1914 as the commencement of periods for comparisons, as tariff changes of 1909, 1913 were effective late in the respective years.

Prior to 1910, the United States was a surplus flaxseed-producing country and therefore importations of either flaxseed or linseed oil were unimportant in volume.

With declining rates of import duty on flaxseed and particularly on linseed oil, the average annual acreage of the period 1914-1920 shows a decline from the average for the period 1902-1909 inclusive, of 1,066,000 acres, or 38.8 per cent.

During the period of 20 years ending 1920, the normal annual requirements of linseed oil in the United States, increased from about 40,000,000 gallons to 70,000,000 gallons or 75 per cent.

## COMPARISON OF COSTS TO THE AMERICAN MANUFACTURER OF LINSEED OIL WITH COSTS OF MANUFACTURER IN EUROPE.

European countries import flaxseed free of duty.

Taking 30 cents per bushel import duty on flaxseed as proposed by the emergency tariff bill as a basis, figuring 2 1/2 gallons of oil yield per bushel of seed, we find an equivalent of 12 cents a gallon duty on linseed oil.

The following comparative rates of wages per hour are computed on a gold basis of exchange as of May 14, 1921.

	United States.	England.	Holland.	Germany.
	Cents.	Cents.	Cents.	Cents.
Pressmen and molders.....	50	31.280	21.8	9
Unskilled labor.....	40	29.793	22.8	7
Dock labor at entry ports.....	80	41.438	31.4	.....

The costs other than labor to the American manufacturer compared with such costs in Europe will show a greater disparity than in the table of wages shown above.

A careful comparison of operating costs of the larger and best equipped mills in the United States shows an average total cost of 50 cents per bushel of seed crushed, based upon present values of material, labor, and costs other than these.

Consequently there is a difference in operating costs of not less than 25 cents per bushel against the American manufacturer, which, converted into cents per gallon of linseed oil produced from a bushel of flaxseed, amounts to 10 cents.

## TRANSPORTATION COSTS.

A bushel of flaxseed is, by weight, 56 pounds, from which is expressed by manufacturing processes about 19 pounds of linseed oil. The remainder, or about 37 pounds, commonly termed by-product, is linseed-oil cake used for cattle-feeding purposes.

A large proportion of the oil cake produced in this country from imported flaxseed is exported to Europe. The oil cake amounts to about two-thirds the weight of a bushel of seed.

During the last 10 years the dairy farmers in the United States have been educated through the various agricultural experiment stations to recognize the peculiar value of linseed meal as a superior cattle food.

The inherent qualities of linseed meal make it a prime factor in the making up of a balanced food ration and if it were not produced in this country it would have to be imported for this purpose at a very much higher price.

Under normal conditions the rate of freight from Argentina (the largest surplus flaxseed producing country in the world) is approximately the same to United States and to Europe.

The mean rate on linseed-oil cake at present from North Atlantic United States ports to European ports is \$7.50 per 2,000 pounds, which is equivalent to 13½ cents on 37 pounds, the oil-cake content of a bushel of flaxseed.

The currently quoted ocean freight on linseed oil from Europe to North Atlantic United States ports, as, for instance, Rotterdam, Holland, is \$6 gold per 1,000 kilos. That rate of transportation applied to 19 pounds of linseed oil obtained from 1 bushel of flaxseed plus the weight of the container is the equivalent of 6.3 cents. Thus the difference between the transportation cost from the United States to Europe on the cake content of 1 bushel of flaxseed and the transportation cost from Europe to the United States on the oil content of 1 bushel of flaxseed is 7.575 cents, which, reduced to the basis of a gallon of 7½ pounds, is 3.28 cents per gallon.

Accordingly, excess costs to American manufacturers per gallon of oil are:	Cents.
Flaxseed import duty equivalent.....	12.00
Labor, etc.....	10.00
Ocean transportation.....	3.28
<b>Total.....</b>	<b>25.28</b>

These excess costs, therefore, justify the request made below for a duty of 25 cents per gallon on linseed oil.

It will be noted from the above facts that when in 1890 the duty on seed was 30 cents per bushel the duty on linseed oil was 32 cents per gallon, while in 1913, when the duty on seed was 20 cents per bushel, the duty on oil was only 10 cents per gallon. The policy of the Government in thus reducing the duty on oil has resulted in making it possible for foreign manufacturers to export oil to this country at lower prices than the farmers and linseed-oil manufacturers in the United States could together produce it. Foreign competition in oil has, therefore, not only been highly disastrous from the standpoint of the producer of the oil but from the standpoint of the grower of the seed, too. Under this policy the production of seed in the United States has been very materially reduced, and if continued the United States farmer will be compelled to sell his seed abroad in competition with South American seed, to be manufactured into oil which can then be sent back to this country at lower prices than the American manufacturer can produce it.

Does it seem necessary to argue that it is for the best interests of this country to maintain the linseed-oil industry which represents a volume of business approaching \$100,000,000, the products of which are essential to so many other industries that they comprehend a large portion of the industrial life of the Nation?

Unless the industry is to be destroyed and this country is to be dependent entirely upon foreign manufacture for its supply of linseed oil, the compensatory duty on linseed oil discussed in this statement is, we believe, absolutely necessary and should be provided.

To the extent that American farmers may fail to produce sufficient flaxseed to supply the United States consuming requirements of flaxseed products, we call attention to the necessity of maintaining a parity between the duty imposed upon flaxseed and that imposed upon linseed oil, so that it will be possible to import such amounts of flaxseed as may be necessary for the consumptive demand of the United States from our neighbor on the north (Canada) and from Argentina on the south, rather than by an inequitable relationship between the duty on oil and seed, force these producing countries to market their flaxseed in Europe, the result of which course would be the importation of linseed-oil manufactures in Europe and the extinction of our industry.

Probably the United States farmer would find it difficult to sell his seed abroad, and in that event the growing of seed (if it is worth while growing any of it at all) and, as a consequence, the production of oil would cease in this country.

We therefore respectfully ask for a duty of 25 cents per gallon on linseed oil imported into this country if 30 cents per bushel on foreign seed is to be maintained.

## OLIVE OIL.

[Paragraph 50.]

STATEMENT OF R. U. DELAPENHA, PRESIDENT OF R. U. DELAPENHA & CO. (INC.), NEW YORK CITY.

Senator McCUMBER. Mr. Delapenha, will you kindly state your full name, your residence, and your business?

Mr. DELAPENHA. My name is R. U. Delapenha. I am president of R. U. Delapenha & Co. (Inc.), 17 Jay Street, New York City.

Senator McCUMBER. You speak on paragraph 50, do you?

Mr. DELAPENHA. I do, sir. I am also appearing for Mr. George O'Hara, of La Manna, Azema & Farnan, the next speaker. I have a letter here, Mr. Chairman, addressed to Senator Penrose, from him, asking that I be permitted to use his time, if necessary.

The tariff act of August 5, 1909, provided a duty of 40 cents per gallon for olive oil in bulk and 50 cents per gallon for olive oil in packages containing less than 5 gallons.

The tariff act of October 3, 1913, provided a duty of 20 cents per gallon for olive oil in bulk and 30 cents per gallon for olive oil in packages containing less than 5 gallons.

The present or emergency tariff provided for a duty of 40 cents per gallon for olive oil in bulk and 50 cents per gallon for olive oil in packages containing less than 5 gallons.

Senator SMOOR. Are you an importer of olive oils?

Mr. DELAPENHA. I am and have been for 25 years, sir.

The new proposed rate of duty will be for olive oil in bulk, about 50 cents per gallon and in 1-gallon cans about 62 cents per gallon.

On Saturday, July 9, Mr. Fordney, on page 3735 of the Congressional Record, said in his speech:

But, my friends, it has been my earnest purpose, and will continue to be until this bill is written into law, to see to it, so far as in my power, that no prohibitive rate shall be written into the law. It is my purpose also to see that the rates are sufficiently high to offset the difference between the cost of production in this country and the cost abroad.

The question that I am here to debate is the cost of production in this country and and the cost abroad. I have already appeared before the Ways and Means Committee and protested against any increase in the rate of duty on olive oil. To do so will permit the manufacturers of substitutes to increase their prices proportionately, and the consumer will pay the price.

A great deal has been said about protecting the olive-oil industry in California and in Arizona. In my judgment, if the present proposed rate of duty becomes law, they will be injured—not benefited. The real benefit will accrue to the distributors of Mazola and other substitutes, and the consumers of olive oil everywhere in this country will be forced to pay the higher price for this necessary article of food.

No matter what tax is finally decided upon, the differential that is proposed between olive oil imported in bulk and in packages containing less than 5 gallons, and which is about 12 cents per gallon, figuring the difference between the price of olive oil in bulk and the price of olive oil packed in a 1-gallon can, does not protect the American manufacturer of olive oil.

Prior to 1914 our corporation, who have been importers of and dealers in olive oil for 25 years, always imported their olive oil in containers of less than 5 gallons.

Just prior to the breaking out of hostilities we had completed a new factory 4 miles south of Poughkeepsie, N. Y., on the New York Central Railroad, with our own dockage facilities, which is a substantial reinforced-concrete building, with tiled underground tanks, designed and executed by French engineers, for the purpose of storing, refining, and packing olive oil in containers smaller than 5 gallons in the United States.

Other manufacturers, notably La Manna, Azema & Farnan, of New York, for whom I am appearing, also expended substantial sums of money in a similar way.

The factories have been functioning, and the new industry has been built up in the United States, employing approximately 1,000 work-people, giving to our can and glass manufacturers an added business, which in 1919 amounted to nearly \$2,000,000, and with the existence of these factories is now being seriously threatened, owing to the fact that labor in Europe is being paid prices far below the American standard of living, and, because of a surplus of tinplate, cans are being made for one-fourth the price in Italy and in France than they can be bought for in the United States.

I give you herewith the details of the cost of packing ten 1-gallon cans of olive oil at our factory:

Cost of ten 1-gallon cans.....	\$1.70
Screw caps.....	.05
Case.....	.71
Nails and solder.....	.10
Pads and partitions.....	.03
Cartage.....	.04
Labor.....	.15
	<hr/>
	2.78
Olive oil at to-day's quotation of \$2 per gallon.....	20.00
	<hr/>
	22.78
10 per cent for overhead.....	2.78
	<hr/>
	25.56

This would be \$2.50 per gallon if packed in the United States, without profit. The latest cabled quotations are \$2.25 per gallon, duty paid, with the shippers' profit.

Whatever tax you may determine upon, there should be at least a difference of 1½ cents per pound between olive oil imported in bulk and olive oil imported in packages weighing less than 44 pounds, including the weight of the immediate container; and again I must refer to Mr. Fordney's speech of July 9:

I am a protectionist and I am a Republican, without any apologies for my protection or Republican views.

In other words, we can not pay American wages to continue the American standards of living if we are to compete against European wages paid plus the depreciated currency of the various nations from whom we are purchasing.

You will note that I purposely make no suggestions as to what the duty shall be. I have simply stated the fact, and I am going to leave that to the Senate Finance Committee to decide.

· Senator McCUMBER. But you would make a differential of 1½ cents per pound?

Mr. DELAPENHA. At least that, if we are to remain in business, instead of 1 cent per pound as proposed.

In view of the fact that many weeks ago I made my arrangements to sail on the *Aquatania* a week from to-day for the other side, I whispered to Senator Penrose just after recess that I was going to ask of the committee the privilege of speaking for a few moments on paragraph 740, which deeply interests our concern. May I be granted that privilege?

Senator McCUMBER. Certainly.

Mr. DELAPENHA. I refer to paragraph 740, covering citron and citron peel, orange and lemon peel, crude or in brine. There has been apparently a manifest error there that should be corrected. You will notice on page 92 it says, "orange and lemon peel, crude or in brine." There is where there has been an omission. It does not state what the duty shall be. "Candied or otherwise prepared or preserved, 2 cents per pound."

Senator SUTHERLAND. What should that be?

Mr. DELAPENHA. It would appear that it should be the same as citron and peel in brine, 2 cents per pound, and prepared, 4 cents per pound. You will see that orange and lemon peel, crude or in brine, and the finished article at the same price would put us out of business.

Senator SMOOT. It says, "Candied or otherwise prepared or preserved, 4 cents per pound."

Mr. DELAPENHA. No; it says 2 cents per pound on the other page. I think that is manifestly an error.

Senator SMOOT. You say orange or lemon peel?

Mr. DELAPENHA. Yes, sir. You will see that they do not differentiate there. You say that the duty shall be 2 cents per pound, whether it is imported in brine for manufacturing purposes here or whether it is candied and imported.

Senator SMOOT. You would add after the words "in brine," 2 cents per pound; candied, or otherwise prepared or preserved, 4 cents per pound?

Mr. DELAPENHA. Yes. Now, I wish to call to the committee's attention the wrong there that is being done to American manufacturers who have been accustomed to enjoy a business in candied or glacé citron, lemon, and orange peel made from the imported products and employing American labor on the American standard of wages and living to prepare them, to say nothing of the interest of box manufacturers, the paper manufacturers, the manufacturers of nails, etc. Citron, lemon, and orange peel in brine has always been on the free list. It has never been taxed. To put a 2 cents per pound tax on the raw products in brine and only a 4 cents tax on the finished article will drive every manufacturer of citron, lemon, and orange peel in the United States out of business, for this reason: The citrons, which are nothing but large grapefruit, and with which you are all familiar, are cut in two, exactly in the center. They are immersed in this saline solution, which is nothing but sea water, and shipped to the United States. At the port of entry that citron would be weighed. In the weighing of the citron it would be quite impossible to get the water

that the citron has absorbed, because it is porous and will absorb the water in the pulp, and when we take that citron to our factories, drain it of the water, take out the pulp, which is of no value to anyone, because it is exceeding salty, it is thrown away. The net weight of the actual peel that we get to commence our operations in comparison with what we pay for has already shrunk 20 per cent. So that you can clearly see that if we have to lose that, plus paying the freight on the gross amount of pulp and the water, 4 cents a pound will be quite inadequate to take care of the difference that should ordinarily exist to give us some protection.

Senator SMOOT. How do you get along with it under the present duty and only a differential of 1 cent?

Mr. DELAPENHA. We do not get along at all. It has been very hard to get along.

Senator SMOOT. Well, you have been getting along.

Mr. DELAPENHA. To-day citron is free. We pay no duty whatever.

Senator SMOOT. That is the fruit?

Mr. DELAPENHA. The fruit.

Senator SMOOT. Or whether it is in brine?

Mr. DELAPENHA. Yes; it is then free.

Senator SMOOT. But you have only a 1-cent differential.

Mr. DELAPENHA. I am not quite sure what the tariff is.

Senator SMOOT. It says here "orange peel or lemon peel, preserved, candied, or dried, 1 cent per pound."

Mr. DELAPENHA. On citron how much is it?

Senator SMOOT. Two cents per pound.

Mr. DELAPENHA. Of course, citron is the big proposition. We sell 100 pounds of citron to 10 pounds of orange or lemon peel.

Senator SMOOT. Of course, in this bill they give you the straight differential, as you have under the Underwood bill, with free citron.

Mr. DELAPENHA. Except this, that where we get free citron we are not paying any duty on water or on freight. Here we would be.

Senator McLEAN. Your duty on the raw material would exceed the duty on the finished product?

Mr. DELAPENHA. It would, sir. Now, that is a plain statement of facts.

Senator SMOOT. What would be the difference?

Mr. DELAPENHA. I should say that if the committee finds it necessary for revenue purposes at this time to put a duty on fruit in brine, that the differential should be at least 4 cents per pound.

Senator McCUMBER. Then, if it is 2 cents in the first instance, it should be 6 cents on the finished article?

Mr. DELAPENHA. Yes, sir. That is all, gentlemen, that I have to say, and I am very much obliged to you for the opportunity of saying it.

**STATEMENT OF NATHAN MUSER, PRESIDENT OF MUSER & CO., BALTIMORE, MD.**

Senator WATSON. What is your business, Mr. Muser?

Mr. MUSER. Importers and packers of olive oil.

Senator WATSON. How much do you import in a year?

Mr. MUSER. We are importing on an average about 1,000,000 gallons a year.

Senator WATSON. Where do you get it?

Mr. MUSHER. We get a great deal of it from Spain and Italy, all depending on the crop conditions. One year there may be a very good crop in Italy and the next year there may be a very good crop in Spain. So we have alternated, following always the best crop every year.

Senator WATSON. Do you use any American olive oil?

Mr. MUSHER. No, sir.

Senator WATSON. Is there none made in America that could be used in competition with what you get from Spain and Italy?

Mr. MUSHER. Olive oil in California, Senator, is a by-product. The California industry is dependent entirely on the packing of the ripe olives. About \$1,500,000 worth of olives a year are packed in California as against only 200,000 gallons of olive oil made, which is made from the olives that are either unfit or because of lack of canning facilities to can them at the time of ripening. So it does not really compete. Olive oil on the basis of 4,693,244 gallons importations a year as against the production of less than 200,000 gallons in California does not compete.

Senator WATSON. What is the entire American supply?

Mr. MUSHER. The American supply is limited to 200,000 gallons a year.

Senator WATSON. What is the consumption?

Mr. MUSHER. About 4,693,244 gallons is the average annual importation 1906-1920. We have a plant in San Diego packing sardines and tuna fish. We find that the California olive oil by character contains about 2 to 3 per cent of free fatty acid, and we can not even use California olive oil to advantage in the packing of sardines. That is not because it is not a good oil. It may be made much better than it is if it was a direct issue. As it stands to-day it is only a side issue, as I said before, and the public prefer sardines and tuna fish packed in cottonseed to that packed in California olive oil.

We originally put up our plant in California in order to develop the sardine-packing industry by using the highest quality of olive oil, such as they use abroad, and during the war we had to come to a standstill.

Senator SMOOT. Are you protesting against this rate of 6½ cents per pound?

Mr. MUSHER. No; I am not. I am in a rather peculiar position. I do not want to ask for anything unreasonable in the way of a reduction in the schedule that the House reported. They reported a rate of 6½ cents in bulk and 7½ cents in packages. I would suggest 5½ cents per pound in bulk, which would mean about 40 cents a gallon, and which would put it back to the rates in the original old Payne-Aldrich tariff bill, and along with that maybe 7½ cents the package goods; but specify in the bill that the duty shall be paid on tins and cases on the gross weight, so as to give protection to the can men who manufacture the cans and to the case men and to the labor that goes in it.

Senator SMOOT. The previous witness wanted 1½ cents differential. Why do you ask for more than that?

Mr. MUSHER. One and a half cents is not sufficient.

Senator SMOOT. You want more?

Mr. MUSER. Two and a quarter cents would just about make it right, because it is not only the protection on the package; it is also to bring the industry here from the standpoint of the merchant's profit on buying bulk oil. There is a merchant's profit that goes along with the buying of bulk oil that the merchant gets. If we should permit the package goods to come in, which would make it possible for the packing to go on on the other side, then the merchant's profit likewise goes on the other side.

We have the largest investment. Probably our investment is more than the combined investments of all the other plants. We have \$1,000,000 at least in plant and equipment in Baltimore. We have a storage capacity of 1,500,000 gallons of olive oil in glass-lined tanks. If we do not get a sufficient differential, our volume of business will be such that our overhead will eat us up because we must be in a position to do a large business in order to bring our overhead to any kind of a fair figure.

Senator WATSON. What do you say it ought to be?

Mr. MUSER. It ought to be, Senator,  $5\frac{1}{2}$  cents on bulk and  $7\frac{1}{2}$  cents on packages.

Senator WATSON. This reads, "Olive oil, not specially provided for,  $6\frac{1}{2}$  cents per pound."

Mr. MUSER. Change that to  $5\frac{1}{2}$  cents per pound.

Senator WATSON. "Olive oil, weighing with the immediate container, less than 44 pounds,  $7\frac{1}{2}$  cents per pound on contents and container." Are you not satisfied with that?

Mr. MUSER. I am not satisfied. Where you have  $6\frac{1}{2}$  cents I would suggest that you insert  $5\frac{1}{2}$  cents.

Senator WATSON. What about that other item?

Mr. MUSER. I would let the  $7\frac{1}{2}$  cents stand as it is. That just widens the differential.

Senator WATSON. Are those containers tin?

Mr. MUSER. Those containers are tin.

Senator WATSON. In a 44-pound can how much is oil and how much is tin?

Mr. MUSER. The tin will vary with the oil. The larger the container the less tin per so many pounds of olive oil.

I would also recommend that the case be included in the duty, because the box manufacturer and the people who make these cases are also entitled to protection. The olive-oil industry is just in its infancy here. We can deliver much better goods. When I first started in the olive-oil business I brought over my goods in packages from the other side, and the thing that prompted me to go into packing on this side, when the American Can Co. was not equipped to make tins, was because I could not stand by the quality of goods that came over from the other side. Every shipment was of a different quality. I could not get into every tin and examine it. I found also the goods were not always clean. We used to find a fly or a mosquito or something of that kind coming over in the tins. So I immediately got busy on the packing of olive oil on this side, and I am probably the father of the packing of olive oil.

Senator WATSON. Did you throw away that olive oil in which you found the flies and mosquitoes?

Mr. MUSER. Those cans that we were fortunate enough to open we did.

Senator WATSON. I thought you skimmed them off.

Mr. MUSER. Well, the flies were entitled to some medicament.

The use of olive oil has grown immensely with the American public. A friend remarked to me the other day that whereas 1 out of every 25 used to order a salad, to-day you will find that 7 out of every 10 will order a salad. Salads have come to the front wonderfully. The public not only use olive oil for salads, but they are eating more raw vegetables, such as tomatoes and things of that sort. By giving California the necessary protection, which I believe you will give when you allow 5½ cents per pound on the bulk oil, it will bring it to about 40 cents, exactly where you had it before, and considering that only 200,000 gallons of olive oil are produced in California as against 4,693,244 gallons average annual importation from 1906 to 1920, the protection of about 40 cents per gallon would be, in my judgment, very sufficient.

Senator WATSON. According to the Tariff Commission, the imports in 1907 were 1,847,702 gallons; in 1918 166,115 gallons.

Mr. MUSER. That was because of the embargo.

Senator WATSON. What was the amount last year?

Mr. MUSER. Last year it was approximately 4,078,808 gallons that we brought over. Year before last was the biggest year. Taking the total quantity since 1916, you will find 30,000,000 gallons imported as against 778,000 gallons made in California these four years of edible olive oil. So that the California people, I do not believe, can reasonably expect any protection beyond 5½ cents per pound, and the differential between that and 7½ cents per pound will mean that the olive-oil manufacturers and packers on this side will be able to continue their plants.

Senator McLEAN. What does it cost you per pound?

Mr. MUSER. Bulk oil?

Senator McLEAN. Oil ready for the market.

Mr. MUSER. We have had so many different prices on the bulk oil that I am going to give you an answer first on the cost of production. In the year 1920 our volume was not so large and it cost us 80 cents per gallon for tins, cases, labor, etc. In the year 1919 our volume was larger and it cost us only around 70 cents per gallon.

Senator McLEAN. How many pounds to the gallon?

Mr. MUSER. Seven and a half pounds we consider a gallon. So that the volume is a very important factor, and if you are going to permit us to go on with this industry we can increase our volume and thereby be able to deliver better goods for less money.

Senator McLEAN. It costs you to prepare for the market about 80 cents a gallon?

Mr. MUSER. Eighty cents a gallon, averaging all sizes; half pints, pints, quarts, half gallons, and gallons.

Senator McLEAN. It costs the consumer about a dollar a pint?

Mr. MUSER. We had before the war a fixed price on our tins. We had a price of \$4 a gallon printed on the gallon tins, \$2 a gallon on the half-gallon tins, \$1 on the quart tins, 50 cents on the pint tins, and 25 cents on the half-pint tins. I took the stand that the consumer who has only enough facility for one half pint of olive oil should not be penalized, and therefore had the prices on the packages. But since the war came on it was impossible to regulate in any way a reasonable reselling price to the consumer. It is to our interest to

keep the price to the consumer as low as we can so as to enable us to do a larger volume of business, because it is not the percentage of profit that counts with the packer. We turn out about \$3,000,000 worth of olive oil a year, and we are only interested in how many dollars we have made at the end of the year. So that with a larger volume we can necessarily get along with a much lower percentage of profit. But it means more value at the end of the year. So we must ask for a differential of not less than 2½ cents.

**STATEMENT OF WALKER W. VICK, NEW YORK CITY, REPRESENTING THE OLIVE OIL ASSOCIATION OF AMERICA.**

Senator McCUMBER. Mr. Vick, where is your residence, please?

Mr. VICK. Twenty-five Broad Street, New York City.

Senator McCUMBER. What is your business?

Mr. VICK. I am the acting secretary of the Olive Oil Association of America and its representatives.

Senator McCUMBER. And you speak to paragraph 50 also?

Mr. VICK. Yes, sir; on behalf of the Olive Oil Association of America. The Olive Oil Association of America, an association of merchants and manufacturers organized in order to foster the interests of the olive-oil trade, and having their office at 17 Jay Street, in the city of New York, respectfully present the following facts.

Senator McCUMBER. Are you importers?

Mr. VICK. Yes, sir; and manufacturers; that is, manufacturers of olive oil coming in in bulk and placing it in tins and bottles in this country.

Senator SMOOR. Are you satisfied with the 6½ cents per pound?

Mr. VICK. The association is not.

Senator SMOOR. What do you want?

Mr. VICK. The association recommends a duty of 20 cents per gallon in bulk, and a differential of 10 cents.

Senator WATSON. How much is that a pound?

Mr. VICK. The official figures, Senator Watson, are 7.61 pounds per gallon.

Senator SMOOR. That would be less than 3 cents per pound?

Mr. VICK. Yes, sir. The value of olive oil has not only reached abnormal proportions from war conditions, but with the exchange greatly in favor of the purchasers prices have advanced to a point causing an alarming decrease, and in consequence seriously jeopardizing a very large investment of American capital should these values be maintained. In illustration of this point your attention is respectfully called to the following import figures:

*United States imports of olive oil, fiscal years 1910-1920.*

	Gallons.		Gallons.
1910-11-----	4, 405, 827	1917-18-----	2, 537, 512
1911-12-----	4, 836, 515	1918-19-----	4, 283, 130
1912-13-----	5, 221, 001	1919-20 (owing to shortage	
1913-14-----	6, 217, 560	of the two previous	
1914-15-----	6, 710, 957	years)-----	6, 812, 590
1915-16-----	7, 224, 431	1920 (first nine months of	
1916-17-----	7, 533, 140	calendar year)-----	3, 245, 059

Senator SMOOR. That includes all?

Mr. VICK. That is the bulk and the package both, Senator Smoot.

Senator SMOOT. Is that all edible oil?

Mr. VICK. Yes, sir; that is all edible oil. Those are the official figures.

Senator WATSON. Why do you importers ask for any tariff on it? It is all imported.

Mr. VICK. Why do we ask for any tariff?

Senator WATSON. Yes. Why do you not want an absolute free trade?

Mr. VICK. We do ask for that, but we believe for revenue reasons and fiscal reasons that you gentlemen will see fit to place a duty on it of some character, and, therefore, the association, which is composed of 90 members—

Senator WATSON. We want to put a duty on it that will bring the most revenue because it is noncompetitive. Would not the rate that Mr. Musher proposed here bring a greater revenue without interfering at all with the quantity of oil imported?

Mr. VICK. From that angle it would simply mean this, that the official figures of the Tariff Commission show that in the banner year of 1916 of American production the production amounted to only about 2 per cent of the consumption of the country. That simply means that you are going to overtax and practically place almost a prohibitive tax on the consumer on a 98 per cent consumption in order to protect our less than 2 per cent production.

Senator WATSON. You did not get my question.

(At this point the committee took a brief informal recess, at the conclusion of which the committee reassembled and the following proceedings took place:)

Senator McCUMBER. Mr. Vick, you may proceed now.

Mr. VICK. Mr. Chairman, Senator Watson just at the time the brief recess was taken asked a question concerning the importations— if the proposed rate of duty was continued in this present tariff bill? Our reply to that is simply that the act of October 3, 1913, called for 20 cents per gallon. The rate that we suggest of about 3 cents per pound would mean, approximately, 22 cents a gallon, or an increase of slightly over 10 per cent over the act of 1913. The present proposed duty really represents considerably more than 200 per cent increase over the act of 1913. In my judgment, a tariff of 21.83 per gallon will yield the Government a greater revenue than the proposed tax of 6½ cents per pound, or 50 cents per gallon, because of the increased quantities that would be imported without injuring in any way any domestic production.

I was trying to reply to your query, Senator Watson, in regard to the duty just before you came in.

Senator WATSON. How did you make out at it?

Mr. VICK. In our judgment, we believe that the increase in importations on an increase of 10 per cent over the 1913 act would give the Government a greater revenue than the proposed tax of 6½ cents per pound.

Senator McLEAN. You import the oil ready for the consumer?

Mr. VICK. No, sir. This is an association, Senator, composed both of importers who bring the olive oil in in bulk and have a very large investment for packing it here, and also importers who

bring it in in packages in glass and tin. The association is composed of both types of importers.

Senator McLEAN. Well, is it not imported in the bottles ready for consumption?

Mr. VICK. Yes, sir; and in tins also ready for consumption. We have among our membership that type of importer.

Prior to August, 1914, olive oil as a strictly American industry was limited to a few houses packing olive oil in cans and bottles on this side of the water in a very primitive way instead of in the countries of origin. Covering the period from August, 1914, to December, 1919, importers here found it necessary to erect plants and install expensive and delicate machinery for refining and packing the product in various sizes from 5-gallon tins to one-sixteenth gallon tins, and in a large variety of sizes of glass bottles.

Prior to August, 1914, only about one-third of the olive oil was imported in bulk (that is packed in large barrels or casks), whereas the close of the year 1919 found this condition so changed as to show seven-eighths of the total importation of olive oil reached the United States in bulk.

The development of the industry is clearly indicated by figures available from the American Can Co., of New York, manufacturing lithographed tins for olive oil. In 1916 they manufactured only 118,350 olive-oil tins, while in 1919 these figures reached the impressive total of 1,189,000 olive-oil cans for these same purposes. Similar reports can be obtained from other can manufacturers and would show equally substantial increases, and we refer to these a little later. The allied trades have also been greatly benefited. Glass manufacturers have had to add to their line the forms and shapes of olive-oil bottles purchased from Europe prior to 1914. This extended the operations to a field formerly unknown to them and proved of very considerable benefit from the standpoint of employment, production, and profit. Manufacturers of wooden cases in which the final product is packed for shipment in interstate commerce, as well as manufacturers of labels, caps, and corks, have also been similarly benefited.

The passage of the emergency tariff, increasing the duty on olive oil 100 per cent, not only placed the industry in serious jeopardy as such and added further burdens to the ultimate consumer, but further played into the hands of those promoting substitutes. The proposed duty in H. R. 7456, paragraph 50, nameiy, 6½ cents per pound on packages weighing over 44 pounds and 7½ cents per pound on packages weighing less than 44 pounds, weight of container included, practically means an increase of 200 per cent over the tariff provided under the act of October 3, 1913, and the facts related therein we believe will convince your committee as not only unjustified from any angle of approach, but without reason or defense of any sort.

Olive oil is a food, not a luxury. Its therapeutic value is acknowledged. Leading physicians prescribe it for the baby's first bath and continue its use throughout the string of life. Its nutritive value as a fact is so well known as to need no comment.

The importation of olive oil in the United States in no way interferes with domestic olive oil or the development of that industry.

As far as we know it is only produced in the States of California and Arizona, and the production in either or both of these States is not sufficient for the use of their own population, judging from the purchase of imported olive oil they consume. Reference to page 73 of the Summary of Tariff Information, 1920, will show that the domestic production for the banner year of 1916 amounted to only about 2 per cent of the olive-oil consumption of this country. The production from September 30, 1910, to September 30, 1920, was only about one-third of production for the year 1916. In order, therefore, to provide protection for an industry that produces this small amount of olive oil it is proposed to place almost a prohibitive tariff against its importation. The effect of this proposed prohibitive tax would be felt in every home in the country where the use of olive oil long ago became a necessity.

The question of protection we do not think can be seriously considered with relation to olive oil, for the reason, first, that if all of the olives grown in the States of California and Arizona were used for no other purpose than the pressing of olive oil it would only amount to about 10 per cent of the quantity needed for consumption by our people, and, second, it takes 15 years before new groves planted now will be in bearing and 30 years before they will be in full bearing. Certainly under no conditions can we justify taxing our people many years in advance of the possibility of home production providing any considerable proportion of the demands for this commodity.

The Olive Oil Association of America might understand the increase in the emergency tariff and the proposed further increase as provided in H. R. 7456 if the domestic production was 6,000,000 or 7,000,000 gallons of olive oil a year and the competition with imported olive oil was so severe that it could not be met without loss. Such is not the case, however, and any contention that olive oil should be considered as an article of luxury appears ridiculous in the face of the fact that it is one of the oldest known food products of the world, and a large percentage of our people have been accustomed since infancy to use olive oil as an indispensable article of daily diet. It is safe to state, without fear of contradiction, that the bulk of the olive oil consumed in the United States is used by those people who have always been accustomed to its use as a food.

The published reports of the production of olive oil in the United States is given for the following years:

	Gallons.
1916.....	193,453
1917.....	127,014
1918.....	81,000
1920 (Sept. 30, 1910, to Sept. 30, 1920).....	65,600

To-day there is invested in plants packing olive oil in cans and bottles, imported from various countries of production, an amount approximating \$2,500,000. These plants are operated under American conditions and paying American scale of labor. In addition to the direct operative value of these plants as American manufacturers, it is interesting to note the figures compiled from three can manufac-

urers who manufactured olive-oil cans covering the years 1916 to 1919, inclusive:

Year.	Quantity of cans	Value.
1916.....	10,157,736	\$359,493.66
1917.....	11,949,332	620,217.16
1918.....	5,199,746	561,682.28
1919.....	16,759,092	1,138,481.60
1920.....	8,135,460	77,200.03

We might add further that estimated figures for the same period covering cases, bottles used, corks, labels, and caps would be \$500,000.

We believe your committee is searching for the truth and that it is your purpose to provide revenue and protection to American industry with the vision of the entire country before you.

We protest that there should be any duty on olive oil under the existing conditions. It would be one of the most beneficent acts of our Government to permit olive oil to enter the United States free, so that all of our people would be benefited by the increased consumption bound to follow the reduction in price.

We well understand, however, that for fiscal reasons of revenue it becomes necessary to tax certain products, but assuredly a 20-cent per gallon tax on bulk olive oil and 30 cents per gallon in less than 5-gallon containers should be sufficient for all purposes.

### PEANUT OIL.

[Paragraph 50.]

#### STATEMENT OF JOHN B. GORDON, ALEXANDRIA, VA., REPRESENTING THE BUREAU OF RAW MATERIALS.

Mr. GORDON. My name is John B. Gordon. I live in Alexandria, Va. I represent the Bureau of Raw Materials, and desire to speak upon peanut oil in paragraph 50, and request the free entry of peanut oil into the United States.

Senator WALSH. What is the Bureau of Raw Materials?

Mr. GORDON. The Bureau of Raw Materials is an organization of the American vegetable oils and fat industry, composed of soap manufacturers and paint and varnish makers, edible-oil refiners, rubber substitute, core-oil manufacturers, tanners' oil refiners, and other users of animal and vegetable oils.

Senator WALSH. How many manufacturers are in it?

Mr. GORDON. I am not familiar with the exact number. I would say 500.

Senator WALSH. You represent them?

Mr. GORDON. Yes, sir. I desire to controvert the statement of Mr. Hutchinson, of the Georgia Cottonseed Crushers' Association, that the importations of oriental peanut oil have an inhibitive effect upon the production of domestic peanut oil. That is not the situation, because a study of the imports of oriental peanut oil will show that the domestic production of peanut oil went forward side by side with the growth of imports of peanut oil and that simultaneously the price

of both domestic and oriental peanut oil increased 100 per cent, showing that the importations of foreign peanut oil assuredly did not have an inhibitive effect upon the domestic peanut-oil business.

I desire to outline briefly the evolution of the domestic peanut-oil business of the United States. In 1914 we had a production of peanut oil of about a million pounds and were importing about six or seven million pounds. These early importations of peanut oil served to stimulate domestic production somewhat after the fashion of water used to prime the barnyard pump. By bringing foreign peanut oil into this country we familiarized ourselves with peanut oil and its good qualities, and its use developed. Our farmers began to grow peanuts, and our cottonseed mills began to crush peanuts. Now, unfortunately, from the angle of the cottonseed mills, the process of evolution did not stop there. We produced a considerable quantity of peanut oil in the United States up until the year 1919, but at the same time that the cottonseed crushers, who desired to also crush peanuts, were attempting to secure a supply of the peanuts for crushing purposes the peanut-butter manufacturers and confectioners and peanut roasters discovered that the domestic peanut was valuable for their usages and began to make inroads upon the supply. The nut trade, which includes the roasters, the confectioners, and similar users of the whole peanut, had the best pull in securing the domestic supply of peanuts, because they could pay by far the best price. Consequently the peanuts, instead of going to the cottonseed crushers, who had assumed the dual status of cottonseed and peanut crushers, went to the nut trade.

A few of the mills which had been crushing peanuts found themselves unable to make peanut oil from the high-priced domestic peanuts, which were high priced on account of the tremendous demand by the nut trade. They thereupon formed the erroneous conclusion that the reason they could not make peanut oil at a profit from these nuts was in some way connected with the importation of foreign oils, which is a most erroneous conclusion indeed. The whole gist of the thing was that the domestic supply of peanuts was going to the nut trade because the nut trade, being able to pay the best price, got the nuts.

So for this reason I say that from the angle of the oil mills the evolution of the domestic industry went too far. It went past them. The importation of foreign peanut oil had not in any sense an inhibitive effect upon the domestic oil business. I say "business," and not "industry," advisedly, because there is really no domestic peanut-oil industry. That is because there is such a heavy demand from confectioners and roasters and the peanut-butter trade that the crushers can not get the domestic nuts to crush, and there is a duty of three-fourths of a cent per pound upon the foreign crushing peanuts, and the crusher can not buy them and make oil at a profit, so we have no domestic peanut-oil industry. It is only a quasi industry. It is not real. It is a serious question in my mind if we ever can have one, unless we have free importation of peanuts for crushing purposes.

Senator REED. Peanuts to crush?

Mr. GORDON. Peanuts to crush; yes, sir. If peanuts for crushing purposes are allowed to be imported duty free into this country then

we can have something more than a quasi domestic peanut-oil business. We can have a fully defined domestic peanut-oil industry.

It is further a serious question in my mind, from a somewhat intimate knowledge of agricultural conditions, having been raised on a farm, that we can ever have in this country a domestic peanut-oil industry depending entirely upon domestic-grown peanuts, because peanut oil and cottonseed oil are absolutely interchangeable. The price differential obtaining between peanut oil and cottonseed oil is rarely more than one-eighth or more than one-quarter of a cent per pound, because peanut oil and cottonseed oil bear such close relation to each other in regard to their several uses. Peanut oil is sold when of domestic origin under the rules of the Interstate Cotton Crushers' Association, and no allowance is made for refining loss in excess of 5 per cent, while on cottonseed oil the percentage of refining loss allowed is 9 per cent, which accounts for a slight difference in price. This difference in price may be due also to the fact that there is a smaller quantity of peanut oil available and the market may be a little tight sometimes.

The total importation and domestic production of peanut oil has never reached one-tenth of the total production of cottonseed oil, which is about 1,500,000,000 pounds annually, and not 1,000,000,000 pounds, as the gentleman from Georgia said to-day. Cottonseed oil is produced from cotton seed, which is a by-product. We don't plant cotton with the primary object of producing cotton seed or cottonseed oil. It is a by-product from the production of cotton. The only source of profit to the farmer who plants peanuts, however, to-day is the peanuts. He has no by-product, like the cotton farmer has.

Now, it is a serious question whether domestic peanut oil, produced from domestic peanuts on our high-priced or even low-priced farm lands, can compete with cottonseed oil, which is a by-product of the production of cotton, and not a main crop. The cottonseed oil will be bound to sell at a lower price and being interchangeable with peanut secure preference.

Senator REED. Is there any difficulty about the regularity of the peanut crop? Do you have seasons of failure?

Mr. GORDON. Yes, sir; we have seasons when there are not very heavy crops, and also the supply of crushing peanuts is influenced by market conditions. In those seasons such as last year the domestic crusher gets practically no nuts.

Senator REED. And in those seasons he very much needs peanuts from abroad?

Mr. GORDON. Yes, sir; and I may state further that if the peanut oil which is brought from abroad is not allowed to enter the country those refiners of vegetable oils who have been specializing in products made from peanut oil will be embarrassed by the lack of proper and suitable volume of crude peanut oil and will have to abandon the use of domestic peanut oil. If they can not secure the foreign peanut oil to supplement the erratic flow of the domestic peanut oil, the domestic peanut-oil industry will suffer irreparably through this forced abandonment of the refiners.

Senator WALSH. Are the crushers united in favor of a tariff?

Mr. GORDON. Some of the largest peanut crushers are members of this Bureau of Raw Materials.

Senator WALSH. Are they against the tariff?

Mr. GORDON. Yes, sir. After reading the brief of the gentleman who spoke in favor of the tariff on it, we are unable to find any concrete evidence that the peanut crushers have actually asked for a tariff. Apparently the gentleman who spoke was under the mistaken idea that he was speaking for the peanut-crushing people.

Senator WALSH. Do you think the majority of the crushers of copra, cotton seed, and peanuts are opposed to this tariff?

Mr. GORDON. No, sir. I believe those producing the volume are opposed to it, and probably a majority if a poll were taken.

**BRIEF OF JOHN B. GORDON, REPRESENTING THE BUREAU OF RAW MATERIALS FOR AMERICAN VEGETABLE OILS AND FATS INDUSTRIES.**

A prohibitive duty is proposed in the bill H. R. 7456 on peanut oil. It is proposed to advance the present duty, which is more than ample, from 6 cents per gallon to 2½ cents per pound.

A duty of 2½ cents per pound on peanut oil would not be productive of revenue, as it would be a virtual embargo against future shipments. Its action in this direction would be as efficient as the duty of 26 cents per gallon levied in the now existent emergency tariff, under which importations have, for all practical purposes, completely disappeared from our records of foreign commerce.

The price of peanut oil is regulated by the price of cottonseed oil. The Tariff Commission states in its report on peanut oil in Tariff Information Surveys on the articles in paragraphs 44 and 45 of the tariff act of 1913, page 167: "On the other hand, the price of peanut oil is influenced very materially by the prices of competing oils. Usually the price of the crude oil is found to be just a little above the price of crude and slightly below that of refined cottonseed oil." In their discussion of cottonseed oil, on page 105 of the same review, the Tariff Commission states, "The price of crude cottonseed oil in 1913-14 ranged from 4½ to 6½ cents per pound."

On August 13, 1921, the price of crude cottonseed oil in the Southeast was 7 cents per pound f. o. b. buyers tanks at the crude mill. On the same day domestic peanut oil was 7½ cents per pound f. o. b. buyer's tanks at the crude mill. Thus we see that the observation of the Tariff Commission is correct. Peanut oil and cottonseed oil keep pace with each other, but with peanut oil generally slightly in the lead. Peanut oil in 1913-14 would have on this basis ranged from 4½ to 6½ cents per pound.

The 1913-14 range of prices for peanut oil as based upon cottonseed oil and the range of prices existent since January of this year are typical of a normal price range for peanut oil.

We show in the following table the average monthly market price for domestic peanut oil f. o. b. the crude mills since January, 1921.

TABLE 1.—Price of domestic peanut oil f. o. b. crude mills January to July, 1921, inclusive.

	Price.		Price.
January.....	\$0.0734	May.....	\$0.0575
February.....	.0676	June.....	.0575
March.....	.0589	July.....	.0665
April.....	.0562		

In the following table we show the prices at which oriental peanut oil was quoted in cases c. i. f. Seattle from January, 1921, to July, 1921, inclusive.

TABLE 2.—Prices at which oriental peanut oil was quoted in cases c. i. f. Seattle, from January, 1921, to July, 1921, inclusive, per 100 pounds.

	Price.		Price.
January.....	\$7.92	May.....	\$6.63
February.....	6.88	June.....	7.90
March.....	6.60	July.....	7.90
April.....	6.48		

The above table is based merely on quotations, needless to say no sales of oriental peanut oil were made at these prices. Oriental peanut oil has been unable to compete with domestic peanut oil since the fall of 1920, such sales as were effected being distressed lots within the United States and not sold for shipment from the Orient.

Both tables 1 and 2 show that a duty of 2½ cents per pound on peanut oil would be far out of proportion when adjudged in relation to a normal range of prices and would prove an effective embargo against further importations. It is apparent that the duty of 2½ cents was assessed on the basis of inflated war values which the country may well hope to never experience again.

#### EFFECT OF IMPORTATIONS OF PEANUT OIL UPON DOMESTIC PEANUT INDUSTRY.

In the above subhead we have by intention made no reference to a domestic peanut-oil industry. This is because there is, strictly speaking, no peanut-oil industry in the United States. We have a very important peanut industry but only a quasi peanut-oil industry. This is because peanuts are grown in the United States primarily for sale to the peanut-roasting trade, confectioners, and peanut-butter manufacturers and not for the manufacture of peanut oil.

In an occasional season when the market for peanuts among the confectioners, roasters, and peanut-butter makers is bad a considerable volume of peanuts are crushed and much domestic peanut oil is produced.

The crude mills which crush peanuts are the same mills which crush cotton seed. These mills are primarily cottonseed-crushing mills, the crushing of peanuts is a side line with them and is generally started up in seasons when nuts are available for crushing after the cottonseed crush is well out of the way. If there are no peanuts to crush the mills are not materially concerned. These mills can not be primarily peanut-crushing mills because the probability of receiving a supply of peanuts for crushing is too uncertain. Thus we say that there is no domestic peanut-oil industry. Before it could be said that there was actually a peanut-crushing industry in this country it would be necessary to have crushing plants which could function as peanut-oil producers year in and year out and not sporadically as transitory market conditions in the graded-peanut trade permit.

We desire to point out at this time the fact that many members of this bureau are crushers of peanuts when they can be secured, and we are as vitally interested in the upbuilding of a domestic peanut-crushing and peanut-oil industry as is anyone else. Perhaps more so, as our members use fully 76 per cent of the peanut oil produced in and imported into the United States.

There is a way of creating a domestic peanut-crushing industry in the United States which we will bring out in a separate brief, entitled "Peanuts for Crushing Purposes," which we will present when Schedule 7 is reached. We will in this brief petition the free entry of peanuts for crushing purposes into the United States in order that we may have in this country each year an unfailing supply of peanuts for crushing purposes.

In case further corroborative evidence is required as to the absence of a definite domestic peanut-oil industry from the United States it can be seen in the levying of a duty in the pending tariff of 4 cents per pound on shelled peanuts and 3 cents per pound on unshelled peanuts, without special provision for peanuts for crushing purposes and without consideration of the fact that there are certain grades of peanuts which, because of rancidity, worminess, or other defects, are unsuitable for use as whole peanuts by the roasters, confectioners, and peanut-butter manufacturers, but which are perfectly suitable for crushing purposes, the resultant oil being valuable either for soap-making or edible purposes, according to quality. Had there been a substantial domestic peanut-oil industry in the country it would not have been possible to thus shut off its outside sources of crushing peanuts, knowing how undependable and erratic were the domestic sources of supply.

We do not desire it understood that we are inveighing against the duty levied upon imported peanuts which come into competition with our domestic peanuts which are sold to the confectionery, roasting, and peanut-butter trade. This is a phase of the tariff on which we have no right to speak, and will only endeavor in our brief on crushing peanuts to show the propriety of admitting crushing peanuts free of duty, which grade of peanuts are in no way competitive with the above-mentioned grades.

We present herewith a table showing the domestic production of peanut oil, imports, exports, and consumption of peanut oil from the year 1914 to 1920, inclusive.

TABLE 3.—*Peanut oil.*

Year.	Production.		Consumption.	Imports.	Exports.
	Pounds.	Pounds.	Pounds.	Pounds.	Pounds.
1914.....	1,005,000	6,181,000	7,365,000	95,000	
1915.....	10,227,000	14,114,000	6,259,000	1,700	
1916.....	28,534,000	38,292,000	15,674,000	171,000	
1917.....	50,499,000	75,126,000	27,405,000	115,000	
1918.....	95,934,000	151,822,000	68,466,000	75,000	
1919.....	87,217,000	279,197,000	159,052,000	4,414,000	
1920.....	13,086,000	95,684,000	95,121,000	1,457,000	

From the above table two important facts are obvious, the first of which is the erratic production tendency of the domestic peanut-oil industry, clearly picturing the losing battle which the peanut crushers fought with the confectionery, roasting, and peanut-butter trade for the peanuts of the South, until they finally lost their grip almost entirely. The sequel is not altogether clear cut, because considerable crushing peanuts were imported into the country in 1920 despite the duty of three-fourths cent per pound and from which much of the 13,086,000 pounds of oil shown in that year was made.

The domestic production of peanut oil starting with the year 1914 shows a gradual upward trend until 1918, when it jumps forward 45,000,000 pounds to the peak of domestic production. Thereafter it declines until in 1920 only 13,086,000 pounds were produced, of which, as above stated, considerable was made from imported peanuts. When the production of domestic peanut oil began to decline in 1919 the consumption of peanut oil was by far the greatest of all years. In 1920 the consumption of peanut oil was still the third largest of all years, and the domestic peanut crop of 35,960,000 bushels was the third largest crop then on record, but the nut trade had vanquished the crushing industry, which because of the duty of three-fourths cents per pound could not bring in any important quantity of crushed peanuts from the outside.

The Tariff Commission in its survey of the peanut industry, page 161, describes what occurred:

"Production in the United States practically ceased in 1919-20. Only screenings from the shelling plants and inferior nuts could be crushed at the prevailing prices of nuts and oil. The great demand for peanuts, stimulated by the short crop and the light importation of the preceding year, caused prices to rule so much higher than ever before that the white Spanish peanuts of Georgia, Alabama, and Texas, grown primarily for oil, were shelled and sold to the confectioners in competition with the Virginia varieties.

"In February, 1920, when the market price of crude peanut oil was 23½ cents per pound, 7½ cents per pound was said to be the maximum which a miller could pay for peanuts to crush. Throughout the season the market price ruled considerably above this figure. The result was the virtual abandonment, temporarily at least, of the peanut-oil industry."

We desire at this point to state that we believe we have refuted absolutely both by our own version and that of the Tariff Commission that the importation of foreign peanut oil was in any way responsible for the inability of domestic producers of peanut oil to turn out a larger volume of peanut oil.

It should further be noted that the interests which most vigorously advocated high duties on oriental peanut oil were not the domestic producers of peanut oil, many of the largest producers and refiners of which are members of this bureau, but those who mistakenly thought that they were speaking for the domestic producers of peanut oil. Most domestic producers of peanut oil knew the real situation and knew that it was not importations of foreign peanut oil which prevented them from producing more peanut oil but the demands of the confectioners, roasters, and other branches of the nut-using trade upon the supply of peanuts.

To illustrate some of the basically wrong information which was presented to the Ways and Means Committee we quote herewith from the brief of the United Peanut Associations of America, at Norfolk, Va.:

"The domestic peanut-oil industry is in a life and death struggle. Unless relief is given by protecting it against the cheaply produced product from the Orient, the last days of the peanut-oil industry are being written into history. It absolutely can not survive the present catastrophe without protection."

We can only conclude that these gentlemen spoke without consulting anyone who knew the first rudiments as to the difficulties which confront the domestic peanut-oil producer. To anyone interested in the domestic production of peanut oil it is and was obvious as we have recounted that the domestic peanut-oil producer was wrestling

not with importations of foreign oil but with the confectioner, the peanut roaster, and the peanut-butter manufacturer who were using up practically the entire production of domestic peanuts, a situation from which there was no relief, because the domestic crusher could not import his supplies for crushing because of a duty of three-fourths cent per pound, which did not discriminate between peanuts for crushing and peanuts which went to the nut trade.

There has not been a time in the last seven years when the domestic producer of peanut oil encountered competition from foreign peanut oil which exerted an inhibitive effect upon the production of domestic peanut oil. The gentlemen who contended otherwise were mistaken. They were not in possession of the facts. The condition is and has been quite the reverse.

We come now to the second important fact obvious from a study of Table 2, which is that the importations of foreign peanut oil stimulated the production of domestic peanut oil and the domestic peanut-growing industry beginning to function in this capacity somewhat after the fashion of the water used to prime the old-fashioned barnyard pump. From the use of the imported peanut oil we familiarized ourselves with the good qualities and uses of peanut oil and then began the growing of peanuts in large quantities and the production of peanut oil in our own crushing mills. The difficulty from the angle of the oil mill is that the process of evolution did not stop at this point but instead continued on until the domestic peanut had graduated from the sphere of the oil mill to that of the peanut roaster and the confectioner's shop.

The Tariff Commission, on page 161 of their vegetable-oil survey, make this significant comment: "From 1916 to 1918, while imports were increasing about 500 per cent, production increased over 300 per cent and prices advanced about 100 per cent." It is manifest from this statement that importations of foreign peanut oil assuredly exerted no depressing effect upon the markets in this country or there would have been no 100 per cent advance in price.

The Tariff Commission continues as follows: "Price advancement continued in 1919 but prices have now fallen." It is apparent that the latter observation of the Tariff Commission applies to the fall of prices consequent to the onrush of deflation in all commodities and with which imports were in no way concerned. We might also interject the statement that the gentlemen who wanted a prohibitive tariff placed upon foreign peanut oil were hard hit by the process of deflation and that it is not improbable that they now realize the absolute error or their previous stand.

We have stated that the importation of foreign peanut oil stimulates the consumption of domestic peanut oil. We desire to develop this fact further.

The refiner of vegetable oils who decides to place upon the market a cooking fat, salad oil, or cooking oil, of which the base is to be refined peanut oil or perhaps straight peanut oil, is actuated primarily by the thought that he will at all times be assured of an ample supply of raw material or crude peanut oil. He would consider it poor business policy to take steps toward the placing upon the market such a product when the supply of raw material in sight with which to make same is limited. The present manufacturers of cooking fats and oils and salad oils composed of peanut oil soon noting that between the supply of domestic peanut oil and imported peanut oil an ample supply of raw materials was assured them, embarked upon the manufacture of the new products made from peanut oil. These edible products made from peanut oil are numerous. The day of their introduction to the American public corresponds closely to the time when foreign peanut oil began to enter the country freely.

Thus we see how closely interlocked has been the growth of peanut-oil production in the United States and the importations of foreign peanut oil. If after a substantial constant demand for peanut oil in America has been built up by allowing American refiners, soap makers, and other users to supplement their need for peanut oil in excess of that beyond the amount turned out by domestic producers with oriental peanut oil an ill-advised move is made to shut off access to these supplies by the imposing of excessive embargo-creating duties, it may be safely said that an almost irreparable injury will be done to the domestic product. The refiners of vegetable oil in America have seen how erratic is the outturn of domestic peanut oil, sinking as it did to only 13,086,000 pounds production in 1920, and rather than devote their time and effort to the relatively small quantity of same available they will turn to other vegetable oils procurable in large dependable volume.

#### FOREIGN PEANUT OIL NOT COMPETITIVE WITH COTTONSEED OIL.

We have brought out in other briefs upon foreign vegetable oils that in order for any vegetable oil to be considered as a competitor of cottonseed oil it must figure strongly in the make-up of lard substitute, the chief outlet for cotton oil. The Tariff Commission states in its summary on survey of the American cotton-oil in-

dustry, page 99: "In 1918 the quantity used in making lard substitute was 4.7 per cent soya bean, 2.3 per cent peanut, and 1.1 per cent coconut." When we consider that there are over 1,000,000,000 pounds of lard substitute produced annually it can be seen that the competition of peanut oil with cottonseed oil in this direction is not an important one, moreover, cottonseed oil having a higher titer than peanut oil is better adapted for use in lard substitute.

Peanut oil is generally slightly higher in price than cottonseed oil and is, therefore, used mainly for special purposes for which cottonseed oil is not so well adapted. While peanut oil is not so well adapted for use in lard substitute as is cottonseed oil, it is preferred by some manufacturers of oleomargarine to cottonseed oil. However, there is almost twice as much cottonseed oil as peanut oil used in the manufacture of oleomargarine, this proportion in 1918 being 12.8 per cent cottonseed oil against 7.6 per cent peanut oil. Since, however, the total amount of vegetable oils used in the manufacture of oleomargarine is not much over 100,000,000 pounds annually and the maximum amount of peanut oil used in any one year only 21,593,000 pounds, this field of rivalry between cottonseed oil and peanut oil is not a large one, particularly when we consider that there are 1,500,000,000 pounds of cottonseed oil produced annually, more or less.

Further, we have brought out in our brief on coconut oil that during the period of inflation the high price of certain animal oils and fats used in the manufacture of animal oleomargarine caused a shift of production tendency toward the cheaper vegetable product, in which coconut oil was largely employed. We will at this point amplify this statement by stating that in this class of oleomargarine peanut oil is more commonly used in conjunction with coconut oil than is cottonseed oil, which would explain the apparent rather than real tendency of peanut oil to seriously displace cottonseed oil in the manufacture of oleomargarine. Now that animal oleomargarine is again in a position of ascendancy it is to be assumed that the consumption of peanut oil in oleomargarine will diminish.

Before leaving the subject of competition between cottonseed and peanut oil it should be stated that peanut oil because of its excellent bleaching qualities is often employed by manufacturers of lard substitute in years when much of the cotton oil runs dark in color to lighten the color of the lard substitute, thus furnishing the means of putting a large quantity of cottonseed oil into consumption at a higher price level than would have been secured from the soap kettle, where the cottonseed oil would otherwise have been forced by its objectionable dark color. A condition such as above described obtained in 1919, the year of our heaviest imports of peanut oil—154,052,000 pounds—requiring the use of much peanut oil to lighten the color of the cottonseed oil used in making lard substitute. It can be seen, therefore, that the use of peanut oil in lard substitute is of actual benefit to the cottonseed-oil industry. If its use did not embody some form of benefit it would not be purchased at a higher price and used, as its only advantage in lard substitute over cottonseed oil is its superior bleaching qualities.

#### A HEAVY DUTY ON PEANUT OIL WILL NOT ENHANCE PRICE OF DOMESTIC PRODUCT.

The great regulator of prices of vegetable oils in America is cottonseed oil. Peanut oil, we have shown, is generally slightly higher in price than cottonseed oil. The price differential is commonly one-eighth to one-fourth cent per pound. This differential is primarily established by the fact that the refining loss on peanut oil is either actually lower than cottonseed oil or the trading rules under which it is bought specify terms of settlement between buyer and seller which provide for a lower refining loss. Under the rules of the Interstate Cotton Seed Crushers' Association the seller of cottonseed oil is allowed a refining loss of 9 per cent on basis prime contracts and on peanut oil 5 per cent before a penalty for excess refining loss is incurred. A further reason for the slight difference in value between peanut and cottonseed oil is the relative smaller production of peanut oil as compared with cottonseed oil.

Inasmuch as one-eighth to one-fourth cent per pound is the normal differential in favor of peanut oil over cottonseed oil, a differential which was departed from to any extent only during the war, due in part to speculation in this oil and to unusual demand from the oleomargarine trade, for a reason which we have previously given, there could be no expectation that the placing of a heavy duty upon foreign peanut oil would in any way elevate the price or assist the market for the domestic product. The domestic product is in this instance like a horse tethered to a post, and can move no farther than the length of its rope.

The domestic peanut-oil production plus the total imports for any one year has never equaled one-tenth of the production of cottonseed oil in America. Cottonseed oil is practically completely interchangeable with peanut oil. Therefore, it can be seen that until the far greater stocks of cottonseed oil in the country were consumed

it could not be expected that domestic peanut oil would benefit by the placing of a heavier duty upon imported peanut oil; in fact, it would in the long run, as previously set forth, have a boomerang effect upon our domestic peanut oil.

The element of interchangeability between cottonseed and peanut oil would be an insurmountable obstacle in the way of any revenue-producing property of a duty upon foreign peanut oil.

#### COST OF LABOR INVOLVED IN CRUSHING PEANUTS IN AMERICA NEGLIGIBLE.

In one or two of the briefs submitted by the peanut growers' associations, in which they mistakenly prescribed high duties on imported peanut oil as of benefit to domestic peanut oil, reference is made to the cheap labor of the Orient.

Reference is also made to the insanitary conditions of production of peanut oil in the Orient, "diseased Asiatics, etc.," which may be set aside as sheer nonsense, but which if for the sake of argument were conceded to be true would be absolutely discounted by the fact that vegetable oils before use in edible products pass through refining and deodorization processes, the latter requiring tremendous heat and complete sterilization results, and as for those vegetable oils used in soaps, the microbe has yet to be found which has the hardihood to exist in a cake of soap.

The cost of crushing peanuts in America is in the vicinity of 6 per cent. By some peanut crushers who are members of this bureau it is estimated at 7 per cent of the total cost of the oil produced.

The crushing of peanuts is almost entirely carried on in mills which also crush cotton seed, on which industry the Tariff Commission shows a table, page 103 of cottonseed oil survey, covering the relative importance of labor to materials. This table shows that labor is only 5 per cent of the total cost of the materials crushed and pressed. Inasmuch as peanuts for crushing cost more than cotton seed for crushing, having a much higher oil content and yield, it can be adjudged on this basis that the labor cost of many mills which crush peanuts is well under 5 per cent.

The oil yield of a ton of peanuts is from 75 to 80 gallons. The oil yield of a ton of cotton seed is from 37 to 40 gallons. The market price of crushing peanuts to-day will range from \$38 to \$40 per ton. The market price of cotton seed ranges from \$26 to \$28 per ton. Thus we see that the percentage of labor cost in most mills must be less in producing peanut oil than in cotton seed, particularly since the crushing of peanuts is a very simple operation.

Establishing a figure in the vicinity of 6 per cent as the labor cost of producing peanut oil, it can be seen that even if the oriental crusher obtained his labor for nothing he would not have an advantage over the American crusher, whose more modern machinery and greater skill of labor employed will insure a cheaper cost of production.

Moreover, the domestic crusher has advantages far greater than any which the foreign crusher could possibly enjoy, in his close proximity to the market for his oil and cake, lower freight rates, ability to ship his product in bulk, and through suitable location of his mills to best supply the needs of the several consuming markets of the country.

#### PRESENT DUTY ON IMPORTED PEANUT OIL IS MORE THAN DOUBLE AMERICAN LABOR COST.

The normal market value of peanut oil may be said to range around 6 cents per pound f. o. b. mill or f. o. b. cars at port of entry. The duty of 6 cents per gallon on peanut oil amounts to 80 cents per hundred. With peanut oil at \$6 per hundred the duty amounts to over 13 per cent ad valorem, or more than double the American crusher's labor cost.

With a duty of one-half the present duty, or 3 cents per gallon, which would equal 40 cents per hundred pounds, or 6½ per cent ad valorem, the whole question of the domestic crusher's labor cost could be discounted. Anything over 3 cents per gallon, or 40 cents per hundred, is therefore in excess of the needs of any protection which might possibly be required and in the nature of a subsidy.

#### DUTY ON PEANUT OIL LARGER THAN APPARENT.

In the levying of a duty upon peanut oil or other vegetable oil used for edible purposes it must be considered that these oils must be refined before use and that a loss to the refiner of from 5 to 12 per cent of the edible oil occurs, making the finished oil carry a higher tax than is indicated.

TRANSPORTATION CHARGES ON ORIENTAL PEANUT OIL AMOUNT TO 40 PER CENT OF THE NORMAL MARKET VALUE.

The cost of transporting oriental peanut oil from Tsing Tau, China, the principal source, to the Cincinnati district, the main consuming center of the United States, is as follows:

Packages, 2-5 gallon tins and case, cost (gold).....	\$0.55
Ocean freight, at \$6 per cubic ton, accommodating 1,150 pounds actual..	.50
Marine insurance, one-fourth per cent (value \$5).....	.0125
Leakage in voyage, 2 per cent average.....	.10
Handling at American port of entry.....	.25
Freight, port of entry to destination.....	1.05

It will therefore be seen that the cost of transportation alone from the foreign point of origin to the American center of consumption is \$2.46½ per 100 pounds.

The cost of transporting our domestic oil from southern points to this same consuming center in the Cincinnati district is only \$0.31½ per 100 pounds.

From the foregoing it will be seen that oriental peanut oil must bear a transportation charge of \$2.46½ per 100 pounds, or 18½ cents per gallon, while our domestic peanut oil bears a transportation charge of only 2½ cents per gallon, or an advantage of 16 cents per gallon, which on the basis of a normal market is more than 35 per cent.

When the 6 cents per gallon duty on peanut oil, as assessed in the act of 1913, is added the advantage of the domestic product through the combined action of transportation cost and the import duty is approximately 48 per cent on a normal valuation. When it is considered that at least 6 per cent of the oil will be lost in refining, upon which refining loss duty has been paid, the advantage of the domestic peanut oil over the imported runs over 50 per cent.

We believe that we have shown that the domestic producer of peanut oil is not in need of the protection which he now enjoys and that the problem of increasing domestic production is not one of protection.

USE OF PEANUT OIL IN LAUNDRY SOAP.

The following table, from supplement to Bulletin 769, United States Department of Agriculture, shows the consumption of peanut oil by the soap industry during the years 1912, 1914, 1916, and 1917:

TABLE 4.—Consumption of peanut oil by soap industry.

	Pounds.
1912.....	31,000
1914.....	76,000
1916.....	1,181,000
1917.....	15,126,000

The peanut oil shown as consumed in the soap kettle in the above table is either that of lower grade or was purchased at favorable price levels at times of fluctuation in the market, the certainty of occurrence of which is not sufficiently great to allow the soap maker to purchase any material quantity. The future use of peanut oil in the soap kettle will be impossible unless the present duty is removed. The maintenance of such a duty deprives the soap maker of any material use of peanut oil which would otherwise be a very important soap-making oil.

THE GROWING OF PEANUTS IN AMERICA IS LOGICALLY A NUT INDUSTRY AND NOT AN OIL INDUSTRY.

It is doubtful if we can ever have in America an important domestic peanut-oil industry which will crush peanuts of purely domestic origin. We produced fair volumes of domestic peanut oil from domestic peanuts under stimulus of abnormal war values, but it is highly improbable now that values have receded that it will be found profitable to devote extensive acreage to the production of peanuts solely for oil purposes and in competition with our domestic cottonseed-oil industry.

Cottonseed oil is completely interchangeable with peanut oil. Cotton seed is a by-product not a principal crop. In the growing of peanuts the problem of profit rests with the price secured for the nuts. For the peanut producers there are no paying by-products. If he receives a good price for his nuts he garners a profit on the acreage planted. Sometimes he secures a small amount of hay, a half ton per acre under favorable conditions, which he may feed to his stock.

We can not say definitely that American farm lands will prove too expensive on which to grow a main crop which is primarily an oil-producing crop. Whether such a crop can successfully compete with the enormous volume of our domestic cottonseed oil production, which is made from a by-product, no cotton being grown and picked for the seed alone, is a matter of conjecture. From a fairly good general knowledge of American agriculture, however, we conclude that while many million bushels of peanuts will be grown in the United States and that the cultivation of this crop will be in every way encouraged, that the nuts grown will be very largely used by the nut trade, i. e., the confectioner, the peanut roaster, and the peanut-butter manufacturer, leaving only a small and varying quantity for the peanut-crushing mill.

It is for the above reason that we state that the American peanut-growing industry should logically and in all probability will remain a nut industry.

It has been demonstrated that heavy crops of domestic peanuts ranging well over 30,000,000 bushels can be almost entirely absorbed by the nut trade at prices which yield a profit comparing very favorably with that received on other agricultural produce.

The existence of a fully defined domestic peanut-oil industry, crushing both domestic and imported peanuts, will be a valuable aid to the Southern peanut producer. In seasons when an especially heavy crop leaves a small surplus of nuts beyond that which the nut trade can absorb, this surplus can be marketed to the crushing mills, thereby sustaining the market for peanuts for the nut trade. To assure a definite market for the peanuts which are to go into the hands of the crusher the free importation of crushing peanuts must be allowed in order to keep that crusher operating upon peanuts year in and year out regardless of whether the domestic peanut crop is entirely absorbed by the confectioners and roasters.

The present duty of 6 cents per gallon has not, strictly speaking, been tried out under normal conditions. Shortly after the duty went into effect the World War began. During 1914 and 1915, when the price of peanut oil remained around 6 to 7 cents, the importations were comparatively light, only about 7,000,000 pounds entering in 1914 and slightly over 6,000,000 pounds in 1915. It was not until the inflated prices occasioned by the war were attained in 1917 that any material importations of peanut oil were made, and it required a price of 15 cents per pound, the average price prevailing in that year, to enable 27,405,000 pounds to enter. It was not until an average price of 19½ cents per pound was reached in 1919 that really heavy imports of peanut oil were made. These prices, however, can be seen to be the most rampant of war-inflated prices. They will never be seen again barring the appearance of another world cataclysm.

The normal price of peanut oil is around 6 cents per pound, or virtually half of the price at which imports began to enter the country in any considerable volume.

The present duty, therefore, to be other than a semiembargo under normal conditions and to yield revenue, would have to be cut in half or reduced to 3 cents per gallon, which equals 40 cents per 100 pounds. This rate of duty would likewise dispose of any possible disparity between the labor costs of the domestic crusher and foreign crusher.

We respectfully petition the committee to reduce the present duty on peanut oil from 6 cents per gallon to 3 cents per gallon or 40 cents per hundred pounds. (The duty is more appropriately expressed in its relation to pounds rather than gallons, as the term gallon is not used in peanut-oil market parlance.)

While we will petition the committee in a separate brief, which will be submitted when Schedule 7 is reached, to allow the importation of peanuts for crushing purposes free of duty, with proper safeguards against similar entry of peanuts which enter into competition with our domestic peanuts used by the confectioners and roasters or nut trade, we further request in this brief the free importation of peanuts for crushing purposes.

#### STATEMENT OF M. M. OSBORNE, REPRESENTING THE UNITED PEANUT ASSOCIATIONS OF AMERICA.

Mr. OSBORNE. I represent the United Peanut Associations of America, with headquarters at Suffolk, Va.

We are appearing here in behalf of a tariff on peanut oil, and inasmuch as cottonseed oil and other vegetable oils, such as soya-bean oil, come in competition with peanut oil and tend to affect the price, we ask a tariff of 5 cents per pound upon the crude product—peanut oil, cottonseed oil, soya-bean oil, and coconut oil—and 6 cents a pound upon the refined.

Senator WATSON. Will you say that over again?

Mr. OSBORNE. Five cents on the crude oil.

Senator WATSON. What kind of oil?

Mr. OSBORNE. Peanut oil.

Senator WATSON. Instead of 2½ cents?

Mr. OSBORNE. Yes. That is the rate we are asking for in our brief.

Senator WATSON. Then, what else do you ask?

Mr. OSBORNE. Six cents on the refined oils.

Senator CALDER. What duty did the House give you?

Mr. OSBORNE. They gave 2½ cents for either crude or refined peanut oil. They gave 2 cents on soya-bean oil and cottonseed oil.

Senator WATSON. What about the Payne-Aldrich bill?

Mr. OSBORNE. That was 1 cent. I think it was 1 cent a pound, but under the Underwood bill it was 6 cents a gallon, which amounted to about 1 cent a pound.

Senator SMOOT. It was a little less than that.

Mr. OSBORNE. There were some impressions created here during the hearings that I am afraid will leave the peanut industry in an unfavorable light. I think it well to give you some inside information to correct the wrong impressions that you may have gathered.

Before the war the peanut industry was limited to a district in eastern Virginia and eastern North Carolina. There were a few of the smaller peanuts grown in Southern States, but they were grown to feed hogs.

Senator SMOOT. Is not most of the peanut oil made from foreign-grown peanuts?

Mr. OSBORNE. No, sir; it is not.

Senator SMOOT. Have you statistics which show how much was used for that purpose?

Mr. OSBORNE. I do not believe the Government furnished us with that. They furnished us with the figures of importations of peanuts, but they did not show the amount for crushing purposes or the amount being sold for other purposes.

Senator SMOOT. I thought you would have the figures because you were interested in it.

Mr. OSBORNE. There are some few mills that have been buying the imported peanuts for crushing purposes. They would only be the cottonseed mills that can pick up a lot that has been damaged.

Senator WATSON. In 1918, 8,279,727 gallons of peanut oil were imported. Where did that come from?

Mr. OSBORNE. From China and Japan. That began in 1912 with 985,587 gallons and increased in 1920 to 22,064,363 gallons.

Senator SMOOT. You had better tell the Tariff Commission that the great bulk of peanut oil produced in the United States is not made from foreign-grown peanuts. Tell them their report that the great bulk of oil produced in the United States is made from foreign-grown peanuts is wrong.

Mr. OSBORNE. It is wrong.

Senator SMOOT. The Tariff Commission says that the great bulk of it is produced from foreign-grown peanuts.

Mr. OSBORNE. There are 30 mills in the three States of Alabama, Florida, and Georgia that crush and shell peanuts, and there are 10 or 12 in Texas. The domestic oils are produced at these mills from

home-grown peanuts. With the exception of a few—not a half dozen—they have not bought the foreign nut to crush for oil.

Senator McCUMBER. What is done with the meat after the oil is extracted?

Mr. OSBORNE. It is made into a peanut cake, the same as cotton seed, and that is then ground up into meal.

Senator McCUMBER. Does that include shucks?

Mr. OSBORNE. Some mills leave the shell with the meats. Some crush separately. The latter have a very high grade of oil.

We produced in 1912, 60,533 gallons. We imported during that year 895,587 gallons. That increased in 1919, in domestic gallons, to 11,000,000 and we imported 11,000,000. I haven't the figures for the domestic production for 1920, but the imports were doubled. They were double what they were the year before.

Senator WATSON. How much was produced in the United States?

Mr. OSBORNE. I did not get that from the report. They did not have that at the time.

Senator WATSON. They certainly ought to have the figures for 1920.

Mr. OSBORNE. They changed to issuing quarterly reports and they were so cumbersome it is difficult to secure the definite information. 1920 was a short year in the production of oils.

We exported in 1918 only 1,000 gallons. In 1917 we exported 19,000 gallons. So you can see most of the peanut oil that has been imported has been added to the domestic production and used at home.

Senator WATSON. You produced 50,000,000 pounds in 1917?

Mr. OSBORNE. Yes. That is pounds. That makes 6,704,933 gallons.

Senator SMOOT. In 1918, 95,000,000 pounds; 1919, 87,000,000 pounds; and in 1920 it fell down to 13,000,000 pounds.

Mr. OSBORNE. That is as against the imports of 22,000,000 in 1920. In other words, the imports were 9,000,000 more than the domestic production for that year.

Senator WATSON. Why was there such a falling off?

Mr. OSBORNE. There is only one reason that I know of, and that is the slump in the price of peanuts. That discouraged the farmers from raising peanuts.

Senator WATSON. That is all.

Mr. OSBORNE. We have now, at this time, 1,200,000 acres of land devoted to the growing of peanuts. By sending inquiries to our members and to the different State departments of agriculture, we have obtained answers to queries as to how much land there is in the South that could be used for the production of peanuts. Using those figures as a basis, we arrived at a total of nine and a half million acres that could be used, whereas to-day there are only one million and odd acres in use.

To-day there is an investment in land, take acreage as reported by the Department of Agriculture, using a value of \$70 per acre, of \$88,362,000.

There is an investment of \$7,700,000 in special farm implements required for the culture and harvesting of peanuts. That is machinery that can not be used for the culture of any other products. The value of equipment of peanut mills, shelling and crushing machinery, real estate, buildings, storage warehouses, etc., is \$11,500,000.

The capital invested in manufacturing establishments for the manufacture of peanut pickers and other special farm implements is \$750,000, making a total of \$108,312,000. This is practically a new industry built up during the war.

The number of people employed in the mills in the shelling, cleaning, and the pressing establishments is 10,500.

The number of farmers—and this applies to heads of families—estimated to be engaged in the production of peanuts in the United States is 121,000, making a total of 131,500 men directly employed in the peanut industry for a livelihood.

Senator WATSON. Are they mostly in North Carolina?

Mr. OSBORNE. No, sir. They are in Virginia, North Carolina, South Carolina, Alabama, Georgia, Florida, Texas, and States between there grow them in a minor way.

Senator SMOOT. Is there any truth in the report that your organization, or the organization which you represent, has virtually driven the peanut producer out of the Carolinas by fixing the price at such a figure that it was impossible for them to grow the peanut?

Mr. OSBORNE. That is decidedly a wrong impression. It is false.

Senator SMOOT. That is the common report, and I do know that the Carolinas are not growing many peanuts as compared with what they used to grow. What is the reason? The reason I heard is that your association has fixed a price which they will pay for peanuts, and through that you have driven them out of business.

Mr. OSBORNE. I think that is an erroneous impression. I never heard of them fixing the price. They are paying every cent they can afford to pay. South Carolina this year has about 10 per cent more acreage than any previous year.

Senator SMOOT. It is simply that the price would not justify them without any fixing on your part?

Mr. OSBORNE. That is it exactly. When we go into the market we meet these thousands of tons of peanut oils and vegetable oils produced in the Orient. They are shipped to the western and eastern coasts.

Senator WATSON. What proportion of peanuts grown in the United States is used in the manufacture of peanut oil?

Mr. OSBORNE. About 30 per cent. This variety is grown in the southern portion. Beginning in South Carolina they produce what is known as the Spanish peanut. This is grown principally because of its oil content.

Senator WATSON. That does not represent half.

Mr. OSBORNE. No, sir. The large peanut, known as the Jumbo peanut, which you buy in the roasted state, is only grown in the eastern part of Virginia and North Carolina. They are growing as many in North Carolina now as they did 10 years ago.

Senator WATSON. Is the North Carolina peanut used in the manufacture of peanut oil?

Mr. OSBORNE. No, sir. Only what is left after they shell and clean it—just the residue.

To-day we can see where the emergency tariff bill has helped the Southern farmer with his peanuts. Before that was passed they could not get more than \$30 or \$40 for their peanuts per ton.

I have here a Market Reporter, issued by the Bureau of Markets, Department of Agriculture, for June 11, stating that the price of

peanut oil was 5½ cents. That was just shortly after the bill went into effect. Here in this bulletin, which was issued by the Bureau of Markets yesterday, I find a quotation on oil in the Southeast of 7½ cents, and in the Southwest, which is Texas, of 7½ to 8 cents a pound. That is an increase of 1 cent or 1½ cents that the mills are paying the farmer. The mills are paying the farmer about \$60 a ton for crushing purposes.

Senator WATSON. Are you objecting to a tariff on peanuts?

Mr. OSBORNE. No, sir; we are in favor of a tariff on peanuts. That will come up before you later.

Senator WATSON. How much of a differential do you want as between the peanuts and the oil?

Mr. OSBORNE. In this emergency bill we have a 3-cent tariff on peanuts.

Senator WATSON. A 3-cent tariff on peanuts?

Mr. OSBORNE. Yes; per pound.

Senator WATSON. And what is it on peanut oil?

Mr. OSBORNE. Two and a half cents a pound.

Senator SUTHERLAND. How many pounds are there to the gallon?

Mr. OSBORNE. Seven and seven-tenths pounds to the gallon, on an average. They produce 7½ to 8 pounds of oil from a bushel of Spanish peanuts.

Senator McCUMBER. The tariff on the peanuts is on the bushel, is it not?

Mr. OSBORNE. No, sir; it is on the pound.

Senator McCUMBER. How much per pound?

Mr. OSBORNE. It is 3 cents in the emergency tariff.

Senator McCUMBER. How much is it on the oil?

Mr. OSBORNE. Two and a half cents for peanut oil and 2 cents for the other oils.

Senator CALDER. And you ask for more than that?

Mr. OSBORNE. Yes.

Senator McCUMBER. That is 2½ cents a pound?

Mr. OSBORNE. Yes.

Senator McCUMBER. Then there is no greater tariff upon the oil than there is upon the raw product?

Mr. OSBORNE. No, sir; not as much.

Senator WATSON. Peanut oil is 26 cents per gallon.

Mr. OSBORNE. I got mixed up.

Senator WATSON. Peanut oil is 26 cents per gallon. What is that per pound?

Mr. OSBORNE. Three and a half cents.

Senator WATSON. And 3 cents on peanuts?

Mr. OSBORNE. Yes.

There was a gentleman here yesterday who stated that the oil imported from the Orient was not edible oil. I do not know whether that gentleman manufactures lard compounds from any of the foreign oils or not. He may have been referring to soya-bean oil. I do not know about that. I have bought oil from a mill in Texas, and the manager of the mill told me that he could not get the quality of peanut oil in Texas that he needs to make his brand of products. He said that if he bought domestic oil he would have to put out his product under another name. He has to buy oil from China and Japan in order to get the quality that is wanted. It is true they may

use a lot of the lower grades in soaps and things of that kind, but most of the oil from China and Japan is edible oil.

Senator WATSON. All the peanut oil you manufacture is edible oil, is it?

Mr. OSBORNE. Practically. Of course, there are some scrapings and lower grades.

Senator SMOOT. Do you use domestic peanuts entirely?

Mr. OSBORNE. Yes. Once in a while we find a mill that will pick up a few pounds of oriental peanuts that have been shipped over and that have been rejected by the buyer if they are unfit for edible purposes.

I have a paragraph here that I would like to read to this committee, because one of the Senators on yesterday quizzed a witness in regard to the attitude of the people of the South. It reads as follows:

They say, too, that we will have to pay high for sugar and rice on account of tariff. I have been asked if I would vote for 2 cents per pound on sugar and rice if I could get 4 cents tariff on peanuts. My answer is: "I am willing for a tariff on anything else if we can get 4 cents on peanuts. For a barrel of sugar or rice would not be cheap to me at a penny a barrel if I did not have the penny, and if I had to get the penny as a profit on peanuts at the present price I could not buy or eat any sugar or rice, but if we get 4 cents on peanuts I can get some of either at a high price. It is far better to make it possible with protection to buy sugar and rice at a high price rather than make it impossible to buy at a low price. Give us protection on peanuts and make us financially able to buy rather than reduce us on a low level with the foreign pauper labor."

That is from a man who is at the head of the Georgia Peanut Growers' Association, an association which has a couple of thousand of members.

**BRIEF OF M. M. OSBORNE, REPRESENTING THE UNITED PEANUT ASSOCIATIONS OF AMERICA.**

This brief is filed on behalf of the United Peanut Associations of America, an organization composed of peanut growers, mill men (peanut shellers and crushers), and other interests identified with the manufacture of peanut products. Its membership embraces the largest interests identified with the cultivation and manufacture of peanuts and peanut products in the States of Virginia, North Carolina, Tennessee, South Carolina, Georgia, Florida, Alabama, Texas, Oklahoma, Louisiana, Mississippi, and Arkansas.

A great industry has been built up. New uses have been found for peanuts and peanut products, until it has assumed rank among the Nation's great products. Peanut-oil refineries have built up a trade for peanut oil among the American people. Peanut-butter manufacturers and packers of salted peanuts have advertised and pushed their products to the front and have built up a trade of enormous proportions.

In a very large section of Georgia, Florida, Alabama, Texas, and this past year the State of South Carolina was added to the list, the boll weevil has made the raising of cotton almost out of the question. The farmers have found peanuts their salvation as a substitute crop. It has been demonstrated that these boll-weevil-infested sections can not produce cotton, as some of the farmers became disgusted with the peanut-market slump in December, 1918, and reverted back to cotton. And these people who did this proved conclusively that the boll weevil has come to stay. Reports from farmers in the far South just received (Aug. 15, 1921) say that the boll weevil has almost entirely destroyed the 1921 crops, in certain districts. One farmer having over 100 acres planted to cotton claims that he will not harvest over three bales from this hundred acres.

The duties that we are asking are vital to the preservation of the peanut-oil industry, which is to-day menaced by ruinous competition with oriental oils, namely, coconut, soya-bean, palm, peanut, and similar oils, which dominate the market for all vegetable oils. The importation of these oils in large quantities is a development of the last few years only. To-day, however, it is the overwhelming influence in the vegetable-oil business and market. In view, therefore, of the newness of the situation to which we direct your attention, we repeat that this case presents for the first time in any legislative committee or forum the problems of the vegetable-oil crushers.

The importance of the matter presented is apparent. An adverse decision in Congress would be far-reaching in its disastrous effects. While in this argument we invoke, primarily, protection for the peanut industry, the questions considered are of almost equal importance to the general agricultural and dairying interests of the United States.

Lard substitutes and oleomargarine (margarine) must be reckoned with in the hog-raising business and in the dairying business. Vegetable oils may be said, therefore, to come into competition with butter fat and pure lard.

It is respectfully submitted in all sincerity and with all earnestness, and as a literal unexaggerated statement of fact, that the future development and the future continuation of this tremendous industry depend absolutely and entirely upon the levying of duties adequate to protect it from the ruinous market conditions which have resulted from the dumping into this country of cheap oriental vegetable oils produced under conditions which are fortunately unknown in American standards of agricultural and industrial occupations or employments.

The country is therefore utilizing almost as much imported vegetable oil as it produces and there is apparently no limit to the quantity with which the country may be flooded. Recently in one year alone there were built and put into operation in one town in Manchuria 40 oil mills, with a very large aggregate crushing capacity.

The fact is that the American producer faces a competition which he can not meet unless protection be given him. A practical monopoly of peanut oil avails nothing if that product must be and is in competition with an oriental product, to all intents and purposes, and at least, in so far as practical utilization is concerned, interchangeable with peanut oil.

In the face of the facts as above stated, we respectfully submit that there is no basis for the statement that "there appears to be no immediate tariff problem." On the contrary, the "problem" is grave and imminent.

This important American industry should not be allowed to face ruin on the idea that "it is too early as yet to determine what will be the effect in this industry of competition from other oils." If immediate relief be not given, specific information as to the "effect of competition from other oils" will be ascertainable only from a post-mortem. The patient will die while the physicians are still consulting the clinical chart. Those who are in the peanut-oil business know from disastrous experience the actual effect to-day of this competition. They know that the flood of vegetable oils from the Orient has been the dominating factor in the vegetable-oil market.

There is no practical way to produce peanut oil in this country in competition with oriental oils except behind tariff barriers. Peanuts in America are not produced, nor is the oil expressed therefrom, by half-clothed, half-starved, insanitary, disease-ridden labor, requiring a handful of rice as a daily ration and living under conditions which no American would regard as tolerable.

Nor is the situation protected because of the fact that for certain limited purposes peanut oil is better adapted than these imported oriental oils. Such limited purposes require a quantity of oil relatively insignificant and, therefore, are unimportant factors in the situation. The fact is that about 75 to 80 per cent of the crude vegetable oils after being refined is used in making lard substitutes.

A serious check to the peanut-oil industry would be calamitous. History will record the fact that a vital factor in winning the late war was the allied control of unlimited fat supplies. The large contribution of the American peanut-oil production to these fat supplies is well known. Mr. Hoover stated that the result of the war would turn largely upon the control of fats and his prediction proved to be accurate. Neither this country nor the world can afford to lose the fat supply which comes from the peanut and cotton seed. The high protein value of peanut and cottonseed meal makes it peculiarly adapted to the feeding of dairy stock and beef cattle. Peanut oil enters into the cooking or menu of practically every American family.

There is no basis, in fact, for the argument that the country needs such large quantities of vegetable oils that all available supplies, whether natively produced or imported can profitably be absorbed and utilized without destruction of the American industry. Theorists may argue that, if there be an active demand for the available supply, economic laws will keep the price level at a point where the American industry will survive, but such argument is theoretical only and rests upon a disregard of the facts. We are confronted to-day with facts and not theories, and the outcome of the present life-and-death struggle of the vegetable-oil industry will be determined by the facts and not upon theoretical conceptions, based upon economic doctrines of what the facts should be.

The interests that control the distribution of edible fats in this country avail themselves of the opportunity to control the price of domestic oil through the tremendous influx of oriental oils. With the prevailing price of oriental oils as a lever they can and do depress the price of crude vegetable oils until they acquire such quantities

as are needed to carry their factories through the dormant period. Thus the cheapening of the price of vegetable oils does not extend to the consumer. He reaps no benefit therefrom.

Thus we make the unqualified statement that the vegetable-oil market is now controlled absolutely by prevailing prices on cottonseed oil, coconut oil, soya-bean oil, and oriental peanut oil. The importance of the above statements become all the more apparent when such statements of fact are considered in connection with the further well-known fact that the mills producing crude oil are limited in the sale of the product to a very few buyers. Statistics available to this committee will show that a limited number of concerns control the edible-fat situation in this country.

The enormous and increasing volume of imported vegetable oils not only constitutes a serious menace to the peanut-oil industry but indicates what, of our own knowledge, we know and what we state the fact to be, namely, that foreign interests are actively endeavoring to control and dominate the edible-oil business of America. In order to accomplish this these foreign interests are constructing large receiving tanks at many of the American ports. We are informed, and so state, that they are granted special inducements, in the shape of exceedingly low ocean rates on subsidized vessels transporting this oil.

Furthermore, they are maintaining within the United States large sales organizations for distribution. In a recent publication it was announced that one foreign corporation had acquired an important American oil industry, and had thereupon increased its capital stock \$150,000,000. It is obvious that the purpose of such increased capitalization was in line with the concerted movement of foreign interests to take over and control the edible-oil and other like interests in this country.

If the argument be made that this country is an exporter of fats, and, therefore, that a tariff wall should not be placed around the importation of any fats for the reason that we actually produce more than we can utilize, a conclusive answer thereto is that the exportation of vegetable fats is negligible compared to the imports and that this country actually imports vegetable oils in a quantity almost equal to the total production of vegetable oil. It is obvious, therefore, that, inasmuch as this country is utilizing imported oils in quantities almost equal to the native production, the effect of a tariff would not be to place an embargo on the importation of oriental oils, but would simply protect the American industry and give both the producer and the crusher of peanuts a chance to compete in the American market, protected by a tariff differential, on a living basis and on a basis in consonance with American standards of farming and manufacturing. The imposition of duties such as those requested and recommended herein would, we confidently assert, yield a large and substantial revenue to the United States.

The result of the emergency tariff bill passed by this Congress has increased the price of vegetable oils (peanut oil, cottonseed oil, and soya-bean oil) from 4½ cents to 7½ cents per pound, thus giving the farmer a benefit, a price nearer the cost of production.

Paragraph 50. Oils, expressed or extracted, \* \* \* cottonseed oil, coconut oil, and soya-bean oil, 2 cents per pound \* \* \* peanut oil, 2½ cents per pound \* \* \*

#### CHANGES RECOMMENDED.

The United Peanut Associations of America respectfully request from Congress that the rates named above be raised to 5 cents per pound on crude oil and 6 cents per pound on refined peanut oil, cottonseed oil, and soya-bean oil, and a duty of 2 cents per pound be placed on peanut cake and meal.

#### REASON FOR SUCH RECOMMENDATION.

We ask that oil cake be taken out of the free list and be made dutiable at 2 cents per pound, because it forms a considerable part of the product to be obtained from peanuts. It is the residue of peanuts after the oil has been extracted. From a ton of farmers' stock of peanuts there will be an average of about 1,300 pounds of oil cake.

We ask that the duty on peanut oil, crude, be raised from 2 cents per pound to 5 cents per pound, and refined peanut oil be added with a rate of 6 cents per pound, because of the difference of cost of production in the United States and foreign lands. There is a great difference both as to the cost of producing peanuts and extracting oil when compared with the costs of production in the United States.

In support of our request we beg to submit to you the following facts:

First, that the peanut industry is an essential one.

Second, that peanut oil is essential in our food supply.

Third, that the prosperity of a large number of our farmers depends upon a tariff being placed upon these products.

Fourth, that a large section of our lands is engaged in the production of peanuts.

Fifth, that the unrestricted importation of peanuts, peanut oil, and cake is detrimental to the successful operation of the production of peanuts and the manufacture of same.

Sixth, that the peanut oil imported from the Orient is undesirable from the standpoint of health.

Seventh, the emergency tariff bill, if not extended by this Congress, ceases to exist right at the time our 1921 crop is ready for the market.

Eighth, we ask that a duty be placed on cottonseed, soya-bean, and coconut oils, because all of these oils are interchangeable with peanut oil in the manufacture of certain products. Hence, if a duty is placed on peanut oil and none on cottonseed, soya-bean, or coconut oils, same will be of almost no effect.

We herewith give you a short résumé of the peanut industry.

The production of peanuts is largely confined to that area of our country largely in the southern part, and produced upon land that is unsuitable, on account of the boll weevil, for the production of other crops. The planting of peanuts for the production of oil was undertaken about the year 1914, and the fact was ascertained that this crop could be produced upon a profitable scale if a reasonable price was secured for the oil and the cake. This production was encouraged by both the United States Department of Agriculture and the State departments of agriculture, and year by year a larger investment has been made in this industry, and at the present time there are located factories for the manufacture of oils and cake at various points throughout the country; and, to indicate the rapid growth of this industry, there was produced in the year 1919 over 87,000,000 pounds of oil. The success of this industry is largely due to the desirability of the products produced and the demand for same among the people of this country; and further, in so much as this demand has increased year by year, it is reasonable to assume that this industry will continue to grow and reach large proportions, thereby affording employment for large numbers of people, both in agriculture and manufacturing.

In our opinion the only detriment and the only disaster that will overtake us in our endeavors is the unrestricted competition of oriental oils, and in making this statement it is from experience that overtook us during the fall of 1920, and we have recovered to but little extent at this writing, and it is from this oriental oil that we ask protection. We first wish to point out to you the conditions under which this oriental oil is produced. From the best of our investigations the farming in the Orient is accomplished by individuals who live in abject poverty and filth, who harvest their crops, storing them in their habitations. The entire process is by hand. These nuts, upon being shelled, are conveyed either to small native mills or to some of the larger mills, and there the oil is extracted by coolie labor who, in numbers of cases, are suffering from the most contagious of Asiatic diseases.

The usual container in which the oil is shipped is a can that has previously contained kerosene, which can has also probably resided for months in the most insanitary atmosphere that can be found in the world. To make ourselves plain, the cans arriving in this country, containing this, presumed to be, edible oil, has been shipped to the Orient containing kerosene, and which cans containing kerosene have been delivered into the oriental household and there remain for an indefinite length of time. From this statement of conditions it will not be necessary to call upon your imagination to see that no plant under the State or Federal health laws would be permitted to produce an alleged edible product, and therefore, as such conditions are not permitted in this country, it is not fair that we should be asked to maintain our standard of living and compete with the production of the oriental standard.

We also call attention to the efforts being made by the nationals of one of the Asiatic countries to dominate and to permanently remain in this business in this country, and to accomplish this they have constructed large receiving tanks at certain ports and, we are informed, grant special inducements in the shape of exceedingly low ocean freight rates on their vessels transporting this oil. Further, they are maintaining within the United States a large sales organization for the distribution of this material.

#### APPENDIX A.

Previous to the year 1912 most of the imports of peanut oil came from France. Beginning with that year China and Japan have shown a very aggressive attitude and have sent us the bulk of imports. The Bureau of Foreign and Domestic Commerce, United States Department of Commerce, furnishes us the following figures of importations of peanut oil, mostly from China and Japan:

	Gallons.		Gallons.
1912.....	985,587	1917.....	3,026,188
1913.....	1,195,683	1918.....	8,288,750
1914.....	1,337,130	1919.....	11,392,724
1915.....	852,905	1920.....	22,064,363
1916.....	1,476,123		

The value of the 1919 importations is reported by the same authority to be \$11,495,819; the 1920 importations, \$27,795,566.

We obtained the following data on domestic production of peanut oil: we have added the imports as comparison:

Year.	Domestic production.		Imports.	Year.	Domestic production.		Imports.
	Pounds.	Gallons.	Gallons.		Pounds.	Gallons.	Gallons.
1912.....	454,000	60,533	835,587	1918.....	93,034,300	12,791,200	8,288,756
1914.....	1,095,000	134,133	1,337,130	1919.....	87,216,839	11,762,247	11,392,724
1916.....	28,514,000	3,804,533	1,476,123	1920.....			22,064,363
1917.....	59,287,000	6,704,933	3,026,188				

From the above it will be seen that imports have made a healthy growth and in 1920 reached to more than double the domestic production of 1919.

#### Exports of peanut oil.

Year.	Pounds.	Gallons.	Year.	Pounds.	Gallons.
1912.....	7,000	933	1917.....	145,000	19,333
1914.....	96,000	12,810	1918.....	75,000	1,090
1916.....	171,000	22,800			

It is evident from these reports of the export trade of peanut oil that there is very little outlet and that the domestic market has been taking and consuming most of the domestic production as well as all of the imports.

Cottonseed, soya-bean, and peanut oil are interchangeable oil in the manufacture of many products, hence they have a relation that compels equality in price.

#### APPENDIX B.

The importance of the preservation of the peanut industry to the United States might be stated in value of money invested and the number of people affected, what it has done for the farmer, and what the possibilities for the future contain.

#### Capital invested.

Value of farm lands devoted to the culture of peanuts, taking the United States Government's crop estimate reports of acreage for 1920, valuing the land at an average of \$70 per acre.....	\$88,362,000
Value of special farm implements required for culture and harvesting of peanuts, approximately.....	7,700,000
Value of equipment of peanut mills, shelling and crushing machinery, real estate buildings, storage warehouses, etc.....	11,500,000
Capital invested in manufacturing establishments for the manufacture of peanut pickers and other special farm implements.....	750,000
<b>Total.....</b>	<b>108,312,000</b>
Number of people employed in the mills, shelling, cleaning, and crushing establishments.....	10,500
Number of farmers (heads of families) estimated to be engaged in the production of peanuts in the United States.....	121,000
<b>Total.....</b>	<b>131,500</b>
Number of acres estimated in the South that is adaptable to culture of peanuts and can thus be utilized if a market is available for the product (see map attached).....	9,340,000

In the South it is estimated that there are approximately 9,340,000 acres of land that will produce peanuts. Some of this land is suitable for other crops, but there are many sections of land that are not being used that can be devoted to production of peanuts. (See map on file with committee.)

The Spanish peanut is not so choice about the land, more than it should be light soil and will grow and make good production where other crops will fail.

No American would be satisfied to live as do the Asiatics, and unless we want our standards brought down to their level we must place barriers up so that their products can not drive our people out of business.

The committee's attention is again invited to the sudden growth of imports, years 1919 and 1920. From a gentleman who addressed the U. P. A. of America Convention at Norfolk, Va., July 13, we learn the reason of this growth. That is the unlimited acreage that can be brought under cultivation in China, especially in the sections where peanuts and soya beans are produced. This land can be purchased for what is in United States currency about \$12.50 per acre. All that is needed is for the Chinaman to know that there is a market for his peanuts and peanut oil. If given the opportunity, China could in time produce all the vegetable oil needed by the entire world.

The whole question in a nutshell, from our point of view, is that the enormous volume of Oriental importations of peanut oil should pay a tariff tax of at least 5 cents per pound, first, to protect the peanut industry of the United States and, second, to produce revenue for our Government.

#### APPENDIX C.

Mr. Paul Jernigan spent several years in China as a representative of one of our large American corporations. He addressed the convention of the United Peanut Associations held at Norfolk, Va., July 12-13, 1920, and the following quotations are taken from his talk:

"The Chinese farmer is what we call an intensive farmer at home. They don't attend large tracts of land like some of our farmers; they only have a little parcel of land.

"I have noticed in their planting and raising of peanuts they only have a little patch here and there throughout the country and they don't depend upon labor as we do. They don't hire coolies as we call them. The coolie is employed in China more or less as a rickshaw or beast of burden; he does the pulling of passengers in these rickshaws.

"Nearly all the farming is done with the water buffalo, a great big animal, black and dirty-looking thing with long horns. They have a very crude-looking plow, just two sticks with a long handle and a thing they hook the buffalo to and a little point about as big as my hand on to the end of the stick.

"There is really no hired labor on farms in China. These farmers generally do all their farming with their family. They live very close together and call upon each other to help out, just like they did down South in the olden days."

In response to questions from the delegates, Mr. Jernigan stated, in substance, as follows:

"The farmer shells his own peanuts. He did not remember having seen a bag of peanuts being taken for delivery to buyers that was not shelled."

He was asked whether or not the peanuts were shelled under sanitary conditions and replied, "They don't know what the term sanitary means in China. There is nothing sanitary."

In reply to question of what kind of fertilizer was used he said, "Mostly human fertilizer. When I first arrived in China for the first six or seven months the stench was almost unbearable."

He further stated, "There are thousands of acres in sections where I have been that can be very easily brought under cultivation and the people are there to farm same, if their products can be sold. These lands can be bought for about \$25 per acre, Mexican money, or about \$12.50 American money."

Mr. Charles W. Holman, who spent several months in China as a special representative of the United States Food Administration—1918-19—addressed the convention of the United Peanut Association held at Montgomery, Ala., September, 1920:

Speaking of Shantung Province, he said, "While the total acreage in farms in the Province can not increase materially, the Chinese do not hesitate to change their crops where money is an incentive, and they will continue to shift over to peanut production just as long as there is a market for their product."

About the farmers' houses or abodes he said:

"But his house is of mud and his barn is a laugh-provoking structure.

"In early winter and for several months threshing occupies the entire attention of the household. This is done by means of a stone roller pulled around the floor. The floor itself is simply a hard, bare space of ground."

[From Commerce Reports, June, 1920.]

"So far, however, it has not promised to be very profitable to supplant the native method of boiling and crushing the nuts and recocking and pressing them in cakes under a crude press operated by the leverage of a long beam."

"United States Consul Sturat Lupton, Chefoo, China, in a report to the department dated June 10, 1920, says that 'It is estimated that not more than 1 per cent of the crop is consumed locally. Some are eaten in the natural state, while a small amount of oil is used for cooking and illumination.'"

### ALIZARIN ASSISTANT AND CASTOR OIL.

[Paragraphs 50 and 51.]

#### STATEMENT OF FRANK C. MARSH, REPRESENTING BAKER CASTOR OIL CO., NEW YORK, N. Y.

Referring to the tariff act of 1913, Schedule A, paragraph 45, oils, expressed; and Schedule G, paragraph 212, castor beans or seeds. The new tariff bill that recently passed the House of Representatives makes the duty on castor oil 4½ cents a pound, alizarin assistant 25 per cent ad valorem, and castor beans or seeds 25 cents a bushel of 50 pounds. There seems to be an injustice as regards the duty on alizarin assistant.

This product consists of castor oil treated with an acid to make it soluble in water and is used as a mordant and a softener. It is called by various names: Alizarin assistant, Turkey red oil, soluble oil, etc., made and sold under varying strengths according to the quantity of castor oil used in the mixture. The value of the article is principally the castor-oil content. The rate of duty should closely approximate the duty on castor oil for that reason. We do not manufacture alizarin assistant but sell castor oil to the alizarin-assistant makers. We have no statistics of the quantity of this article produced in the United States, but probably 20 per cent of the castor-oil output goes into alizarin assistant.

The duty on alizarin assistant should harmonize with the duty on castor oil, and under the Fordney bill, passed by the House, it is out of line. We earnestly desire you to consider the duty on alizarin assistant, and in our opinion it would be better to make the duty specific.

Under the Dingley Tariff Act of 1897 and the Payne Tariff Act of 1909 the duty on alizarin assistant was specific, and the relative difference between the duty on this article and castor oil seemed to work out satisfactorily. The usual grades that are imported contain from 50 to 75 per cent castor oil.

#### TARIFF ACT OF 1894.

PAR. 26. Alizarin assistant, 30 per cent ad valorem.

PAR. 27. Castor oil, 35 cents a gallon.

PAR. 205. Castor beans or seeds, 25 cents per bushel of 50 pounds.

While the tariff act of 1894 was in effect alizarin assistant was imported extensively; in fact, very little assistant was made in this country, consequently a smaller quantity of castor beans or seeds were imported. We suggest the duty on alizarin assistant be increased to 50 per cent ad valorem instead of 25 per cent under the Fordney bill, provided it is desired to retain an ad valorem rate on this article.

The duty on castor beans or seeds under the Fordney bill is 25 cents a bushel of 50 pounds, no allowance for impurities in the seeds. This figure on the oil content about 1½ cents a pound, therefore we estimate the protection on castor oil under the Fordney bill the difference between 4½ cents a pound for the oil and 1½ cents a pound for the castor beans or seeds, which is 3½ cents a pound, and figures about 33½ per cent protection on the present value of castor oil abroad. Sixty per cent of the by-product (castor pomace) is the content of each bushel of castor beans. Foreign manufacturers ship only the oil (40 per cent) keeping the castor pomace at home. This article commands as good a price in their market as in America. American makers pay freight on all the product, 100 per cent. No drawback is allowed for exportation of castor pomace.

No castor beans or seeds are raised in this country, consequently the new rates to be established is largely a revenue measure as far as the Government is concerned. Another matter which is exceedingly important to the Government is the continuation of the manufacture of castor oil in this country. Unless there is adequate protection castor oil can not be made in competition with England, Brazil, China, and Japan. During the last war castor oil was so vital and necessary that the United

States Government built a castor-oil plant at Gainesville, Fla., fearing that there would not be sufficient castor oil for the airplanes that could be turned out by the castor-oil mills in the United States. After the passage of the tariff bill of 1913 the competition was so very severe it looked like only a question of a short time when the United States mills would have to surrender the market to England, France, Brazil, and the Orient. The advent of the European war saved the industry to America.

### COCONUT AND PALM-KERNEL OILS.

[Paragraphs 50, 1620, and 1626.]

#### STATEMENT OF GEORGE G. PIERIE, REPRESENTING THE GORGAS-PIERIE MANUFACTURING CO., PHILADELPHIA, PA.

Senator McCUMBER. Please state your full name.

Mr. PIERIE. George G. Pierie, Philadelphia, president of the Gorgas-Pierie Manufacturing Co., and I also represent C. F. Simonin's Sons, of Philadelphia, and the Oil Seeds Co., of New York.

I would like to enter the appearance of Mr. J. L. Dirickx, who is connected with our company. There may be some questions that he could answer more clearly than I.

Senator WATSON. In reference to what paragraph of the bill do you appear?

Mr. PIERIE. Paragraph 50, sir. We conduct a general oil seeds crushing business. What we ask is that in paragraph 50 coconut oil be retained dutiable at 2 cents per pound.

We ask that palm-kernel oil be taken from the free list in paragraph 1626 and put on the dutiable list, under paragraph 50, at 2 cents per pound, the same as coconut oil.

We ask, as well, that copra and palm kernels be maintained on the free list under paragraph 1620.

Under former tariffs coconut oil and palm-kernel oil were free, because there was no copra-crushing industry in this country to be protected. In the last few years, however, the coconut-oil business all over the world has greatly expanded, and it has grown in the United States into a real industry, until to-day it is easily five times as great as in 1914.

Senator WALSH. What percentage of the consumption is it?

Mr. PIERIE. I should say it has been as high as 60 per cent. With the advent of the emergency tariff it has increased, though it had fallen off before that.

Senator WALSH. What was it in 1914?

Mr. DIRICKX. Fifty per cent.

Mr. PIERIE. To keep this industry alive, protection is required against the worst imaginable competition—

Senator JONES. What are you talking about, specifically, now?

Mr. PIERIE. Coconut oil crushed from copra, sir; the raw material.

Senator SMOOT. It is 2 cents. You are satisfied with that?

Mr. PIERIE. Yes, sir; quite satisfied.

Senator SMOOT. The only thing that you want is palm-kernel oil taken from paragraph 1626 and put in paragraph 50?

Mr. PIERIE. Yes, sir.

Senator WALSH. Statistics of the Federal Trade Commission show that 75 per cent of our coconut oil comes from the Philippine Islands. That comes in free? Is that disputed?

Mr. PIERIE. Yes, sir.

Senator WALSH. I have the statement of the Federal Trade Commission to that effect.

Mr. PIERIE. A great deal comes from the Philippine Islands. I would not say exactly how much; probably 50 per cent. I would not want to say exactly; I do not want to make a mistake.

Mr. DRUCKX. Seventy-five per cent of our imports of coconut oil comes from the Philippines; but our total imports are only from 60 to 75 per cent of our consumption.

Mr. PIERIE. To keep, this industry alive, protection is required against the worst imaginable competition, which is the competition of the Orient with its cheap coolie or native labor.

The House of Representatives has already sustained our position to a certain extent by putting a duty on coconut oil and maintaining copra on the free list. However, great opposition has developed in certain quarters against a duty on these oils, and therefore we deem it necessary to come before you to indorse the Fordney bill in this respect and justify the stand we have taken in the briefs we are submitting.

The opposition to duty on these oils comes mainly from the representatives and agents of foreign oil crushers, brokers and speculators in foreign oils, and, lastly, from consumers of oils. They style themselves "A Bureau for Raw Materials for the Oils and Fats Industry." This is a misnomer.

Vegetable oils are a manufactured product. Oil crushing is quite a distinct industry.

Oils are not a basic raw material; the raw material is the seed or the nut from which the oil is crushed.

Copra (the meat of the coconut) and palm kernels are raw materials, but the oils are manufactured products.

We are not protectionists with reservations.

We have crushed foreign peanuts in the past. The Fordney bill duty absolutely prevents this now; we do not protest, because we realize the home grower of peanuts deserves protection for his crop.

Of course, this limits us to the crushing of copra and palm kernels, and we believe we are justified in asking that our industry receive protection against the deadly competition of the Orient.

The opponents of the duty on oils certainly do not take the same fair stand; they want protection for themselves but no protection for other industries. They are quite satisfied that the duties on soap, margarine, paint, and varnish be advanced, but at the same time they claim that you should allow free entry of foreign oils, which put the home oil-crushing industry out of business.

If the consuming public could possibly derive any benefit from free oils, there might be some sense of reason and justice in their demand, but it so happens that while all oils, tallow, etc., are lower than in 1914, yet the price of soap is very much higher than in 1914, and yet it was admitted before the House that oils and fats represent seven-tenths of the price of soap.

The contention of our opponents that a duty on these oils will advance the price is groundless. The emergency tariff has proven that quite the contrary is true.

Since the emergency tariff went into effect, placing a duty of 20 cents per gallon on coconut oil—which is about 2.6 cents per pound—coconut oil in the United States is to-day, and has been for quite

a while, lower than before the emergency tariff went into effect, and the United States market is the lowest in the world for coconut oil.

Senator WATSON. Why?

Mr. PIERIE. Because copra comes from all markets of the world here and is crushed, and the competition of the mills here makes it lower.

Senator WATSON. Then it is the home competition?

Mr. PIERIE. The home competition; yes, sir.

Senator WATSON. How much coconut oil is produced by all of the mills in the United States?

Mr. PIERIE. I should say from one-third to five-eighths.

Senator WATSON. Of the consumption?

Mr. PIERIE. Yes, sir. It varies. The first six months of this year, as near as my memory serves me, it was about 60 per cent, was it not?

Mr. DIRICKX. No; it was lower during the first three months, but there was a great increase during the second three months, and the whole six months together was probably 60 per cent, thanks to the emergency tariff.

Senator SIMMONS. You say that coconut oil has not increased since the emergency tariff?

Mr. PIERIE. It has decreased; it is cheaper, sir.

Senator SIMMONS. How about cottonseed oil?

Mr. PIERIE. I do not know about cottonseed oil.

Mr. DIRICKX. Cottonseed oil is just a little bit higher, Senator.

Senator SIMMONS. How about peanut oil?

Mr. DIRICKX. That is higher, too, Senator; that is, higher than before the emergency tariff went into effect. Cottonseed oil was selling at about 60 per cent of the prewar price. So was peanut oil. They had been overspeculating during the war, and when the banks of the United States finally took a sledge hammer to knock sense in the heads of the traders, tightening the purse strings, all the speculators had to let go. The country was overbought and overstocked. Because foreign oil could be bought free of duty every gambler, even on a "shoestring," bought, because the banks were loaning money too freely. The market was absolutely overstocked. When the country came to its sober senses the natural result was liquidation at give-away prices, and cottonseed and peanut oils fell to far below prewar levels.

Mr. PIERIE. Without protection our industry must fail, and the oil consumers then place themselves in the hands of just three big foreign interests who will make them do their bidding.

On the contrary, if the home crushers can operate steadily, protected against foreign competition, they have the whole world's tropics in which to buy their raw materials. There is enough crushing capacity in this country to satisfy all the demand, and the competition between the home mills and foreign mills will right the question of price so as to keep it on a just basis with the price of the raw material, copra.

In our briefs we have set forth in detail the advantages of the oriental crushers and shown the justness of a duty of 2 cents per pound.

The foreigner having this advantage and being on the spot where copra is produced can easily, by intricate market manipulations, keep the American crusher from operating for several months on a stretch,

and then, there being no competition in the United States, the oil buyer suffers.

This has been done hundreds of times in the past four or five years. Such manipulation would be impossible if the foreigners' advantage were taken from them by a duty here, and then the market would stabilize and set down to a real supply and demand basis.

We ask that the duty on coconut oil be applied equally on coconut oil made in the Philippine Islands.

The competition the home mills are having from this quarter is just as deadly as the competition from Java and other foreign oriental centers.

Senator WATSON. How much is produced there?

Senator WALSH. There are now 30,000,000 coconut palm trees producing, and very shortly 60,000,000 palm trees will be producing.

Mr. PIERIE. It is about one-third of the world's supply, if we take it on a world basis.

Senator WALSH. You have been competing successfully and making a profit on your business with the coconut oil produced in the Philippine Islands, of course, in the last few years, have you not?

Mr. PIERIE. Oh, yes; due to the war and the increased demand.

Senator WALSH. There was no duty, of course, upon the oil that came from the Philippine Islands; yet you have been able to do business and make a profit?

Mr. PIERIE. Yes, sir.

Senator WALSH. Soya beans and copra have never had a duty upon them heretofore, have they?

Mr. PIERIE. I do not know about soya beans. It would not be a crushing proposition.

Senator WALSH. It is proposed to put a duty upon the soya bean, to put another duty upon the oil that comes from soya beans, and then put a duty upon soap. Does not that mean that there is bound to be a tremendous increase in the price of soap to the American people?

Mr. DIRICKX. I should say no, Senator.

Senator WALSH. Is it not a fact that there has been no duty upon soya beans heretofore?

Mr. DIRICKX. Yes, sir.

Senator WALSH. Is it not a fact that there has been no duty upon the oil that comes from soya beans?

Mr. DIRICKX. Yes, sir.

Senator WALSH. Is it not a fact that the duty upon soap is increased in this bill?

Mr. DIRICKX. Yes, sir.

Senator WALSH. So there are to be three duties placed upon the consumer who purchases soap that he never had before?

Mr. DIRICKX. But, Senator, under normal conditions of trading there will be very little soya-bean oil needed in this country. It was before the war.

Senator WALSH. Soya-bean and coconut oil are interchangeable, more or less, are they not?

Mr. PIERIE. Oh, no, sir; not at all.

Senator WALSH. Are they not both used in soaps?

Mr. PIERIE. Yes, sir.

Mr. DIRICKX. You could not use anything to take the place of coconut oil.

Senator McCUMBER. I think it would be better if one witness should testify at a time. Your time is nearly up, Mr. Pierie.

Mr. PIERIE. For the last few years, while the consumption of coconut oil here has greatly increased, we have seen the imports of copra fall off, and at the same time the imports of coconut oil increase.

Moreover, unfortunately for this country, practically the same crowd which controls the coconut-oil industry in other foreign countries controls it also in the Philippines—Lever Bros., some German interests, and a couple of natives, rather inimical to the United States.

While during the war, fighting against great odds, the American millers were establishing here a much-needed business, foreigners were allowed, by free entry of their oils, to undermine it and finally while the imports of coconut oil increased the home mills had to reduce their output.

We would here point out the absolute necessity of a copra-crushing industry in the United States.

In times of peace coconut oil is much needed here to round out our supply of home oils and fats, and—as we have shown—unless we manufacture ourselves, the country is at the mercy of a very few foreign manufacturers.

In time of war it is one great source of glycerine for our high explosives, and then we need mills right here which can produce the oil at home from copra drawn from all over the world.

In such a situation we can not be dependent upon getting oil supplies from foreign manufacturers, as this source of supply is controlled by a handful of people. It would, we believe, be extremely dangerous to rely for supplies upon the Philippines because oil shipments from there could be too easily intercepted—and who knows what the status of the islands will be a few years hence?

At least 75 per cent of the coconut oil produced in the Philippines, Java, and Japan is shipped to the United States.

Senator WATSON. You are not here opposing this 2-cent tariff?

Mr. PIERIE. Not at all, sir; but there has been some advertising in the newspapers, and so on—

Senator WATSON. I know; but wait until somebody is here to attack it.

Senator WALSH. There is to be opposition.

Senator WATSON. Why does he want to defend it until somebody comes here to attack it?

Senator WALSH. He wants a tariff put upon coconut oil from the Philippine Islands of 2 cents a pound.

Mr. PIERIE. And also palm-kernel oil.

Senator McCUMBER. Attention has been called to the fact that your time has expired, Mr. Pierie. Would it not be just as well to put into the record what you are reading from and let it be printed as a continuation of your testimony?

Mr. PIERIE. I am perfectly satisfied. [Reading:]

When the Federal Reserve Board and the big banks last year finally put a stop to frenzied merchandising and speculating—and these foreign oils were a

big item in that speculative importing—the buying here ceased for quite a while, and prices dropped.

The result was that the big mills in Java and the Philippines closed down, and some got into strained financial circumstances.

This proves that the American oil business and American money only made the operations of these foreign plants possible.

To-day, due to the drought, there is a big demand for coconut oil in Europe. Do they buy from the Philippines and Java the oil needed? No; Europe imports copra because Europe protects its copra-crushing industries.

It comes down to this: If we admit coconut oil free the industry here can not continue to exist, but the foreign mills will get the United States business. In that case we kill our own industry and build up the foreign industry.

If we put a duty on oil and leave copra free we keep our industry here, assure our liberal supply of oil, and it will not cost the consumer of coconut oil a penny.

If your committee can not see their way to apply a duty on coconut oil from the Philippines, then we would ask that, at least like in former tariffs, a limitation be placed on the quantity that will be admitted free of duty in this country.

As palm-kernel oil can to a great extent replace, in certain industries, coconut oil, to make the duty on coconut oil an effective protection the same duty should apply on palm-kernel oil. In many industries palm-kernel oil and coconut oil are used alternately.

Gentlemen, we are most serious in our plea—we will not burden you here with figures; they are all in our briefs, and they show that a duty on coconut oil and palm-kernel oil, and especially on coconut oil, is absolutely necessary to maintain this highly essential industry in this country.

If we have to continue against oriental competition, the copra-crushing industry here can not exist; we have to give up the business, and all of the users of coconut oil in this country will be at the mercy of a group of three interests—the Lever Bros. combination, the combination of Juergens, of Holland, with their German connections, and in the Philippines the same Lever combination and some camouflaged Germans with some "Independencists" with strong Japanese leanings.

**BRIEF OF GEORGE T. FIERIE, REPRESENTING THE GORGAS-FIERIE MANUFACTURING CO., PHILADELPHIA, PA.**

I. The paragraphs in the new tariff bill, H. R. 7456, in which our industry is concerned are:

Paragraph 50: Oils, expressed or extracted: Castor oil, 4½ cents per pound; cottonseed oil, coconut oil, and soya-bean oil, 2 cents per pound; hempseed oil, 1½ cents per pound; linseed or flaxseed oil, raw, boiled, or oxidized, 2½ cents per pound; olive oil, weighing with the immediate container less than 44 pounds, 7½ cents per pound on contents and container; olive oil, not specially provided for, 6½ cents per pound; peanut oil, 2½ cents per pound; poppy-seed oil, 1½ cents per pound; all other expressed and extracted oils not specially provided for, 20 per cent ad valorem.

Paragraph 1620: Nuts in the shell, and coconut meat broken or copra, not shredded, desiccated or prepared in any manner, and not specially provided for; palm nuts and palm-nut kernels, free.

Paragraph 1626: Oils, expressed or extracted: Croton, palm, palm-kernel, perilla, sesame, and sweet almond; olive oil rendered unfit for use as food or for any but mechanical or manufacturing purposes, by such means as shall be satisfactory to the Secretary of the Treasury and under regulations to be prescribed by him; Chinese and Japanese tung oils; and nut oils not specially provided for, free.

II. What we ask in behalf of manufacturers of coconut oil and palm-kernel oil is that our raw materials—copra and palm kernels—be maintained on the free list under paragraph 1620, and that foreign coconut oil be maintained on the dutiable list at 2 cents per pound under paragraph 50, also that foreign palm-kernel oil be taken from the free list under paragraph 1626 and made dutiable the same as coconut oil at 2 cents per pound under paragraph 50.

III. This proposed duty on coconut oil and the duty we ask for on palm-kernel oil are necessary to maintain this industry in the country, which is now being menaced and has been for the last three years by Far Eastern competition.

We beg to add to this statement a copy of our brief handed to the Committee on Ways and Means of the House of Representatives, which statement shows why such protection is needed.

IV. It is true that in former tariffs there was no duty on coconut oil and palm-kernel oil, but it is only during the last five years that a deadly competition has developed in the Far East with their cheap coolie labor, to such an extent that for the last year prior to the passage of the emergency tariff 75 per cent, at least, of the copra-crushing capacity of the country was idle.

V. The copra-crushing industry is necessary and vital to this country, and if further free entry of these foreign oils should be allowed, it will put the entire market of this country at the mercy of foreign interests.

We would respectfully invite your special attention to paragraphs 9, 10, 11, and 12 of our brief to the Ways and Means Committee of the House of Representatives.

VI. This has, quite naturally, developed great opposition in certain quarters against these proposed changes, and certain interests are denouncing these changes on the ground that these duties are levied on raw materials, and that they will hurt our domestic industry and our foreign commerce.

We earnestly believe, and can prove, that such opposition is based on false fears.

VII. None of these oils are basic raw materials. They are products which have passed through a well-defined manufacturing process.

Oil milling or oil crushing is an industry quite distinct in itself.

The basic raw material in vegetable oil is the seed or the nut from which the oil is pressed or extracted.

VIII. The people who most strongly oppose the duty on these oils are very careful not to protest against an advance in the duty on soap, margarine, butter, paint, etc.

They seem to believe in protection for their industry, but do not believe in protection for other American industries or American producers, just as soon as it seems to hurt their own interests.

IX. Your committee, we have no doubt, will be inundated with protests from an organization which, quite incorrectly, styles itself Bureau for Raw Materials for the Vegetable Oils Industry, while the roster of the membership shows it is composed solely of users of vegetable oils, representatives and agents of foreign oil shippers, and brokers in such foreign oils.

These people are not interested in the raw materials for oil; they are interested in oils only; and here, again, we beg to insist that oil is not a raw material but that only the seed is a raw material.

X. The contention that a duty on these foreign oils will advance the price of soap, margarine, paint, etc., to the American consumer is wrong in the extreme.

This is especially wrong in the case of coconut oil and palm-kernel oil.

XI. The United States is entirely dependent upon foreign sources of supply for their copra, and for this purpose we will also call the Philippine Islands foreign. It is very clear that we should not be dependent upon foreign sources of supply for our supplies of coconut oil.

We will be badly off if we have to rely for our oil supply upon the foreigners, instead of upon the home mills, who make the oil here from foreign copra.

In the Tropics copra gathering is what might be called a household industry. Copra is produced by natives and small planters. In some instances it would take the product of 150 different producers to get 1,000 tons of copra together. This is gathered by a host of small country dealers, who trade it off to a number of bigger traders at the shipping ports. It would be a mighty difficult matter for any foreign interest to absolutely control the copra supply of all or any of the producing centers.

However, oil mills are infinitely smaller in number, and it is a comparatively easy matter to absolutely control the coconut-oil supply of all or any of the producing centers.

Therefore, as copra importers we will have independence and freedom of trading in a large number of markets.

On the other hand, as coconut-oil importers we will have no independence whatever, and we are in the hands of the few people who control the oil business in the Tropics.

In the Dutch East Indies this oil is controlled by the Dutch margarine makers, called the Juergens interests, with their German connections, who are now negotiating for the purchase of all the plants of the Insulinde Oliefabrieken

in Java, and who operate their own tank steamers to the United States, making it even impossible for Americans to do their own freighting of oil.

In the British possessions this is controlled directly or indirectly by Lever Bros. (Ltd.).

In the Philippine Islands this is in the hands partly of Lever Bros. (Ltd.) and the big Philippine company which was started by Germans—the Schwartzkops and Kharberks—and backed by money of the treasury of the Archbishopry of Manila.

Therefore, as coconut-oil importers, the United States would be at the mercy of practically only three interests, and these could easily combine to make us do their bidding.

If the United States crushers have the protection they have asked for, and which the House has now agreed to give them, the foreign steamship lines will be quite unable to manipulate their rates on bulk oil in order to offset the effect of the duty.

The Tariff Commission called attention in their report to the fact that before the war Germany was the biggest copra importer and was a dominating factor in the world's trade in that commodity.

This is perfectly true; and yet very little of this copra came into Germany from her own colonies; it came mostly from foreign territory; but Germany admitted copra free and had a fine way of taxing a duty on coconut oil.

Germany controlled and dominated the market, not because she controlled production but because she had a large home crushing industry; and her buying power for the home mills gave her this strong position in the trade.

If, instead of importing—as we do now—two-thirds of our coconut-oil supplies, we reverse this and produce at home at least two-thirds of our supplies, if not all, the mills of the United States will have a buying power of some 200,000 tons copra per year at least.

That is a force in the international trade.

Can not we look at this matter from a national standpoint?

Here we are the United States, the biggest individual coconut-oil consuming country in the world, dependent for supplies on the whims of a small coterie of foreign producers, and our influence in the copra market reduced to practically nothing, although we have the finest mills in the world right at home, whereas we should be absolutely independent and occupy the commanding position in the copra markets.

Why should we throw all this away to foreigners?

XII. Certainly people opposing duties on these foreign oils are not viewing this from a national standpoint, and are only viewing this question in the light of how it might affect their own immediate interests.

XIII. There is, of course, no wonder that representatives of foreign oil producers, or brokers in foreign oils, should oppose duties on these oils.

But they have no interest in American industry, nor have they any investment in American industry.

XIV. The opposition of consumers to a duty on these foreign oils is less understandable though, because if they view the matter in the right light they must conclude, with us, that a protective duty for the American oil millers will in the end inure to the benefit of these same oil consumers.

Copra and coconut oil are world's commodities. The price is fixed by the inexorable law of supply and demand operating all over the world.

The consumers of the world set the value as much as the sellers.

In the general scheme of market values—that is, the price of other oils and fats and the worked-out cost of formulae—the consumers themselves arrive at the valuation of coconut oil—the setting of a price they can afford to pay.

This valuation by the consumer is the basis the crusher has to fix for his purchases of copra.

The crushers can not take advantage of a duty on oil to boost their prices.

The crusher always has to buy copra with an eye on the oil market and the price the consumer will pay.

All the consumers know that the time they can buy oil most favorably is when the home mills are competing.

When the home mills are not working the price is always whooped up.

The highest price ever reached for coconut oil was when the home mills through embargoes and foreign competition could not get copra in round quantities.

When foreign competition is left free sway here, cutting the American mills out from active competition, then the oil market is at the mercy of foreigners who speculate at the expense of the American consumer.

The illustration of this is clearly before us. Not so long ago, through buying by local mills, it was impossible for American mills to obtain copra either in the Dutch East Indies or in Ceylon.

The emergency tariff put a stop to their oil exports to the United States and right away they became sellers of copra in round quantities, which the millers here bought.

The result? With a duty of 20 cents per gallon on foreign coconut oil, this oil is selling and offering, now, cheaper than it was offering before the emergency tariff went into effect, and at this moment the coconut oil prices in the United States are lowest of all and any of the consuming markets.

There is enough crushing capacity in this country to satisfy the demand for coconut and palm-kernel oil of the country.

Give the crushers a chance to operate safely and their desire to operate their plants at full capacity will give all the oil supply wanted, and the competition among the various mills will certainly hold the oil values within the limits justified by the copra prices and well acceptable to the consumers of oil.

Without American mills the foreigner has the whip hand. He has two outlets: Either sell oil to the United States or sell copra to Europe, whichever nets him the most; therefore, in order to get oil the American consumer has to pay up.

When the American crusher has bought copra and engaged freight he has to bring it over here, he has no other outlet than sell the oil here in the United States.

Leave copra free, something that is not produced here, put a duty on oil, and we get the market right down to a real supply and demand basis, and the American millers and the American consumers will right the matter of price between themselves.

The foreign cost of production is not the basis of the selling price to the American consumer.

The foreigner sells in competition with the price the home mills have to ask, and any benefit or advantage the foreigner has does not go to the American consumer, but is pocketed by the foreign producer.

With a protective duty on oil, therefore, the consumer is not worse off, but the extra profit is taken from the foreigner if he wants to sell here.

In this commodity the consumer does not pay the duty. The foreigner has to set his sales price to meet the price of the home producer, which the foreigner can do very nicely, but out of his extra profit he himself pays the duty.

This, in reality, is one case where the foreign producer pays the duty, without raising the price to the consumer.

XV. A great deal has been said by the opponents of duty on oils about killing our foreign business, both import and export, and robbing our ships of tonnage.

If we stop buying foreign coconut oil but make it here instead, it is a fact that then instead of moving 150,000 tons of coconut oil we would be moving about 250,000 tons of copra, which would be, roughly, a movement of 100,000 tons more cargo to the ships.

The movement from these foreign points would be the same in value; we would not buy a cent's worth less from them, but it would be purchases of real raw material instead of manufactured products.

Moreover and most important, instead of buying oil from one or two foreign concerns the Americans would be buying copra from several thousands of producers and dealers.

There would be the opening for real trading with the Tropics—buying their goods and selling them ours; but we will never get that far if we have no American traders in the field, and are satisfied to buy finished products from one or two big foreign interests established in the Tropics.

XVI. Of all the dire things that have been predicted when the emergency tariff should go into effect, none have happened.

Our exports of cottonseed oil have been since then very good—1,325,482 pounds during June.

Our exports of lard have been very good—67,655,766 pounds during June.

Our imports of copra have become once more a respectable figure—20,224,870 pounds during June.

And yet prices have not jumped in this market; all commodities in the fats line are well within bounds, and some are still way below a prewar average.

XVII. Unlike other commodities, oils and fats have kept pace with the general conditions and with the fluctuations of the raw materials, especially vegetable oils. When copra was low oil was low, and now that copra has gone up the oil buyers are still getting the benefit of the earlier low copra prices.

Unfortunately, that much can not be said of products made from these cheap oils and fats when the prices of the manufactured article are away above the prewar values, when the oils and fats are away below the prewar values.

XVIII. For the above reasons we ask that a duty of 2 cents per pound on coconut oil be maintained in the tariff and that copra be kept on the free list.

It is only according much-needed protection of an American industry against the cheapest kind of labor without ever giving an excuse for the raising of prices to the users of this oil.

XIX. We ask that palm-kernel oil be taken from the free list and be made dutiable, like coconut oil, at the rate of 2 cents per pound.

Palm-kernel oil is produced from the west African palm kernel.

All the coconut-oil mills in this country are equipped and can produce palm-kernel oil from these kernels.

Most of the palm-kernel oil is produced in England and France, chiefly in England, and, incidentally, is the only oil that this country would buy in Europe.

It would not lessen our purchases from England if we did not buy palm-kernel oil, because we would buy the equivalent of palm kernels from the west African British colonies or additional copra.

We ask for a duty on palm-kernel oil, because, while not fully as good as coconut oil, it can to a certain extent be used as a substitute for coconut oil.

Therefore free palm-kernel oil would to a certain extent nullify the duty on coconut oil.

Here we have not to fear the very dangerous competition of the low cost of production by coolie labor, but still European cost of production is below ours, while the European crusher gets a far better price for his by-product (cake) to-day—\$37 per ton in Europe, against \$25 per ton here.

However, the greater danger lies in the possibilities for market manipulations. When foreigners, knowing only too well the tendency of oil consumers here to consider nothing but the ultimate fraction of a cent at the time of purchasing and to disregard all the greater considerations of building up a national industry and market, will at certain times take advantage of free palm-kernel oil to depress the oil market here to a point where crushers could not see their way to buy either palm kernels or copra. Then suddenly they can reverse and withdraw, in the meantime having cleaned up heavily on copra, and then they can make the United States pay up.

This naturally sounds rather extraordinary, but as old foreign traders, we have seen such market manipulations concluded very many times in past years.

We also are rather afraid that at times free palm-kernel oil might serve as a cloak to send a certain amount of foreign coconut oil into this country without paying the duty.

It would be quite easy to mix, say, 25 per cent of coconut oil with palm-kernel oil, and the customhouse inspectors and chemists would have a hard time detecting it, if they could at all, while the buyers here would not protest such a mixture, since it would not be an adulteration; on the contrary, such a mixture would be better than pure palm-kernel oil.

XX. In conclusion we beg to say that we approve of a duty on the other foreign vegetable oils, and even such oilseeds as flaxseed and peanuts.

We are general oil millers, and we have crushed peanuts in the past, both domestic and foreign, and hoped to do so again, but we realize that the home grower of peanuts needs a protection; and even if the present duty on peanuts prevents us from ever again crushing a pound of foreign peanuts, we incline ourselves without protest and will give up that part of our business in full realization that if we obtain what we ask, a protection for our industry, we must be satisfied to see another line of American endeavor obtain the protection it deserves, even if that hurts us.

XXI. We are not protectionists with reservations. We naturally ask for a protection that will allow us to continue in business, but we are quite satisfied to see other industries receive the same kind of protection.

Under this respect, we believe, we differ from the people who oppose duties on vegetable oils. These want protection for their own products, but do not suffer that another branch of American industry is accorded the same favor.

XXII. On the subject of coconut oil, all we have said about foreign millers applies to mills in the Philippine Islands; and you will see that in our brief to the Ways and Means Committee of the House we have asked that the same duty be applied on coconut oil from the Philippines, or at least that a limit be put on the quantities of coconut oil which would be allowed, free of duty, from the Philippines into this country.

The competition the American mills have to stand from the Philippine mills is more dangerous still than that from other foreign sources.

Or, if such is believed not feasible, would it not be possible to levy in the Philippine Islands an export duty on coconut oil equal to the amount of the import duty in this country?

Such export tax could be used to help rehabilitate the finances of the Islands, which have gotten in such a deplorable state just on account of the speculative possibilities opened to a few of the Islanders by this free admission of oil here in deadly competition with the home mills.

We beg to refer under this respect to our letter of June 25 to Hon. Henry W. Watson, of the Ways and Means Committee of the House, a copy of which has been filed with your committee by our chairman.

It would be of infinite help and value to the islands if the natives could sell freely their product—copra—rather than have two or three mills interfere with the world's sale of the copra and give over to these two or three mills (foreign interests, after all) the advantage of manipulating the markets here and there and push the home industry out of existence.

XXIII. It has been reported to us from the Philippine Islands that a movement is on foot there to impose an export duty on copra, and that the approval and authority of the United States Congress will be asked for such export tax.

This is in direct line with the usual tactics of a few privileged people in the Philippines who have found it so easy during the last five or six years to obtain all sorts of favors—embargoes on copra, privileged shipping facilities, and preferential freight rates—all designed and calculated to absolutely kill the copra-crushing industry in the United States and to throw that business in the lap of a few Philippine and foreign interests.

XXIV. We sincerely hope that you will not lend your support to this nefarious proposal and that you will refuse sanction to an export tax on copra.

XXV. Copra in the Philippines is the product of the native population. It would be highly unwise always, but especially now in the present financial conditions of the islands, to hamper the trading and free sale and export of a raw product directly made and sold by the native population in order to favor just a few individuals and give these another opportunity for a speculative orgy like the one of 1916-1920, which finally brought ruin to the islands.

XXVI. Surrounded by strong competition, if to all our other disadvantages an export tax on copra from the Philippines is added the United States mills will have to close down. Our industry could not exist, as you will readily realize, if Philippine coconut oil is entirely tax free, both export and import, when the raw material for the American mills has to pay an export duty. That would be a flagrant discrimination against American commerce and industry.

XXVII. If the Philippines insist on an export tax on copra, then most assuredly an export tax on coconut oil must be applied.

Copra by actual mill practice yields on an average 60 per cent of oil, therefore an export tax on copra must be equalized by an export tax on coconut oil of one and two-third times the rate of the tax on copra.

In addition, the Philippine coconut oil should be taxed a compensatory duty of 2 cents per pound, the same rate as applied to other foreign coconut oil. In other words, if the Philippines are allowed to institute an export tax on copra the export tax on coconut oil should be one and two-third times the rate on copra plus 2 cents per pound.

XXVIII. The question is plain. Shall we allow and help the Philippines to close all the copra mills in the United States and wipe out this industry in our country; to transplant it entirely to the Philippines, to the great detriment of the United States oil consumers and to the detriment of the native population producing the copra, but for the benefit of a few foreign interests established in the Philippine Islands?

XXIX. All the American copra crushers ask in the above statement is merely an opportunity to maintain the industry in this country, and an opportunity to continue operating in the United States.

## SOAP.

[Paragraphs 51 and 77.]

**STATEMENT OF S. W. ECKMAN, OF B. T. BABBITT CO., NEW YORK CITY.**

The CHAIRMAN. You may state your name to the committee.

Mr. ECKMAN. My name is S. W. Eckman.

The CHAIRMAN. Where do you reside?

Mr. ECKMAN. New York City. I represent B. T. Babbitt, soap manufacturer.

The CHAIRMAN. You are in the soap business?

Mr. ECKMAN. Yes, sir; manager of that concern.

The CHAIRMAN. Proceed briefly.

Mr. ECKMAN. Our object is to state from the soap manufacturers' point of view our opposition to the imposition of a tariff on our raw materials.

The CHAIRMAN. The committee has heard a number of witnesses on that subject, and adopted a rule to only hear two people on the same item.

Mr. ECKMAN. I do not think you have heard anybody from the soap manufacturers' end of it.

The CHAIRMAN. Perhaps not, but nearly everything else.

Mr. ECKMAN. Senator Simmons said this morning the consumers were not represented here, and you said the consumer would be welcome to be heard. Our position is identically with the position of the housewives' league or any other consumer. The manufacturers of common laundry soap, if they have to pay more for their raw materials, could advance the price to the consumer, and would have to in order to maintain a margin of profit. That would not ruin us.

It would be passed on to the consumer and he would have to pay from 1 to 2 cents more for soap. Laundry soap is a very highly competitive industry. There are some 400 manufacturers in this country, and there is no trust in the laundry-soap business. It could not be more competitive than it is.

There is one feature of the advanced cost which would really hurt us, and that is the export end of our business. If this tariff is enacted and the result is an increase in the cost of our raw materials, we will be excluded from competing, as we can now compete, with foreign manufacturers of laundry soap. The exportations of laundry soap in 1920 amounted to \$19,000,000, and the importations amounted to \$684,000. We want to stand on our own feet in this matter. I believe Senator Reed said he did not know of a manufacturer but what wanted a maximum of protection. We are not here pleading for any protection on our raw materials or finished product. We are able to look out for ourselves in that respect. There has heretofore been a 5 per cent duty on laundry soap. It is now proposed to make it 20. We could look after ourselves at 5 per cent, and if necessary we could do it without any duty on the finished product; but if our present cheap source of raw materials, these oriental oils, is excluded and made to go around to Europe, as it will, we will have to pay more. The manufacturer over there can make his soap cheaper, and we will be excluded from the exportation of laundry soap.

The CHAIRMAN. Where do you export your soap to?

Mr. ECKMAN. To the West Indies, to Scandinavia, and in your city Fels & Co. have exported tremendous quantities to Great Britain, somewhat to South Africa, somewhat to China, so that I should say it is pretty general. It has been in the last year exported in large quantities to Turkey, the Orient, and the Near East, and as I mentioned when we were here before on the emergency tariff we have just sold a quantity to the bolsheviks in Russia.

Senator REED. That is the most hopeful thing I have heard of.

Mr. ECKMAN. It may surprise you to know that within six weeks after receiving one consignment of a million cakes of soap Lenin announced in a public speech that he was now almost respectable. That shows what American laundry soap can do.

The CHAIRMAN. They do not import shaving soap over there?

Mr. ECKMAN. Mr. Gilbert Colgate, president of Colgate, is here, just back from Europe. He is a much better authority than I am on shaving soaps.

Senator REED. Is the export business growing?

Mr. ECKMAN. Yes; it has been growing right along.

Senator REED. How many years has it been growing?

Mr. ECKMAN. I can give you the figures on that. In 1911 the exports were \$4,000,000.

Senator SUTHERLAND. The entire industry?

Mr. ECKMAN. For the United States; yes.

Senator REED. Of all kinds of soap?

Mr. ECKMAN. Yes. In 1918 they were \$13,000,000. In 1919 they were \$21,000,000, in 1920 there was a little recession owing to reduction in price bringing it down to \$19,000,000.

Senator McLEAN. What percentage of your product is that?

Mr. ECKMAN. That would be probably between 5 and 10 per cent of the total manufactured in this country, but it is increasing rapidly. It has increased from \$4,669,000 in 1914 to \$19,159,000 last year.

Senator McCUMBER. How many concerns are manufacturing laundry soap?

Mr. ECKMAN. Between three and four hundred in 1913.

Senator McCUMBER. The great bulk is manufactured by a few concerns, is it not?

Mr. ECKMAN. No; I would not say so. There are a number of large concerns, but none that can compare in size with the English concern of Lever Bros., our biggest competitor on foreign markets.

Senator McCUMBER. What proportion of laundry soap made by the three or four hundred concerns does your concern make?

Mr. ECKMAN. I should say our concern would make not over 5 per cent of the total production of this country.

Senator McCUMBER. How many of the concerns manufacturing that character of soap are exporters?

Mr. ECKMAN. Practically all of those that are located near the seaboard—well, you might say all the fairly large ones. All but the small ones do exporting. I was going to exclude the central western manufacturers, but they export large quantities to Mexico.

Senator McCUMBER. Where would you draw the line of demarcation between what you designate as the large and the small?

Mr. ECKMAN. Oh, I should say that a concern that put out a million dollars' worth in a year would be a large concern, and those under that would be small.

Senator McCUMBER. How many of those would there be that you would designate as large concerns on that basis?

Mr. ECKMAN. Out of the 350 concerns I would think there would probably be 50 or 100. Mr. Reuter, who was in charge of the Government fats and oils service during the war, knows the exact facts. He says there are 50 American laundry-soap manufacturers making a million dollars' worth of goods a year, speaking offhand.

Senator McCUMBER. Fifty out of 350?

Mr. ECKMAN. Yes, sir.

Senator McCUMBER. You say you could get along very well on the present tariff of 5 per cent?

Mr. ECKMAN. Yes, sir.

Senator McCUMBER. Do you think all of these 350 could do it?

Mr. ECKMAN. We think so. Our principal competitors in England have to import their raw materials. With an exportable surplus of vegetable and animal fats, we do not believe ours is an industry which needs protection in excess of the 5 per cent.

Senator McCUMBER. Of course, your statement is intended to be dependent upon free raw materials.

Mr. ECKMAN. Yes, sir.

Senator WALSH. State what those free raw materials are.

Mr. ECKMAN. In general, they are oriental oils. Before I get through I desire to submit a brief which was prepared by Mr. Pearson, of the N. K. Fairbanks Co., the Gold Dust Twins people, which gives that whole list.

Senator WALSH. Coconut oil and soya-bean oil?

Mr. ECKMAN. Yes, sir.

Senator WALSH. Linseed oil?

Mr. ECKMAN. No, sir; not in hard soaps, but considerable quantities are used in making soft soaps.

Senator REED. If you are taxed on your raw materials that will increase your price and that will shut you out of the foreign market?

Mr. ECKMAN. Yes, sir.

Senator REED. If you are let alone you can get along with 5 per cent, and you say you probably could get along without any?

Mr. ECKMAN. If it were necessary I think we could get along without any. We would rather have the free raw materials and no duty on the imported finished product than to pay a duty which would shut out our cheap raw materials and then get the protection on the finished product.

In that respect, I would like to say the statement that has been made for the cotton growers, and perhaps the agricultural industry, does not coincide with our view of the situation. The gentlemen representing the cotton growers said the importations of this oriental oil took that much away from the consumers in this country of cottonseed oil. The fact is that cottonseed oil and corn oil and those American oils owe to the soap industry their entire existence. They were originally created as substitutes for tallow in making soap. Then they graduated out of that class by being refined and made into edible articles, and do not compete with soya-bean oil and others which are just as good for soap-making purposes as the American oils.

If this tariff goes through as indicated, we believe it will not benefit in any particular the agricultural industry of this country. If you could suppress the oriental oils you could accomplish something, but you can not do that. They will continue to manufacture them. If they can not get the prices here they can get abroad, because of the duty, and go abroad they would compete directly with the finer grades of American oil now exported to Europe. We believe this duty will not only tend to increase the price of the finished product, common laundry soap, but will also hurt the very interests which it is designed to help, because it will create a more direct competition than at present exists. Vast amounts of oriental oil will go to Europe, because they can get a better price there on account of the tariff wall here. Then compete directly there with finer American oil.

Senator REED. Do you sell your product abroad cheaper than you sell it here?

Mr. ECKMAN. No, sir.

Senator REED. You would not regard it as good policy, would you, to arrange a tariff so that the American manufacturer could sell here at a high price and abroad at a lower price?

Mr. ECKMAN. There might be some instances where that might be good policy, because it might keep a factory open when it would otherwise be closed. If you have an outlet somewhere where you could dump it, so to speak, I can see where that would keep factories open that would be otherwise closed down, but as a general proposition I do not believe that it is a good permanent policy.

Senator REED. That might be a good thing for the factory, but how about the people?

Mr. ECKMAN. The people that work in the factories would of course be benefited.

Senator REED. I mean the ultimate consumer.

Mr. ECKMAN. The ultimate consumer should be interested in the cheapest possible price.

Senator McLEAN. A good many ultimate consumers work in factories.

Mr. ECKMAN. I believe around about 50 per cent in this country.

Senator REED. Of people that work in factories?

Mr. ECKMAN. In industries.

Senator REED. The question was, how many worked in factories.

Mr. ECKMAN. I referred to the industry.

Senator REED. How many people work for your concern?

Mr. ECKMAN. We have about 700.

Senator REED. What is your annual output?

Mr. ECKMAN. About \$5,000,000.

Senator REED. What is your capital stock?

Mr. ECKMAN. Somewhat less than \$5,000,000—\$4,350,000.

Senator REED. How long have you been in existence?

Mr. ECKMAN. Eighty-seven years.

Senator REED. What were your profits in 1917?

Mr. ECKMAN. \$248,000.

Senator REED. What were they in 1918?

Mr. ECKMAN. About \$250,000.

Senator REED. In 1919?

Mr. ECKMAN. A loss of \$177,000.

Senator REED. 1920?

Mr. ECKMAN. A loss of \$6,000.

Senator REED. Did you carry anything into surplus?

Mr. ECKMAN. Not out of the losses.

Senator REED. But in any of these years?

Mr. ECKMAN. Oh, yes; we carried into surplus more than we distributed to the stockholders.

Senator REED. When you said "profits" did you mean to include your surplus?

Mr. ECKMAN. No; I meant the net operating profit for the year. The losses of the year when there were no profits would not be distributed to stockholders.

Senator SUTHERLAND. That includes the sum you paid in dividends and the amount you put into surplus, does it not?

Mr. ECKMAN. The operating profit is before dividends are taken into consideration, but when it becomes a loss no dividends are paid.

Senator SUTHERLAND. But where you have made a profit?

Mr. ECKMAN. It is before paying a dividend, and in no case was there a dividend of more than 7 per cent paid.

Senator REED. Do you carry bonds?

Mr. ECKMAN. We have a small bonded indebtedness of \$125,000.

Senator REED. So that, practically speaking, you made 7 per cent dividends, and you had a profit over it during three of these years, and had losses in three years?

Mr. ECKMAN. Yes, sir.

Senator REED. And you are back now on a paying basis?

Mr. ECKMAN. Yes, sir; we are back now on a fair paying basis. In the meantime, one concern almost as old as ourselves, running into the fourth generation, had to go into the hands of receivers a few weeks ago and the creditors got 50 cents on the dollar. I should say in general the soap business is more or less in the same condition. No profits have been made since the end of the war.

Senator REED. That is due to what reason?

Mr. ECKMAN. There are a number of reasons. We all increased our capacity during the war at the request of the Government, because they wanted more glycerine, and that raised our overhead. It is much easier to raise overhead than it is to reduce it. My wife and your wife and everybody's wife bought two or three boxes of soap instead of 25 cents' worth of soap, and at the end of the war they were overloaded, as well as all the dealers, and there was almost no purchasing for a period of at least six months.

Senator REED. And that, of course, turned the business out of balance.

Mr. ECKMAN. Yes, sir.

Senator REED. And you suffered from it?

Mr. ECKMAN. Yes, sir.

Senator REED. But that cause will be removed in time, and shortly removed.

Mr. ECKMAN. Yes, sir. It is returning to normal now.

Senator REED. Did the emergency tariff affect your business, so that it will produce the beneficial effects which the movers of it intended would result to the prices of Americans producing fats and oils? To assess a 2-cent tariff there against these oriental oils, I

don't think it can be shown that will help the producers of American corn oil and cottonseed oil to any extent at all.

Senator WALSH. Did it increase the price of soap?

Mr. ECKMAN. No, sir.

Senator McCUMBER. Has it decreased since?

Mr. ECKMAN. It has been practically the same this year.

Senator McCUMBER. But have the materials that go into it decreased in price since the emergency tariff?

Mr. ECKMAN. If you will give me two dates I will be able to answer promptly.

Senator McCUMBER. The emergency tariff went into effect as a law on the 27th day of May. Has there been any decrease in the price of raw materials since then?

Mr. ECKMAN. No, sir.

**BRIEF OF MR. PEARSON, OF THE N. K. FAIRBANKS CO., FOR THE MANUFACTURERS OF LAUNDRY SOAPS OF THE UNITED STATES.**

*Proposed and present rates of duty on soap.*

	H. R. 7456.	Act 1913.
Soap, Castile.....	15 per cent ad valorem..	10 per cent ad valorem.
Toilet.....	30 per cent ad valorem..	Do.
Perfumed.....	do.....	30 per cent ad valorem.
Laundry soap.....	20 per cent ad valorem..	5 per cent ad valorem.
Soap powder.....	do.....	Do.

The increase in duties on soap does not compensate for duties on raw materials, as free raw materials are more necessary for the industry than protection against importations of foreign laundry soap.

The increase in duties on soap may compensate, so far as protection against foreign laundry soap is concerned, but other factors must be considered, as follows:

(a) Laundry soap at all times must be sold at a very low price.

(b) The soap industry has striven since its inception to sell laundry soap at the lowest possible price, depending on large volume for profits.

(c) The public demand is for a cheap supply of soap, and it is to the country's advantage to have soap maintained at as low a price per cake as possible.

(d) The consumer opposes and is reluctant to pay more than the low prices of laundry soap that have been established by time-honored custom.

(e) In order to supply the demand for soap at popular prices the soap makers of all nations have been dependent upon free access to raw materials.

The soap industry has been the medium through which nearly every kind of saponifiable oil and fat has been developed and advanced to a place in more valuable products, such as edible products.

The soap industry furnished the outlet for the first cottonseed oil and corn oil produced in the world, and the soap industry made the production of American cottonseed oil and corn oil possible on a large scale.

As the production of these and other oils has been developed on a commercial scale by the market afforded by the soap industry, science has developed the use of these same oils and fats and has caused their graduation from use in the soap kettles to use in edible products which increased their value to the primary producers.

The process of developing oils and fats for more valuable purposes will be entirely retarded if the soap industry is denied free access to other supplies of oils and fats that are necessary to take the place of those developed by and then released from the soap kettle for more valuable purposes.

To restrict the soap industry in seeking supplies wherever available will operate to restrain the graduation of materials qualified for more valuable uses. In fact, such restrictions will force back into the soap kettle at lower prices large quantities of our prime oils and fats which now enjoy a free outlet at home and abroad for the manufacture of commodities in which they are of greater value than in soap.

The soap manufacturer must purchase the cheapest oils and fats available, and if restricted in purchasing suitable oils and fats abroad must continuously endeavor to

secure the domestic supplies at low prices. Common laundry soap represents 80 per cent of all soap produced in the United States.

Soap with good lathering and cleansing qualities to meet modern conditions and the advancement in the art of soap making can not be made without combining with our domestic soap-making oils and fats generous proportions of other oils not produced in the United States, such as coconut oil, palm oil, soya-bean oil, sesame oil, olive oil, foots, etc.

Modern grades of soap are offered for sale in all markets of the world, and the United States will lose its export trade and future opportunities in this export field if the costs of manufacture are artificially raised by tariffs on necessary foreign raw materials such as coconut oil, soya-bean oil, animal tallow, etc.

To meet the demands of the universe for popular price soap the soap maker must be able to quickly change his formulas so as to be able to decrease the proportion of one kind of oil or fat used and to increase the proportion of another as market prices of the various kinds of oils and fats fluctuate up and down. To meet the public demand and to compete with foreign soap makers the American soap maker must have a flexible supply or "currency" of raw materials.

The price of soap under modern merchandising methods can not be readily changed without disturbing the entire system of distribution involving vast expenditures in advertising and readjustment of nearly every factor in the methods of distribution. In normal times every effort to stabilize the cost of soap at a popular price must be made by the soap industry.

The soap business is highly competitive. There are no combinations or groups of soap manufacturers controlled by combinations of capital. Each soap manufacturer is competing with every other in the purchase of his raw materials. Each strives to make the best product, and in the selling and distribution of soap there are no combinations or price-fixing bodies to restrict competition.

The utmost efficiency in manufacturing has been developed. Waste and extravagance are unknown in the soap-making industry. The highly competitive nature of the American soap-making industry is indicated by the number of factories and their wide distribution throughout the United States. The Bureau of the Census reports that in 1914 there were 371 soap manufacturers located in over 30 States. Raw materials used in soap are equal to about six times the cost of the labor under normal conditions.

The price of laundry soap prior to the World War was 3½ cents to 5 cents per cake, depending upon size and quality, and during the period of high prices advanced to 6½ cents to 10 cents per bar; the price to-day having gone back to 4 cents to 8 cents per bar at retail. The rate of duty in the tariff act of 1913, which is 5 per cent ad valorem on laundry soap, is sufficient to protect our industry, and we suggest that this rate be not changed in the new tariff provided no changes are made in the rates of duty on our raw materials. We are more concerned in developing the export of American soap to foreign countries than we are afraid of foreign competition so long as we are in an equally advantageous position with foreign soap manufacturers in securing our raw materials.

If our raw material supply is restricted we must abandon our export trade and simply pass on to the American consumer any increase in price caused by duties on necessary foreign raw materials. Such a program must appear absurd to your committee.

We include herewith a statement of our export and import trade in soaps.

Calendar year.	Exports.	Imports.
1911.....	\$4,213,000	\$308,000
1912.....	4,646,000	819,000
1913.....	4,860,000	750,000
1914.....	4,669,000	848,000
1915.....	5,917,070	593,000
1916.....	6,118,000	596,000
1917.....	6,928,000	556,000
1918.....	13,443,000	255,000
1919.....	21,302,000	416,000
1920.....	19,159,000	684,000
First six months 1921.....	4,501,000	269,000

Production of soap in United States, 1919, \$111,358,000; 1914, \$127,942,000; 1919, \$317,303,000.

In summing up the situation it is plainly apparent that—

(a) Our domestic producers of saponifiable oils and fats will be harmed rather than benefited by duties on foreign oils and fats in the crude state.

(b) The soap-making industry and many other industries depending upon oils and fats as raw materials in their finished products will be curtailed through the destruction of their export business.

(c) Thereby employment for American labor would be restricted.

(d) The American consumer would be forced to pay a higher price due to the increased cost of the foreign raw materials, none of which increase would be received by the producer of the American raw materials.

"It is an ill wind that blows no good," but so far as a tariff on vegetable oils, fats, and oleaginous materials is concerned the good would be "blown" exclusively to our competing industries in Europe.

We therefore urgently request that your committee place no tariff on the following oils, fats, and oleaginous materials used in the soap industry and many other industries which were on the free list in the tariff act of 1913: Soya beans, copra, palm nuts, palm kernels, coconut oil, cottonseed oil, palm oil, palm-kernel oil, soya-bean oil, olive oil rendered unfit for use as food, tallow (animal), tallow (vegetable), grease fats, vegetable tallow, and oils (excepting fish oils) not chemically compounded, such as are commonly used in soap making and wire drawing or for stuffing or dressing leather.

We also recommend that all oils and fats not mentioned above which have been placed on the free list in House bill 7456 be retained on the free list in this bill, including the following: Sesame oil and the following distilled and essential oils: Anise, bergamot, bitter almond, camphor, caraway, cassia, cinnamon, citronella, geranium, lavender, lemon-grass, lime, lignaloe, neroli or orange flower, origanum, palmarosa, pettigrain, rose or attar of roses, rosemary, spike lavender, thyme, and ylang ylang.

We further recommend that the following oils, fats, and oleaginous materials in House bill 7456 be placed on the free list or that duties no higher than those assessed in the tariff act of 1913 be adopted:

	Cents.
Castor beans.....	bushel of 50 pounds.. 15
Castor oil.....	gallon.. 12
Peanut oil.....	do.... 6
Seal oil.....	do.... 3
Herring oil.....	do.... 3
Whale oil (should be reduced to 3 cents per gallon).....	do.... 5

We further suggest that if our recommendation regarding the preceding raw materials for the soap industry are adopted, the duty on laundry soap, soap powder, and other kinds of soap not specially provided for, which in House bill 7456 are dutiable at 20 per cent, be reduced to 5 per cent, at which rates these soaps were dutiable in the tariff act of 1913.

In amplification of our statements and recommendations contained herein, we respectfully refer you to our brief which we submitted to the Ways and Means Committee of the House of Representatives, which appears in the volume entitled "Hearings on general tariff revision before the Committee on Ways and Means," Part V, page 3617.

**STATEMENT OF GILBERT COLGATE, PRESIDENT OF COLGATE & CO., JERSEY CITY, N. J.**

Mr. COLGATE. I am president of Colgate & Co., of Jersey City, N. J., and live in New York City.

In regard to our reply to the tariff which you think of putting on these vegetable oils, we think just as Mr. Eckman and Mr. Brown who last spoke. We are all in the same category. When you ask questions we will all answer the same, because we all feel the same. We do a large laundry-soap business, known as the Octagon Soap Brand. In the South we do a large business, and we feel very keenly the tariff on these vegetable oils. We think it is hard enough for a soapmaker to live anyway, and if he has to live he ought to have free access to raw materials, and when you tax the raw materials you run the price up. That works a hardship on the poor man who needs soap to clean himself. According to the income-tax returns for 1917, I think I am correct in saying that 90 per cent of the families of the United States receive incomes of less than \$1,000. I think those are the figures. They do not use anything but the common laundry soap. If they have to pay 1 cent more for it, it amounts to a good

deal for them. If you put a 1-cent duty on the raw material, it will cost them at least 20 cents per box more.

Senator McLEAN. How many cakes in a box?

Mr. COLGATE. About 60 pounds to the box.

Senator REED. What would be the tariff you would pay on that 60-pound box?

Mr. COLGATE. I could not tell you that. I am not up on the manufacturing of common soap. I am willing to answer any question I can answer.

Mr. ECKMAN. Fifty to sixty cents.

Senator REED. How much would it cost the consumer a box?

Mr. COLGATE. One cent a cake more.

Senator REED. You say 60 cents a box?

Mr. ECKMAN. Of 100 cakes.

Senator REED. And you would sell the box for one or two dollars more?

Mr. ECKMAN. The ultimate consumer would probably pay 1 cent per cake more.

Mr. COLGATE. Something on that order. I have not figured it out.

Senator REED. Would it be 1 or 2 cents more?

Mr. ECKMAN. It is about 2 cents.

Mr. COLGATE. I don't think I can furnish you with all those facts.

### PHOSPHORUS AND CHLORATE OF POTASH.

[Paragraphs 60 and 75.]

#### STATEMENT OF W. A. BECKER, DIAMOND MATCH CO., NEW YORK CITY.

Senator McCUMBER. Please state your name, address, and whom you represent.

Mr. BECKER. I am here to represent the Diamond Match Co. in reference to phosphorus, and at the time I made the request I included chlorate of potash, as they go so closely together that I would like to talk on the two of them at the same time, and it will save the time of the committee incidentally. I speak on paragraph 60, phosphorus, and paragraph 75, chlorate of potash.

The Diamond Match Co., along with other match manufacturers, are the largest users of both of these commodities in this country.

Phosphorus is manufactured in the United States by, I believe, two concerns—one, the Oldburry Chemical Co. at Niagara Falls; and there is the American Phosphorus Co., I think, at Philadelphia.

The Oldburry Chemical Co., as I understand it, is owned jointly by the Rizer interests, who have the selling agency on both phosphorus and chlorate made in this country, and the United Alkali Co. of Liverpool, England.

The Underwood tariff assessed no duty whatsoever on phosphorus; it came in here free, and, so far as we know, the companies producing it here went right along with their business just the same as usual.

Domestic phosphorus to-day on the market is probably selling as high as 30 to 35 cents. Our company has made phosphorus in an experimental way, in a small plant, and we have also made chlorate—I would not say a small plant, as it is a large experiment. We figure

that phosphorus can be made for 20 cents a pound, particularly if it is made in large quantities, owing to the fact that hydroelectric power in the United States or in North America is probably as cheap as you can get it anywhere.

**Senator SMOOT.** Do you want it free?

**Mr. BECKER.** I will not ask for its absolutely free, Senator, but we would like the duty of 10 cents cut down to at least 5 cents. We figure that 10 cents will prohibit the importation of phosphorus and leave us in the hands of one or two people in this country who can absolutely control the situation and produce no revenue for the Government.

**Senator WALSH.** And make excess profits?

**Mr. BECKER.** We assume so, Senator. Of course, I do not know what their profits are.

**Senator WALSH.** They can produce it at 20 cents a pound?

**Mr. BECKER.** They will probably tell you they can not produce it at 20 cents a pound, but I think we can demonstrate it can be done.

**Senator McCUMBER.** You make matches?

**Mr. BECKER.** Yes, sir. On chlorate the Underwood bill had one-half cent; the new bill proposes 1 cent a pound plus 15 per cent ad valorem; that is supposedly on the American valuation, which is absolutely in the control of one concern.

**Senator McLEAN.** You have competition on your product?

**Mr. BECKER.** A very strong competition on matches from abroad. The foreign cost of production of matches is far under the American production. However, I am not here making any particular plea for a duty on matches. The proposed duty is 6 cents, and while most of the product made in this country will cost anywhere from 90 to 95 cents a gross to make, and, as you probably know, foreign matches have sold within a recent date around 45 cents for Japanese matches, though many of us will not have them on account of quality.

We do feel that the comparison of that small duty of 6 cents, which is along about within 7 or 8 per cent of the cost of production here, in comparison with 10 cents on phosphorus, or what we claim is 50 per cent or more of the cost of production on that item here, and a cent a pound on chlorate plus 15 per cent ad valorem, which would run it up on the American market to-day of 12 cents and make the duty about  $2\frac{1}{2}$  to 3 cents per pound, or 25 per cent—it seems to us quite an injustice to the match industry of this country that we should have to pay these duties on raw materials and at the same time try to compete with the foreign competition on the manufactured product.

**Senator WALSH.** Who are the manufacturers of chlorate, if any, in this country?

**Mr. BECKER.** The North American Chemical Co., of Bay City, Mich.; and, incidentally, I might say that the stock of that company, to my best knowledge, outside of perhaps a few shares for incorporation reasons, is controlled practically or, with the exception of those few shares, controlled 100 per cent by the United Alkali Works, of Liverpool, and they prior to the war had a combination with other chlorate manufacturers—German, Swedish, and so on—whereby they were given absolute control of the American market. There was no importation of chlorate. I think that can be borne out by the import records.

Senator McCUMBER. What percentage of the cost of the match does the phosphorus represent?

Mr. BECKER. You have asked me a hard question now. I really can not say offhand. I can give you that figure, Senator, but I would not want to make a mistake. It is a right substantial amount, because chlorate of potash is the big item in the tip of a match, and to-day its market is about 12 cents a pound. Of course, our big cost is lumber, naturally.

Senator WALSH. What would you say the tariff duty would make it per pound?

Mr. BECKER. From 2½ to 3 cents a pound.

Senator WALSH. And would increase the present price of 12 to 15 cents?

Mr. BECKER. If it just added that on the present value; yes, sir; and if there is as much competition in chlorate from now on as there was prior to the war, and they are successful in forming an international combine which absolutely controlled it and prohibited any importations from other foreign manufacturers to this country, it means the market in the hands of one concern.

Senator WALSH. What percentage of these products are made in this country of the amount consumed here?

Mr. BECKER. One hundred per cent, under old normal conditions, of chlorate.

Senator WALSH. All that is consumed is made here?

Mr. BECKER. All that is consumed is made here, because the combine would not let any foreign country in.

Senator WALSH. And the same is true of phosphorus?

Mr. BECKER. I would not say it is true to the same extent on phosphorus. That is not in existence to-day. It is our hope that it can be kept from going back into existence; but, at any rate, we do not want our industry tied up in the hands of one concern that could make us or break us on this commodity, and for that reason we have gone into this experimental work, and have spent a couple hundred thousand dollars.

Senator WALSH. Your contention is that the tariff upon these two articles will simply restrict putting so much more money in the advanced price in the pockets of these producers?

Mr. BECKER. Not only that; it will also, perhaps, prohibit us from decreasing our operating cost, thereby decreasing the cost of our own article, which we want to do if it is a possible thing to do, and, incidentally, I would like to say that matches during the period of inflated prices throughout the war probably advanced less than any other staple commodity. We have done our utmost to keep them down, and as a proof of that I must say that on an invested capital of \$25,000,000 we have averaged earnings of about \$2,000,000, or about 8 per cent; and out of that we have dispersed dividends averaging \$1,350,000 a year, or, that is, about 5½ per cent on invested capital; and the rest has gone back into reserve and experimental work, and so on.

Prior to the war chlorate of potash sold at an average price of 7½ cents a pound. Muriate of potash, or potassium chloride, from which chlorate is made, is almost back to prewar prices—it is a little higher. We make our own muriate in this country out at Salt Lake

and get our chlorate under a conversion contract. But how long that can keep up we do not know. It is just a question. Muriate to-day we can buy cheaper than we make it.

Senator McLEAN. Why is not competition in phosphorus more active in this country?

Mr. BECKER. It is a difficult electrolytic process, and the consumption of phosphorus is quite limited. The erection of a plant to produce it is quite an expensive proposition, and I do not suppose that there is enough business to warrant any large investment in new plants. It would be probably too much of a gamble to go into it against the competition of people who have had years and years of experience in that line.

Senator McLEAN. Why do you not make it yourself?

Mr. BECKER. We are getting ourselves in shape so we can, if we are forced to do it, because we can not pay fancy prices for phosphorus. My object here is not with the idea for the next 10 or 15 years to get foreign goods in here for our raw materials; it is to keep the price of the American producer down to a level at which he can make a very reasonable profit and still supply this market.

Senator JONES. How much phosphorus is there consumed in the United States in a year?

Mr. BECKER. That I do not know. I could tell you about what we consume ourselves, or what the match industry consumes. I should say the match industry would consume perhaps between 400 tons and 500 tons a year. To-day's price on it is about 30 to 35 cents a pound.

**STATEMENT OF CHARLES W. ASBURY, REPRESENTING AMERICAN PHOSPHORUS CO., PHILADELPHIA, PA.**

Mr. ASBURY. My name is Charles W. Asbury, president of the American Phosphorus Co., with general offices in Philadelphia, and a plant near Harrisburg, Pa. I will talk upon paragraph 60, phosphorus.

First, I would like, Mr. Chairman and gentlemen, to outline to you very briefly the commercial status of the business. Ours is the only American owned and operated plant in the United States. There is an English owned and operated plant in Niagara Falls, United States, with which plant we compete. Our plant has been closed since November of last year.

Senator WATSON. Why?

Mr. ASBURY. Because of the importations of phosphorus.

Senator WATSON. From where?

Mr. ASBURY. From Germany and France.

Senator McCUMBER. Is the other one closed, of which you speak?

Mr. ASBURY. The other one is operating on compounds of phosphorus. They have facilities for manufacturing compounds using phosphorus as a basis, but we make the phosphorus only.

Senator WATSON. How much have they shipped in?

Mr. ASBURY. They shipped in last year nearly 300,000 pounds.

Senator WATSON. What is the American consumption?

Mr. ASBURY. The American consumption in peace times is a little over a million pounds a year.

Senator WATSON. How much do you make?

Mr. ASBURY. We make about 400,000 pounds when we are running.

Senator WATSON. Your plant is closed down?

Mr. ASBURY. Our plant is closed down entirely and has been closed down since November last.

Senator WATSON. And the foreigners are supplying the demand?

Mr. ASBURY. The foreigners are supplying the demand.

Senator WATSON. What is the difference in cost of production in your factory and in France or Germany?

Mr. ASBURY. I can answer that perhaps a little more concretely, Senator, in this way: That the importations in the last quarter of last year were valued at 17 cents a pound. Our average cost of production is 38 cents a pound.

The present status of the duty is this: I appeared before the Ways and Means Committee of the House, and asked that the rate provided in the Payne-Aldrich bill should be restored. It was 18 cents a pound.

Senator SMOOT. Before you go on to that, the production in 1914 in this country was 1,315,000 pounds. The importations in 1914 were 605 pounds?

Mr. ASBURY. Yes, sir; in 1914, that is true.

Senator SMOOT. In 1917 the importations were 4,010 pounds?

Mr. ASBURY. Yes, sir.

Senator SMOOT. Have you got the information as to importations?

Mr. ASBURY. I have, sir—that is, I have not the intervening years, but I have 1919 and 1920, from the Department of Commerce.

Senator SMOOT. I will see what it is here.

Mr. ASBURY. For the year of 1919 there were 54,916 pounds.

Senator SMOOT. Is that all?

Mr. ASBURY. That is all in the year 1919. But when we come to 1920, divided by quarters, we have the first quarter 23,971; the second quarter 29,962; the third quarter 202,369; for the fourth quarter 35,447.

Senator DILLINGHAM. And that aggregates how much?

Mr. ASBURY. That aggregated over 300,000 pounds in 1920.

I also have for the first six months of 1921, as reported by the Department of Commerce, though not yet published, 123,518 pounds.

Senator LA FOLLETTE. For six months?

Mr. ASBURY. For six months.

Senator LA FOLLETTE. That is less than 10 per cent of our consumption.

Mr. ASBURY. Yes. But, Senator, may I call attention to the fact that the consumption of phosphorus now in this country is not as stated—about a million pounds or a little over every year—for the reason that phosphorus was used during the high price of camphor, of which we heard much this morning, as a substitute for the manufacture of celluloids, when camphor was raised to \$3.50 per pound. Now, that camphor has gone down in price, phosphorus is no longer thus used; consequently, the consumption is less.

Another thing, in the consumption as figured, a little more than a million pounds is an item of phosphor bronze, into which phosphorus enters as a constituent. The consumption of phosphor bronze has been very greatly lessened through business depression, and largely through the crippled condition of the railways and their

inability to purchase phosphor-bronze bearings. So that this 300,000 pounds, approximately, to which I have referred, Senator, is now a very much larger proportion of production than would appear from that normal production or consumption in the country.

Continuing on the tariff schedule, for a moment, if I may—

Senator LA FOLLETTE (interposing). When was that plant established for production?

Mr. ASBURY. About 17 years ago—we have been about 17 years in business.

Senator LA FOLLETTE. What was your selling price in 1913?

Mr. ASBURY. In 1913 the lowest selling price we had was about 38 cents a pound. But our costs, of course, have since gone up.

When the Ways and Means Committee considered this subject after the presentation of its status, they agreed upon a duty of 15 cents per pound. When the bill was reported to the House, through a misconception of a committee amendment, it was reduced to 10. I am now asking, concretely, that the duty be made not less than 15 cents a pound upon the schedule of figures which I have briefly presented to the Senators to-day.

The other phase of the subject, Mr. Chairman, if I may refer to that, is that phosphorus is a very important war material. It was used in the war for many important purposes.

Senator SMOOT. Can you make phosphorus at 20 cents a pound?

Mr. ASBURY. No, sir.

Senator SMOOT. That is what Mr. Becker testified to.

Mr. ASBURY. May I ask who he represented?

Senator SMOOT. W. A. Becker represented the Diamond Match Co.

Mr. ASBURY. He does not make phosphorus, does he?

Senator SMOOT. I think indirectly they do.

Senator McLEAN. The gentleman who testified for the Diamond Match Co. said they did make a little.

Senator SMOOT. That is what I say.

Senator McLEAN. I think they make it all.

Senator SMOOT. What does it cost you to make it?

Mr. ASBURY. Our average cost now—when I say "average cost," I want to explain that. There are three kinds—sesquisulphide phosphorus is used in compounds for matches; and yellow or white phosphorus, which is the same thing—sometimes called yellow and sometimes called white—and amorphous phosphorus, which is red phosphorus. Yellow phosphorus costs less because that is the base from which the others are made.

Senator LA FOLLETTE. What does that cost?

Mr. ASBURY. The yellow kind costs now about 31 cents.

Senator LA FOLLETTE. To make it?

Mr. ASBURY. To make it.

Senator WATSON. What did the other kinds cost?

Mr. ASBURY. They cost about 40 and the sesquisulphide about 35.

As to the vitalness of this industry to the Nation, I have here a letter from the Chemical Warfare Service, signed by Brig. Gen. Amos Fries, in which he gives the data in a very few words and his own opinion about it. He says:

A review of the field of manufacturers of phosphorus in the United States shows that there is but one American-owned company within continental limits. This plant is now closed.

2. A review of the demands for phosphorus in the commercial trade shows the average annual consumption in peace time in the United States to be about 1,000 tons.

I think I have explained that difference in the fall of its uses.

3. The annual demands within the Army in time of peace is very small.

4. The estimated requirements for the United States Army in a war such as the last war is 560 tons per month.

5. Phosphorus, along with magnesium nitrate platinum, etc., is considered a most essential commodity for the successful prosecution of war and our country should make some provisions to protect the American industry and make the country independent of foreign markets.

You will therefore see, gentlemen, from the report of Gen. Fries that he considers it a most essential thing for war. There being but one industry in the United States American-owned and American-operated, we ask that our position be considered from your angle of view as well as from the commercial status which I have briefly described.

Senator WATSON. Do our imports of phosphorus come more from France or from Germany?

Mr. ASBURY. More from France.

Senator WATSON. Do you know what wages are paid there as compared with your wages here?

Mr. ASBURY. I could not answer that definitely.

Senator WATSON. You know what you pay.

Mr. ASBURY. Oh, yes; I know what we pay when we are operating; we are dead now.

Senator WATSON. When you operate, what do you pay?

Mr. ASBURY. When we operate, we pay, depending upon the kind of labor we have—we have running from the common labor, of course, ranging now about 40 cents an hour, up to skilled men, who get \$7,000 a year in our plant.

Senator WATSON. And do you know what similar labor receives in France?

Mr. ASBURY. I know in a general way—

Senator WATSON (interposing). In a phosphorus plant, I say.

Mr. ASBURY. I could not answer definitely what the wages are in a phosphorus plant; I have no report on that, sir.

### PIGMENTS AND COLORS.

[Paragraphs 63 and 70.]

#### STATEMENT OF C. K. WILLIAMS, OF C. K. WILLIAMS & CO., EASTON, PA.

The CHAIRMAN. Mr. Williams, will you state for the record your full name and residence?

Mr. WILLIAMS. My name is C. K. Williams; my residence Easton, Pa.; and I represent C. K. Williams & Co., of that city.

The CHAIRMAN. What is your business?

Mr. WILLIAMS. Manufacturing of dry colors and pigments, and also importers of the same.

The CHAIRMAN. You desire to speak on paragraph 63; is that correct?

Mr. WILLIAMS. Yes, sir; and more particularly paragraph 70, I think. Paragraph 70 would cover both.

The CHAIRMAN. That covers ochers, siennas, umbers, and other pigments?

Mr. WILLIAMS. Yes; and oxides of iron.

The CHAIRMAN. What duty do you want, Mr. Williams?

Mr. WILLIAMS. It is simply a matter of correction of the duty applying to oxide of iron first of all. Oxide of iron is a pigment, and it is under paragraph 70 down at 20 per cent, whereas under paragraph 63 pigments, colors, and paints are dutiable at 25 per cent. Oxide of iron is one of the principal pigments manufactured and used in our line, and it is made dutiable at 20 per cent instead of 25, as all other pigments are classified, practically.

The CHAIRMAN. How is it classified in the Payne bill, do you remember?

Mr. WILLIAMS. In the Payne bill it was classified under pigments as 30 per cent.

Senator CURTIS. And what you want to do is to transfer that from section 70 to 63?

Mr. WILLIAMS. From 70 to 63, or change the rate in paragraph 70 and leave it there.

The CHAIRMAN. Have you prepared a statement or brief on the subject?

Mr. WILLIAMS. No; I have not, since I have just a small request here.

The CHAIRMAN. It looks to me, Mr. Williams, as if you were correct in your criticism; and the committee will make a memorandum of your request for attention to this matter, and we will endeavor to correct it if it appears to be all right.

Mr. WILLIAMS. Thank you. Then, under another item in paragraph 70, ocher has always been "ochers, siennas, and umbers." We have always had a differential of one-fourth cent a pound on all the bills prior to the bill of 1913. In this bill there is only one-eighth cent per pound between the manufactured and the crude. Now, crude ocher is not imported into this country; all the ocher, practically, that is coming into this country is in the manufactured state. But umbers and siennas are imported in quite large quantities in the crude state and mostly manufactured here and in Italy. The crude comes from Cyprus and other islands in the Mediterranean, both to Italy and to this country, and we, as manufacturers, can not compete with the Italian manufacturers of umbers and siennas with the differential of one-eighth of a cent a pound. The cost of the manufacture is in the neighborhood of three-fourths cent a pound, and our labor cost is three times that of Italy.

Representative KIRKPATRICK. What was that differential prior to the present act?

Mr. WILLIAMS. Prior to the present act, or prior to 1913, there was always a differential of two-eighths of a cent.

The CHAIRMAN. Mr. Williams, on that point I am inclined to think, on first examination, that your criticism is well taken.

Senator SMOOT. Why would it not be better to make this one-quarter of 1 cent a pound on the crude, and then have the three-eighths the same as we have in the Payne-Aldrich bill?

Mr. WILLIAMS. The Payne-Aldrich bill had one-eighth on crude.

Senator SMOOT. The Payne-Aldrich bill had one-eighth on the crude and three-eighths on the manufactured?

Mr. WILLIAMS. Yes.

Senator SMOOT. I say, why not reduce this one-quarter to one-eighth and arrange it that way?

Mr. WILLIAMS. That would help us very materially; it would be the same as it always was.

Senator SMOOT. Yes.

Mr. WILLIAMS. Although the differential is not as much now as it used to be.

Senator SMOOT. It ought to be one way or the other.

Mr. WILLIAMS. It ought to be one way or the other; there ought to be a large differential. If you want a higher duty for revenue, well and good; we could stand a higher duty.

The CHAIRMAN. Senator Smoot says it would be the same as the Payne-Aldrich bill. I think your position is well taken, Mr. Williams, and the committee will take your suggestion under consideration, and we will endeavor, with the help of the Treasury experts, to correct it.

### BONE BLACK OR BONE CHAR.

[Paragraph 66.]

#### STATEMENT OF JOHN BARNARD KREIDER, DELAWARE RIVER CHEMICAL WORKS, REPRESENTING THE BONE BLACK INDUSTRY OF THE UNITED STATES.

With the thought and wish of simplifying and expediting the matter, a combined statement is herewith submitted.

The following signers of this petition, i. e., Armour Fertilizer Works, New Orleans, La.; Baugh & Sons Co., Philadelphia, Pa.; Listers Agricultural Chemical Works, Newark, N. J.; Michigan Carbon Works, Detroit, Mich.; Pacific Bone Coal & Fertilizing Co., San Francisco, Calif.; Pacific Guano & Fertilizer Co., San Francisco, Calif.; Texas Chemical Co., Houston, Tex.; comprising all domestic manufacturers of bone black or bone char, in order to successfully compete with foreign producers, ask assistance in the shape of tariff protection. These products have always been accorded tariff protection in all previous tariff bills (with the exception of the act of 1913), with rates ranging from a maximum of 25 per cent ad valorem in the act of 1883 to 20 per cent ad valorem in the Payne-Aldrich bill.

Paragraph 66 of H. R. 7456 now before your committee contains rate of 20 per cent ad valorem which, while not according the extent of protection asked and hoped for in brief submitted to Hon. Joseph W. Fordney, chairman of the Ways and Means Committee, House of Representatives, yet is recognized by the industry as giving assistance in the maintenance thereof.

Domestic manufacturers of bone black and related products can only through ample protection successfully meet the invasion of acute competition from French, German, English, South American, Scotch, and other countries.

Realizing that the fundamental purpose of a tariff is to first provide revenues from imports, 20 per cent ad valorem is recognized as a rate that will readily permit of the continuance of imports and at the same time afford some protection to domestic manufacturers.

In addition, we earnestly request that your body will devise and apply a remedy to present abnormal low rates of international exchange, since without some equalization in exchange 20 per cent will not afford adequate protection against inevitable injurious competition from abroad, although if based on American valuation this exchange difference would be appreciably offset.

The domestic manufacturers whose names are listed above are large producers of the above-mentioned articles, having much capital invested in their plants devoted to the making of these products, and which articles of manufacture have been produced for many years, in some individual cases covering a period of 40 years or more.

Bone black or bone char fulfill an indispensable part in the purification of cane sugars and in the food products made by the corn-sirup industry. It also is used in the processes of oil refining and water purification.

Bone black or bone char, while performing an indispensable part in the refining of cane sugar, is found to add but an infinitesimal expense to the refining cost of sugar (i. e., nineteen-thousandths of 1 cent per pound of refined sugar), according to data secured by the United States Tariff Commission and listed below as information:

*Comparison of the average cost of bone char per pound of refined sugar with the total cost of refining.*

[Figures taken from the books of a number of representative refineries.]

Year.	Cost of bone char.	Total refining cost.	Year.	Cost of bone char.	Total refining cost.
1914.....	\$0.00010	\$0.00420	1917.....	\$0.00015	\$0.00713
1915.....	.00010	.00424	1918.....	.00019	.00681
1916.....	.00006	.00452	1919 (6 mos.).....	.00017	.00689

Bone black or bone char or animal charcoal, as it is also called, is not used in any way in the beet-sugar industry or in the producing of raw cane sugar.

The domestic bone-black companies, of which there are a sufficient number to provide ample supplies, indeed, amounting to a surplus, of bone black for the United States, have kept abreast of the times by installing improved machinery when found necessary for the efficient operation of their plants for the purpose of producing bone black at the lowest cost.

The importation of bone black without duty would prove a menace to the whole industry.

A large number of employees obtain their livelihood by working in domestic plants where bone black or bone char is produced.

Unsuccessful competition with Europe and South America would result in disaster to this field of labor and other related lines of occupation that are dependent upon production for their continuation.

The cost of foreign labor used in the plants making bone black or bone char, as obtained by us, indicates that on an average the rate of wage being paid in the United States is from four to five times as great as that paid in continental Europe for unskilled and skilled labor. Therefore, it is self-evident that European manufacturers are reaping a big advantage in their costs, which fact, coupled with that of abnormally low rates of exchange that are now prevailing, is seriously operating to the detriment of domestic producers.

Severe foreign competition is already being felt, with the further certainty that this situation will be aggravated as the foreign producers, who have been affected by curtailment due to the war, gradually get into full swing.

Cheap foreign labor abroad, in which can be included child labor, and armies of unemployed, causes apprehension and fear that this unemployment calamity will extend to and in the United States if adequate tariff protection be not afforded.

As information we are listing below bone-black duties existing in previous tariff acts

Act of—	Paragraph.	Rates of duty, specific and ad valorem.	Act of—	Paragraph.	Rates of duty, specific and ad valorem.
		<i>Per cent.</i>			<i>Per cent.</i>
1883.....	88	25	1897.....	10	20
1890.....	13	25	1909.....	10	20
1894.....	9	20	1913.....	447	Free.

It is the firm conviction of this industry that unless the needed protection herein asked for is accorded the bone-black or bone-char business of these domestic plants will be impaired or ruined through adverse foreign competition above cited and especially with present low international exchange rates acting as an added advantage to foreign shippers and to the extreme disadvantage of domestic manufacturers.

Accordingly, we most earnestly ask favorable action from your body on paragraph 66 of H. R. 7456.

**STATEMENT OF CHARLES B. GRIMES, OF POMEROY & FISCHER,  
NEW YORK CITY.**

The CHAIRMAN. Mr. Grimes, will you kindly state your full name?

Mr. GRIMES. Charles B. Grimes.

The CHAIRMAN. Where do you reside?

Mr. GRIMES. My residence is New Rochelle, N. Y.; my business address is 95 Madison Avenue, New York.

The CHAIRMAN. What is your business?

Mr. GRIMES. I am a member of the firm of Pomeroy & Fischer, importers of bone blacks for decolorizing purposes, and also importers of fuller's earth for bleaching, and also fluorspar.

The CHAIRMAN. Where do you import your bone black from chiefly?

Mr. GRIMES. From England and from France and Holland.

The CHAIRMAN. Is your business in bone black that of an importer or a manufacturer?

Mr. GRIMES. I am not a manufacturer of anything.

The CHAIRMAN. Do you deal in it?

Mr. GRIMES. The bulk of our business in the future is apt to be in domestic articles. At the present time conditions are in such a state of flux that it is difficult to say.

The CHAIRMAN. What articles do you desire to speak on?

Mr. GRIMES. On bone black for decolorizing purposes, as set forth in paragraph 66 of Schedule 1.

The CHAIRMAN. Proceed, Mr. Grimes.

Mr. GRIMES. For a considerable number of years my firm has been practically the only importer of this article, and as a result of quite considerable hard work and a number of trips to Europe we have built up a very moderate business in it. The standards of the foreign manufacturers, however, are so vastly different from that of the domestic producers that it does not seem to me this business is possible of very great expansion in any circumstances, and it is interesting to note that it has been attempted by quite a number of firms in the past 25 years when all of them have given it up as an impractical matter.

I have already referred to our dealing in domestic articles, and I would like to mention in passing that we have not asked for any increase in the Underwood-Simmons rates or in the existing rate on fluorspar or fuller's earth. I make that statement hoping that it may show you we are approaching this matter in a fair, broad spirit.

We oppose a duty of 20 per cent on bone black because in our opinion it will absolutely prohibit the importation and will produce no revenue for the Government.

Senator WALSH. Do you think it will prohibit importation?

Mr. GRIMES. Yes, sir; I think so. Bone black, as used for decolorizing purposes, is a comparatively unknown article to the general public; it is made by the grinding of cattle bones, after having been burned. The final product is in granular form, about the size of coarse sand, and practically the only use of it is by sugar manufacturers in the bleaching and clarifying of their liquors, and but for its use we would eat brown sugar instead of white. For that reason it is a matter that really does interest everybody in the community.

Fortunately, for my own argument, one of the first briefs which was published by the United States Tariff Commission covered this article, and the figures which I shall use in my brief or argument are taken from that impartial source; in fact, I would be very willing to rest my case upon a careful reading of that Tariff Commission brief.

Turning to the brief of the Tariff Commission, it will be noted that bone black under most of the earlier tariff clauses has been dutiable at rates varying from 20 to 25 per cent.

These rates have proven practically prohibitive, for the commission states that the average imports under those various acts have been but \$20,000 per year.

Coming to the Underwood tariff, bone black for decolorizing purposes was made free of duty, and the imports increased slightly. Averaged over the period of 1915-1919, apparently the only years the commission has available, imports amounted to the sum of \$62,000, or about 4 per cent of the domestic production of \$2,500,000. That, gentlemen, is the beginning and end of my argument, for it seems to me that whereas the tariff history shows a domestic industry possesses undisputed control of more than 95 per cent of its home market no tariff is needed and there is no tariff question involved.

Senator McCUMBER. In that instance that tariff was so high it could not come in?

Mr. GRIMES. It could not come in.

Senator McCUMBER. What would be the effect if the tariff was so laid that there would be competition?

Mr. GRIMES. The only tariff which seems to permit of any importation is free entry, and, as I say, we have worked very hard and have succeeded in importing but \$60,000 during the period of five years of free entry when we were favored by very unprecedented rates of foreign exchange. So that it does not seem to me that the status of free entry can do any harm to any legitimate American interest.

Senator CALDER. The average was \$60,000?

Mr. GRIMES. The average was \$60,000.

Senator CALDER. What was it in 1920?

Mr. GRIMES. I do not know; I think the figures were published.

Senator SMOOT. In 1920 it was \$120,000.

Mr. GRIMES. That was the highest point.

Senator SMOOT. In 1918 it was \$109,000.

Senator CALDER. Of course, the war would act as an embargo against it.

Mr. GRIMES. I think not in the case of this article, because we had no difficulty in getting material from abroad; we had no difficulty in getting shipment, and we had very advantageous ocean freights, as boats were coming back in ballast and were very glad to get our little cargoes. My impression is our greatest period of imports was 1,200 tons in one year, as domestic production, which the Tariff Commission states was 22,000 tons in 1914, undoubtedly has risen to nearly 30,000 tons by this time.

Senator CALDER. The value of imports in 1920 in this commodity seems to indicate there were \$524,000.

Senator SMOOT. I think that is the latest report.

Mr. GRIMES. \$500,000?

Senator CALDER. \$500,000; that is, the value of the imports in 1920.

Mr. GRIMES. Of what?

Senator CALDER. Bone char or bone black, suitable for use as pigments.

Mr. GRIMES. I was not aware that the imports reached any such figure as that.

Senator CALDER. It seems to me to indicate that in that record there [handing document to the witness] where it is checked.

Mr. GRIMES. Of course the value of the bone black per ton has increased manifold during the war, and during 1920 it sold for 14 cents per pound in America, whereas before the war it sold for 5 cents.

Senator CALDER. What does it sell for now?

Mr. GRIMES. The market now has come down to 6 cents, I am told—the domestic market—whereas I have received quotations from abroad indicating that with the 20 per cent proposed it would cost me between \$155 and \$160 to land a ton of material against the English price of \$120, for which I am told the domestic article is selling. So you see under those conditions that at present at least, which is tariff history, the duty would be prohibitive and no revenue would be produced for the Government.

Senator WALSH. What have you to say about the consumption?

Mr. GRIMES. The Tariff Commission states that the consumption of 1914 was 22,000 tons. They apparently have no figures later than that.

Senator WALSH. Of that how much was imported in 1914?

Mr. GRIMES. \$62,000 worth out of \$1,500,000—\$1,500,000 was the value of the 22,000 tons.

Senator WALSH. Did that continue up to last year?

Mr. GRIMES. So far as I know, it did.

Senator WALSH. What was the total consumption?

Mr. GRIMES. My impression is 30,000 tons—so at that figure the domestic amounted to \$54,000 last year.

Senator WALSH. Or what percentage of the total product?

Mr. GRIMES. Ten per cent.

Senator WALSH. So the importations are about 10 per cent.

Mr. GRIMES. That is the highest figure, and the average that the Tariff Commission assigned for us was 4 per cent.

Senator WALSH. Would you think that it being allowed to come in free would compete with that produced at home and keep the costs down?

Mr. GRIMES. In my opinion it furnishes a shadow of competition, and tends to be a little useful balance to the market.

There are but five domestic producers. They have about seven or eight plants, and the best known are Armour & Co., the American Agricultural Chemical Co., and three other smaller but wealthy and successful houses.

Of course, I do not know what action these five domestic producers would take in case the duty of 20 per cent as proposed remains in force and becomes law. It seems to me in view of the quotations that I have that it would be quite possible for them to increase the price of the product by almost the amount of the duty. I do not

know whether that is what they would do or not, but if so, it would increase the American sugar bill by practically \$1,000,000.

Senator CALDER. Mr. Grimes, are you the only importer of this article?

Mr. GRIMES. So far as I know, we are the principal ones, and about the only people who have shown any interest in this matter in recent years.

Senator SMOOT. Just for the record, the amount imported in 1919 was \$330,677?

Mr. GRIMES. Prices were lower then.

Senator SMOOT. In 1920 the amount imported was \$374,146.

Mr. GRIMES. That is about 7 or 8 per cent?

Senator WALSH. What would the figures have been?

Mr. GRIMES. We were selling around \$75 a ton, and I do not remember what the domestic market was, but toward the end of the war domestic prices were 14 cents a pound, and that would be \$280 a ton.

I might say, in addition, that my argument applies only to bone blacks used for decolorizing purposes and not alone for powdered form, of pigment uses, or again to vegetable carbons which are used for decolorizing purposes, but which are made from different raw materials, by different processes, in a different manner to accomplish different results, and are in fact entirely a separate industry. I make the suggestion that the committee may see fit to differentiate between those three forms of black. But I am of the opinion that free entry would do no legitimate American interest any harm, and that the proposed tariff would completely shut out imports and produce no revenue.

For that reason we ask continued free entry.

Senator DILLINGHAM. Was there a duty in the Payne-Aldrich bill of 1909?

Mr. GRIMES. Yes; 20 per cent.

Senator WALSH. Would you strike out all of paragraph 66, or just those items you discussed here?

Mr. GRIMES. Yes; I would not have that considered separately, because my argument does not apply to that. I am only speaking for bone black for decolorizing purposes, and that has been specifically mentioned in one or two tariff acts.

Senator SMOOT. In the act of 1909 it read "bone char suitable for use in decolorizing sugars."

Mr. GRIMES. Would that include glucose, which is almost a sugar product?

Senator SMOOT. I think that would include that by using the word "char," but if you used the words "bone black," the same as it is here, for that purpose, then it would differentiate between the two.

Mr. GRIMES. I think bone blacks for pigment purposes are dutiable now under the Underwood tariff, and the difference is made by distinguishing in this manner—the act reads "bone blacks not suitable for use as pigments shall enter duty free."

Senator SMOOT. That is the Underwood bill?

Mr. GRIMES. Yes, sir. I would like to leave with you a brief.

The **CHAIRMAN**. All right. Your brief will be printed as part of your remarks, Mr. Grimes.

**BRIEF OF CHARLES B. GRIMES, OF POMEROY & FISCHER, NEW YORK CITY.**

I am a partner in the firm of Pomeroy & Fischer, of New York, and appear in opposition to the proposed duty of 20 per cent on bone black, or bone char, for decolorizing purposes, as set forth in paragraph 66, Schedule 1.

For a number of years we have been practically the only importers of this article, and as a result of much hard work and several trips to Europe have built up a moderate trade. Owing to the fact that foreign standards differ materially from domestic, it is entirely probable that our present trade can not be greatly increased under any conditions. In fact, many others have attempted to import this article, but have given it up as impractical.

The importation of bone blacks is but a single department of our business, the principal part of which is the selling of domestic fuller's earth and domestic Kieselguhr. On both of these articles we meet the severest of competition from England and from Germany, yet we have made no request to either House of Congress for any increase in the very small existing duties on these articles. I mention this fact with the object of showing you that our firm approaches the matter of customs duty in a broad spirit. We oppose the suggested duty on bone black on the grounds that it would prohibit import and yield no revenue.

This little-known article is of much importance, because it is practically all used by refiners of sugar and glucose for the clarification and bleaching of their product. Second only to raw sugar, the refiners regard it as their principal raw material, and it is therefore an article which directly affects every citizen of the country in an important manner.

Fortunately, one of the earliest bulletins of the United States Tariff Commission covers this article, and I base my brief arguments on the facts there shown. In fact, I am quite content to rest my case on that complete and impartial Government record.

Up to the enactment of the Underwood tariff, bone black has been assessed at rates varying from 20 to 25 per cent. These rates have practically prohibited importation, as the Tariff Commission states the imports under these laws have averaged but \$20,000 per year.

Under the present act bone black enters free of duty and has, moreover, enjoyed unprecedented rates of foreign exchange. Even under these conditions, however, the Tariff Commission records show that imports have averaged but \$62,000, or less than 5 per cent of the domestic production of \$1,500,000.

I maintain that this undisputed record clearly shows no tariff question exists in connection with this article, for surely no one can claim that a domestic industry absolutely controlling 95 per cent of its home market is in need of any tariff whatsoever. In fact, it will hardly be disputed that the 5 per cent competition is a most excellent thing for everyone connected with the industry.

The latest quotations which we have received from England and Holland upon bone blacks indicate very clearly that their duty-paid import would be absolutely impossible at this time, thus bearing out the facts above drawn from the records of the Tariff Commission and proving that the proposed duty would yield no revenue.

With imports safely excluded, it would be quite possible for the domestic manufacturers to increase their price by the amount of the duty. The final effect would be to increase the public sugar bill and benefit only the five domestic bone black makers, the best known of which are Armour & Co. and the American Agricultural Chemical Co.

**APPENDIX.**

Domestic production, 1914, 44,509,000 pounds valued at \$1,532,000.

Imports, 1914, \$77,717, or 5 per cent of domestic production for same year.

Prewar imports averaged \$20,000.

Average imports, 1910-1919, \$62,141, or 4 per cent of domestic production in 1914.

Duty: Act 1883, 25 per cent; act 1890, 25 per cent; act 1894, 20 per cent; act 1897, 20 per cent; act 1909, 20 per cent; and act 1920, none.

Present cost (J. T. Hunt & Son, London, letter of June 4) :

Cost per 2,240 pounds-----	£38 10	
Ocean freight-----	2 2	
		88 12 at \$3.90 per £=\$146.08
Equivalent for ton of 2,000 pounds-----		\$130.08
Insurance and miscellaneous, say, 1 per cent-----		1.30
Duty, 20 per cent of \$120-----		24.00
Total -----		150.28

### ZINC AND ZINC OXIDES.

[Paragraphs 74, 88, 390, and 391.]

#### STATEMENT OF STEPHEN S. TUTHILL, REPRESENTING THE AMERICAN ZINC INSTITUTE, NEW YORK, N. Y.

Senator McCUMBER. Please state your name.

Mr. TUTHILL. My name is Stephen S. Tuthill. I am secretary of the American Zinc Institute (Inc.), with offices at 27 Cedar Street, New York City. My temporary Washington address is the Hotel Washington.

In the membership of the institute is represented more than 95 per cent of the United States zinc industry.

I refer to paragraphs Nos. 74, 88, 390, and 391 of the bill.

The cost and process of making zinc oxide are, as I shall show you, the same as in the case of slab zinc, and we ask that the questions of cost, imports, and exports be deferred until the slab-zinc portion of the schedule comes before this committee.

To-day I wish to call your attention to two points: First, that in the brief submitted to the Committee on Ways and Means of the House of Representatives by the institute, to which brief reference is hereby made, Mr. E. H. Wolff, the president of the institute, in recommending a duty of 2½ cents per pound on "zinc, oxide of, and white pigment containing zinc, but not containing lead, dry," stated that this entirely zinc product had been previously classified under Schedule A, but that it appropriately belongs under Schedule C. That suggestion, however, was not accepted by the Ways and Means Committee; zinc oxide appearing in the present bill under Schedule 1—Chemicals, oils, and paints.

Therefore, we wish at this time to renew our request for such reclassification.

Second. We also wish to invite your attention to the inequitable treatment of zinc oxide in the bill as it now stands.

The duties on lead and zinc as proposed in the bill before you are as follows: Lead ore, 1½ cents; zinc ore, 1½ cents; pig lead, 2½ cents; slab zinc, 1½ cents, although for two years it is 2 cents; white lead, 2½ cents; zinc oxide, 1½ cents; zinc chloride, 1½ cents; zinc sulphate, ¾ of a cent; zinc sulphide, 1½ cents; lithopone, 1½ cents; and other lead and zinc items in chemicals and metals sections.

The above table has been prepared with a view to showing, first, the singular provisions for import duties on the products manufactured from zinc ore; and, second, the rational and entirely different theory pursued in providing duties for the manufactured products of lead ore.

The lead schedule recognizes the propriety of a higher duty on the manufactured products of ore than on the ore itself. The zinc schedule, as a whole, completely ignores that principle. Slab zinc and zinc oxide, for example, are two of the chief products of zinc ore. They are produced by similar process, namely, smelting the ore in furnaces. Slab zinc is reduced or condensed in the furnace in the absence of oxygen. Zinc oxide is reduced or condensed in the furnace in the presence of oxygen. This is the essential difference in the two methods of manufacture. On general principles the two products should be regarded alike in framing a protective tariff.

The analogy between these two products on the one hand and pig lead and white lead on the other hand is close. Pig lead is lead metal in its simplest form. Slab zinc is zinc metal in its simplest form. White lead and zinc oxide are white powders which are similarly used as competitive constituents in the composition of paint, besides having other uses of their own.

We therefore request that whatever rate of duty, whether high or low, the Committee on Finance shall see fit to impose on lead-bearing ore or zinc-bearing ore, the products of such ores shall be favored with appropriate duties somewhat higher than the duties imposed on the ores from which such products are manufactured. This seems elemental, and it has been observed in framing the lead schedule. In framing the zinc schedule the principle was ignored by the Ways and Means Committee, as will be observed at a glance.

May we ask that the principle be observed by the Committee on Finance in respect to zinc oxide, slab zinc, and other products manufactured from zinc ore?

Senator LA FOLLETTE. Did you appear before the Ways and Means Committee?

Mr. TUTHILL. I did not. Our president, Mr. Wolff, did.

Senator LA FOLLETTE. Did he make this same argument before the Ways and Means Committee?

Mr. TUTHILL. He made a simple request, sir; no explanation.

Senator LA FOLLETTE. He made a request for more duty to be placed?

Mr. TUTHILL. No, sir. Only in respect to reclassification, Senator. This matter of an increase in the rate of duty on zinc oxide has come up since, and it was thought best that I come here and present it at this time.

Senator SMOOT. The House has given you the same differential—the figure given you in the Underwood bill?

Mr. TUTHILL. The House gave us for two years a larger figure.

Senator SMOOT. No; I mean in this bill, the pending bill. That has given an increase over the zinc in blocks and pigs and zinc dust when manufactured into blocks, pigs, and slabs. It provides a differential of five-eighths of a cent per pound.

Mr. TUTHILL. That is correct, sir; yes, sir.

Senator SMOOT. That is the same as the Payne-Aldrich bill?

Mr. TUTHILL. The Payne-Aldrich bill allowed 1 cent, sir, on zinc oxide, dry. In making slab zinc you follow the same course as you follow in making zinc oxide, except that one is produced in the presence of oxygen and the other is produced in the absence of oxygen, and we feel that we are entitled to a commensurate increase.

Senator SMOOT (reading from the bill) :

Zinc oxide and leaded zinc oxides containing not more than 25 per centum of lead, in any form of dry powder, 1½ cents per pound; ground in or mixed with oil or water, 2 cents per pound.

It will all come in dry. They can get it in for 1½ cents and mix it with the oil here.

Mr. TUTHILL. One and a half will be the maximum rate as we view it, Senator Smoot.

Senator SMOOT. You mean on the dry?

Mr. TUTHILL. Yes, sir.

Senator SMOOT. And that is the way it would come in?

Mr. TUTHILL. Yes, sir.

Senator SMOOT. That is just what the Underwood bill allowed you.

Mr. TUTHILL. But that brings up a question I did not want to interject at this time.

There was a change in the bill just before it passed the House. The ore interests changed the two-year rates to rates for the life of the bill, blindly overlooking the fact that, if they did not change over the slab zinc at the end of two years, there would be no market for their ore, because we would then be competing with foreign slab zinc.

That matter will come up when we present our brief on the zinc schedule in general.

Senator SMOOT. That is paragraph 391?

Mr. TUTHILL. Yes, sir. It is most inequitable, as we view it.

Senator WATSON. You are here, then, to simply talk about a change in classification?

Mr. TUTHILL. A change in classification, and to apply the rule to zinc that has been applied to lead.

Senator SMOOT. What objections do you have now to the zinc oxide, dry, 1½ cents per pound?

Mr. TUTHILL. We feel that it should be rated the same as slab zinc. We feel that it should be at least 2 cents a pound, sir.

Senator McCUMBER. Is that all?

Mr. TUTHILL. Yes, sir.

Senator SMOOT. Slab zinc is 2 cents a pound.

Mr. TUTHILL. For two years; but that question will be opened up, sir, when we appear on the zinc schedule in general.

### CHLORATE OF POTASH.

[Paragraph 75.]

#### STATEMENT OF FRANK KIDDE, SECRETARY MONMOUTH CHEMICAL CO.

Mr. KIDDE. I should like to read paragraph 75 of House bill 7456.

This paragraph increases this present duty of one-half cent a pound to 1 cent a pound, and also for five years adis 15 per cent ad valorem.

Before going into the matter of this duty, with which we do not agree, I should like to devote one paragraph to a description of who we are.

The companies I am here to represent, the Rendrock Powder Co. and the Monmouth Chemical Co., have bought and manufactured

this commodity since 1875, when the Rendrock Powder Co. was formed in Paterson, N. J., by the inventors, Jasper and Addison Rand, also founders of the pneumatic tool manufactures and the Ingersoll-Rand Co. In 1885 the company with their chlorate explosive, called "Rack-a-Rock," successfully blew out Hell Gate channel in New York, an historic event. About 10 years ago we started to manufacture chlorate ourselves, there being then as now only a single group manufacturing chlorate in the United States. The chlorate manufacturing side of our business we incorporated under the name of the Monmouth Chemical Co. We have the written statement of the Frankford Arsenal that we alone during the war produced and were willing to produce for them absolutely pure chlorate, as per the arsenal specification adopted after the congressional investigation at the beginning of the war into faulty ammunition. Such a pure chlorate, although specified for ammunition primers in both England and Germany, was not being produced here. Although the Monmouth Chemical Co. lost upward of \$20,000 on this production, we continued to deliver throughout the war and have in our files evidence of the gratitude of the Government representatives at the arsenal. Both the Rendrock and Monmouth companies are entirely owned by Americans, born in and residents of New Jersey.

Senator REED. Just a moment. What did you say the name of the company is?

Mr. KIDDE. The Rendrock Powder Co. and the Monmouth Chemical Co.

I explained at the beginning that I was trying to describe who we were before I dealt with the subject matter.

Senator REED. That is all right. I simply wanted to get the names of those companies.

Mr. KIDDE. We protest an increase in duties over the present tariff, both as manufacturers and consumers and particularly to and ad valorem tariff on an American valuation basis. Such a valuation would be based on a market value established by the single manufacturing group, practically controlling the industry here and might easily become a practical embargo of imports in their interest. That this interest does not necessarily coincide with the American national interest may be seen from the fact that for about 10 years prior to the war these so-called American manufacturers arranged an agreement by which all foreign manufacturers refused to ship chlorate of potash to the United States. Whatever was imported in this period was brought in by themselves from their affiliated companies in England, giving them an absolute monopoly of the commodity in this market with all the implication a control of so important a chemical implies. I have with me indisputable proof of this agreement.

That this agreement shutting out imports was not meant to foster an American industry is proven by the fact that there were no exports from the United States, and it is generally believed and understood that the American interests agreed to this plan of no exports in return for having the American market delivered to them. It was only after the European war when the English plants could not supply the world export trade that they allowed the American plants to export.

In this manufacturing group controlling the chlorate market here the principal factory is entirely owned by the United Alkali Co., of Liverpool, a \$50,000,000 English chemical combination.

We stand outside this combination and view the matter of the tariff on this commodity, we believe, entirely from the standpoint of the American interest. If imports, at the present low exchange interfere with domestic manufacture, we view the interference as temporary and as a salutary check on an international monopoly which for 20 years has dominated the match and all other industries using chlorate. The now so familiar bugaboo of German imports can not be so overpowering when these are now being sold here only at the prewar price of the commodity, viz, 7 to 8 cents per pound. This is, of course, a great reduction from the price of 70 to 75 cents obtained during the war, but is the price the American monopoly group themselves made before the war and is not disastrous. Nor, we repeat, necessarily permanent.

Temporary imports and the general alarm incident to the present depression should not be allowed to serve as a pretext, by import taxes, for the renewal and reinforcement of the market control here of chlorate on the part, principally, of producers themselves, foreign owned, employing very little labor and using raw materials not native to our country. From a revenue standpoint the duty from this commodity is negligible, and the controlling consideration, therefore, to my associates and myself seems to be a treatment which is just, alike to the many American consumers as to the manufacturers.

We believe the present rate of one-half cent per pound or at most a specific rate of 1 cent per pound without ad valorem duties to be a just decision for your honorable committee to make.

Senator McCUMBER. Are you an importer?

Mr. KIDDE. We have been. As the Rendrock Powder Co. we have imported chlorate. We have bought it from domestic interests, and we have finally, during the last 10 years, manufactured it.

Senator McCUMBER. Do you manufacture it now?

Mr. KIDDE. We have been manufacturing for the last seven years.

Senator McCUMBER. You are also importing it?

Mr. KIDDE. Yes.

Senator McCUMBER. What is the proportion between what you manufacture and what you import?

Mr. KIDDE. The proportion is naturally, for the present time, rising. Imports are only beginning, so that I should say our percentage of manufactured product is easily three-fourths of the total, and probably more.

Senator McCUMBER. Do you think that will continue?

Mr. KIDDE. I believe that the imports from Germany are only temporary in nature and that manufacture can be resumed in our commodity before long.

Senator McCUMBER. What is the German price of that commodity per unit?

Mr. KIDDE. It is selling in this market—

Senator McCUMBER (interposing). No; I mean the German price; what does it sell for in Germany?

Mr. KIDDE. It figures here at about 7 cents a pound.

Senator McCUMBER. That is, delivered?

Mr. KIDDE. Yes, sir.

Senator McCUMBER. Do you know the German price at present?

Mr. KIDDE. It is 675 marks per 100 kilos.

Senator McCUMBER. What is it reduced to?

Mr. KIDDE. I gave that, Senator.

Senator McCUMBER. Not in the United States, but in Germany?

Mr. KIDDE. The cost of the import duty would make that about 1½ cents a pound.

Senator McCUMBER. What can you make it for?

Mr. KIDDE. We can not make it for that at the present time.

Senator McLEAN. Would you anticipate increasing importation?

Mr. KIDDE. To a certain extent, yes; but we think the exchange is going to go against them and they will not be able to deliver against this market.

Senator McCUMBER. What is the American price?

Mr. KIDDE. It was pushed up during the war by the English concern to 75 cents a pound.

Senator McCUMBER. What is the price?

Mr. KIDDE. They are quoting 12 cents, but it is actually selling at 8.

Senator McCUMBER. The American product is sold at 8?

Mr. KIDDE. It is hard to get information on that point.

Senator McCUMBER. You are a consumer and producer, are you not?

Mr. KIDDE. Yes. That is my information and belief.

Senator McCUMBER. That is, about 8 cents a pound?

Mr. KIDDE. Yes.

Senator McCUMBER. And the present German price is what?

Mr. KIDDE. It is about the same. It is being sold in this market at about the same figure.

Senator McCUMBER. But you do not know what it is sold for in Germany?

Mr. KIDDE. It would be 1½ cents to 2 cents per pound under that.

Senator McCUMBER. Then there is a spread of about 1½ cents?

Mr. KIDDE. One and one-half cents is a rather loose way of figuring it, with the exchange fluctuating all the time.

Senator LA FOLLETTE. Do you mean a cent and a half below the price at which it is laid down here?

Mr. KIDDE. Yes.

Senator LA FOLLETTE. That would be 6½ that it sells for here?

Mr. KIDDE. Yes.

Senator McCUMBER. I do not understand it that way. I asked you the price in Germany. You now think it is about 6½ cents?

Mr. KIDDE. That is my information.

Senator McCUMBER. That is, it costs about 1½ cents for duty?

Mr. KIDDE. Yes.

Senator McLEAN. What do you pay for current importations?

Mr. KIDDE. About that figure.

Senator McCUMBER. About 8 cents?

Mr. KIDDE. No, sir; 7.5 cents.

Senator McCUMBER. You are buying at a price somewhat below the American products price?

Mr. KIDDE. Yes, sir.

Senator McLEAN. How many people do you employ?

Mr. KIDDE. When we were going at full force we were producing 10 per cent of the domestic product. I should say at this point it is an electrolytic process that requires no labor. It is a matter of power entirely. For the production of 10 per cent we required about 40 people, fairly high-priced people, but with no special skill.

Senator McCUMBER. Your judgment is that 1 cent a pound or half a cent a pound would be sufficient?

Mr. KIDDE. I think so, sir, because of the fact that it is really a raw material that enters into an important consuming industry, and besides that the manufacturing group is not a pure American group.

Senator McCUMBER. The real point I want to get at is this: Is it your opinion that the cost of production in the European countries is only about a half cent per pound less than the cost of production in the United States?

Mr. KIDDE. Well, I should say in that neighborhood; that is, about a cent a pound at the present time, but you must remember that the matter of exchange is a vital point at the present time, and that has been fluctuating day by day, as you know.

Senator McCUMBER. I appreciate that.

Mr. KIDDE. You understand, of course, that there may be changes in prices amounting to 10 per cent in a week's time.

Senator McCUMBER. I am speaking entirely of the American valuation.

Senator REED. You mean to include in your statement also the cost of shipment?

Mr. KIDDE. Yes, sir; that is what I indicated.

Senator REED. Your last statement did not indicate it; perhaps the first one did.

Mr. KIDDE. I had it before.

Senator McLEAN. Is the process of manufacture difficult?

Mr. KIDDE. It is very difficult. It is an electrolytic process, which costs a great deal of money to learn.

The Monmouth Chemical Co., outside of the Rendrock Powder Co., has expended, in learning to make this chemical, at least \$500,000.

Senator McCUMBER. Where do you import from?

Mr. KIDDE. We have had Swedish importations, but at the present time we have German importations.

Senator McCUMBER. You do not import from Great Britain?

Mr. KIDDE. No; owing to the fact that the United Alkali Co. owns the branch in America and they prefer not to export to America.

Senator McCUMBER. Is there any difference between the cost of production of Great Britain, Germany, and Sweden?

Mr. KIDDE. I think the English think the Germans are underproducing them, but I have no information on that.

Senator McCUMBER. That is, they are producing much cheaper?

Mr. KIDDE. They have certain patents which are very useful and very valuable, and they have also this raw material, muriate of potash.

Senator McLEAN. Did the process originate in Germany?

Mr. KIDDE. I do not know that. I do not know the history.

Senator REED. I want to ask a question, if the chairman is through.

Senator McCUMBER. Yes; I am through.

Senator REED. This chemical that you produce is called what?

Mr. KIDDE. Senator Reed, it is called chlorate of potash. It is chemically known as  $\text{ClO}_3$ , from which you see there are three units of oxygen carried by the potash. The reason I explain that is that it is used in the match industry mostly, and in anything where a great deal of oxygen is required. In other words, this potassium is a fine carrier for oxygen.

Senator REED. Chlorate of potash is used extensively in many things, is it not?

Mr. KIDDE. It is used in tooth paste, in fireworks, and in a number of other things; but its principal use is, as I have said before, in connection with matches.

Senator REED. The Rand family, I believe, were famous inventors in their time.

Mr. KIDDE. Yes. I may say, in this connection, that back in the nineties they used it for explosives. When mixed with other chemical ingredients it is an explosive.

Senator REED. It is now used for explosives?

Mr. KIDDE. No; not to any extent.

Senator McCUMBER. What did you say is its principal use?

Mr. KIDDE. Matches.

Senator REED. You speak very rapidly, Mr. Kidde, and I do not quite catch everything you say. You said that your company, the Monmouth Chemical Co., makes this chlorate of potash.

Mr. KIDDE. Yes; it has for the last six or seven years.

Senator REED. The price of chlorate of potash before the war on the American market was what?

Mr. KIDDE. Seven and one-fourth cents.

Senator REED. Did you begin to manufacture before the war?

Mr. KIDDE. We experimented for three or four years before the war, and actually started our plant about a few months before the war. It was in no sense connected with the opening of the war. We also had been interested in potash for our Rack-a-Rock.

Senator REED. For what?

Mr. KIDDE. For our Rack-a-Rock, our explosive.

We have been interested in that since 1875.

Senator REED. So that you had expended a large sum of money learning the manufacture of chlorate of potash before the war and you were actually manufacturing it before the war and expected to compete with the market as it then stood?

Mr. KIDDE. Yes, sir.

Senator REED. Without any protection?

Mr. KIDDE. There was slight protection.

Senator REED. There was a slight tariff duty, but no protective duty.

Mr. KIDDE. Yes, sir.

Senator REED. Awhile ago you spoke of a monopoly.

Mr. KIDDE. Yes.

Senator REED. A monopoly that controls this business. What was that monopoly?

Mr. KIDDE. I tried to describe it in my brief. There are two companies manufacturing chlorate of potash who are joined in one selling group, and the most important of these two manufacturing companies is owned, as I have explained in my brief, by the United Alkali Co. of Liverpool, which is a \$50,000,000 corporation.

Senator REED. Now, what are the names of those two companies?

Mr. KIDDE. The North American Chemical Co.

Senator REED. Located where?

Mr. KIDDE. Bay City, Mich.

Senator REED. And what is the other one?

Mr. KIDDE. The National Electrolytic Co., at Niagara Falls.

Senator REED. The National Electrolytic Co., of Niagara Falls?

Does it operate with power from the falls?

Mr. KIDDE. Yes; speaking now on information.

Senator REED. That is your general information?

Mr. KIDDE. Yes, sir.

Senator REED. Do these companies make enough of chlorate of potash to substantially supply the American market?

Mr. KIDDE. They were the only manufacturers in this market excepting ourselves, and made about 90 per cent of the production.

Senator REED. Now, what is the method of selling which you told us about?

Mr. KIDDE. They are grouped into one selling agent.

Senator REED. That is to say, both companies sell through one agent?

Mr. KIDDE. Yes, sir.

Senator REED. Does that one agent make the same price upon the product of each of the companies?

Mr. KIDDE. Yes.

Senator REED. So that if a man wants to buy chlorate of potash and to get it from a United States producer, if he did not buy from your company, he would have to buy from this single agency?

Mr. KIDDE. Yes. That same agency also controls other chemicals.

Senator REED. What is that agency?

Mr. KIDDE. The J. L. & D. S. Riker people, of New York.

Senator REED. "And company," is it?

Mr. KIDDE. I believe it is simply J. L. & D. S. Riker.

Senator REED. I want to be particular about this. With the exception of your company, which is the Monmouth Chemical Co., the only manufacturers in the United States are the North American Chemical Co., of Bay City, Mich., and the National Electrolytic Co., of Niagara Falls?

Mr. KIDDE. Yes, sir.

Senator REED. And those two companies have one selling agency?

Mr. KIDDE. Yes, sir.

Senator REED. And anyone who wants to buy in America must get his supply from that agent?

Mr. KIDDE. Bear in mind, Senator, there are two experimental outsiders, but they never appear in the open market.

Senator REED. So that anybody who wants to buy on the market has to buy from this single selling agency?

Mr. KIDDE. That is right.

Senator REED. Who is it that you say controls these two organizations?

Mr. KIDDE. I did not say they controlled. I said the United Alkali Co. owns the North American Chemical Co.

Senator REED. Who is the United Alkali Co.?

Mr. KIDDE. The United Alkali Co. is described in Bradstreet's report on the North American Chemical Co. as an English corporation with a capital stock of \$50,000,000.

Senator REED. Do you know who owns or controls the stock in the National Electrolytic Co.?

Mr. KIDDE. I believe the Riker family do.

Senator REED. The Riker family are the selling agents for both of these companies?

Mr. KIDDE. Yes.

Senator REED. You understand that they own the Electrolytic Co.?

Mr. KIDDE. Yes.

Senator REED. Do you understand the chemical company is completely controlled—the North American Chemical Co. is completely controlled by this British company?

Mr. KIDDE. It is so stated in the last Bradstreet's report on this company.

Senator REED. Have you put in the whole report of Bradstreet's?

Mr. KIDDE. I should say it was not necessary to do that, Senator.

Senator REED. I did not say it was necessary. I asked you if you had put it in?

Mr. KIDDE. I have not put it in, but it is here, if you wish to see it.

Senator REED. Will you let me see it?

(The report was handed to Senator Reed.)

Senator REED. Mr. Chairman, I want to put in a part of this report. I shall now read from Bradstreet's report:

North American Chemical Co., manufactures alkali products, Bay City, Mich. Harrison Street, foot of Forty-first Street. John Brook, president, Liverpool, England. C. P. Hutchinson, secretary and treasurer and general manager, Bay City. Directors: The above and M. I. Davies, Toronto, Ontario.

Just a moment before I pass on with the reading.

Do you know the C. P. Hutchinson, who is secretary and treasurer and general manager?

Mr. KIDDE. No.

Senator REED. Do you know whether he is a citizen, naturally born or naturalized, of the United States?

Mr. KIDDE. I have no information whatever, excepting that Bradstreet's shows it is owned by the English corporation, and it is generally understood throughout the trade.

Senator REED. I was asking about the manager.

Mr. KIDDE. I do not know about the individuals in the trade.

Senator REED. I shall read on:

Financial condition. We have been successful in obtaining a detailed financial statement from this company.

The following is a copy of their annual report as made to the Secretary of State, a copy of which is on file at the county clerk office here, and which shows their financial condition as of December 31, 1912.

Senator REED. That is quite a way back. Have you anything later than that?

Mr. KIDDE. I have a statement, an oral statement, made about six months ago by the president of the Hooker Electrolytic Co., of New York, who told me that the manager of the company had assured him that the stock ownership had not changed.

Senator REED. I was just thinking how little value these figures might be to us, but I think I shall put them in in the hope that we may be able to get a later statement.

I shall continue to read:

Authorized capital stock, \$378,940 common; \$621,060 preferred; all claimed, subscribed, and paid in cash.

Assets:

Real estate used in business.....	\$128,250.22
Real estate not used in business, Wayne Co.....	100,000.00
Real estate not used in business, Bay Co.....	8,000.00
Personal property.....	118,880.02
Cash.....	23,584.80
Credit due company.....	88,993.20

Total..... 462,707.74

Liabilities: Unsecured debts..... 28,222.31

Authorities to whom this statement was submitted state that this is very conservative and is made very largely for the purpose of taxation, and is really not a fair showing of their financial condition. The real estate, consisting of plant and building in Bay City, is estimated worth, by conservative authorities, at \$500,000. The real estate in Wayne County consists of a large amount of land on the Detroit River just south of Detroit and under which there is known to be very large deposits of rock salt. This company purchased this land about 15 years ago, and for \$100,000, and it was appraised recently by authorities in Detroit as worth anywhere between \$250,000 to \$500,000. This land, however, is not developed in any way. Personal property is estimated worth at least \$200,000; this consists of a very fine equipment for the manufacture of chemicals and consists very largely of copper. Their power plant is estimated to have cost \$100,000 alone. The other items in their statement are considered reliable. The company is known to have practically no debts. The stock of the company is owned entirely by the United Alkali Co. (Ltd.), of Liverpool, England, a corporation engaged in the manufacturing of chemicals, which is understood to have a capital of \$50,000,000. Authorities who are conversant with their financial condition are of the opinion that the company would be worth conservatively \$1,000,000.

Trade opinions: Twelve houses consulted, who sell this company to amounts up to \$5,000, report dealings very satisfactory, accounts being taken care of promptly, usually taking discounts.

Antecedents: This company was incorporated under Michigan laws for 80 years from April 21, 1898, with an authorized capital claim paid in of \$600,000, which was subsequently increased to \$1,000,000, and again in January, 1900, was increased to \$1,600,000.

In your opening remarks you made this statement:

From the fact that for about 10 years prior to the war these so-called American manufacturers arranged an agreement by which all foreign manufacturers refused to ship chlorate of potash to the United States. Whatever was imported in this period was brought in by themselves from their affiliated companies in England, giving them an absolute monopoly of the commodity in this market with all the implication a control of so important a chemical implies. I have with me indisputable proof of this agreement.

That statement contains two propositions. One is that about 10 years prior to the war these so-called American manufacturers; that is, I take it, the North American Co. and the National Electrolytic Co.—

Mr. KIDDE. Yes.

Senator REED (continuing). Made an agreement by which all foreign manufacturers refused to ship chlorate of potash to the United States.

Mr. KIDDE. Yes.

Senator REED. What is your proof on that?

Mr. KIDDE. My proof is that the Rendrock Powder Co. has for years been in this business; that there were no manufacturers of this chemical in the early days of the company, therefore they had to import it, and imported it from various countries. Their principal supply was from an old English firm called the George Boor Co., or George Boor & Co., who are still in business, and who are a reliable and responsible firm known by my family for generations.

In that connection I have a letter here dated August 21, 1905, from George Boor & Co., in which they say:

Under the combine of the chlorate makers the European sellers are not allowed to ship to the United States, nor the United States makers to export. We regret therefore that we can not give you any price delivered c. i. f. New York.

Senator McCUMBER. What is the date of that?

Mr. KIDDE. 1905.

Senator McCUMBER. That is 16 years ago!

Mr. KIDDE. Yes; and up to the war we had confirmation of that.

Senator REED. Before we leave this, I would like to go into it a little further. This letter refers to a letter you had written to them, because they say, "We have to thank you for your letter of the 10th instant in reference to the supply of chlorate of potash."

Mr. KIDDE. Yes.

Senator REED. Have you the letter you wrote?

Mr. KIDDE. No, sir. It was simply an inquiry in the ordinary course of business asking for a quotation on potash.

Senator REED. You are sure it was a request for a quotation?

Mr. KIDDE. Yes; there is no question about that.

Senator REED. I want to put this whole letter into the record, leaving out the date. [Reading:]

The RENDROCK POWDER Co.,  
11 Broadway, New York City, United States of America.

GENTLEMEN: We have to thank you for your letter of the 10th instant in reference to the supply of chlorate of potash shipment to United States.

Under the combine of the chlorate makers, the European sellers are not allowed to ship to the United States, nor the United States makers to export. We regret, therefore, that we can not give you any price delivered c. i. f. New York. What we could, however, do, is to ship the chlorate for you c. i. f. to probably any port you are likely to require it at, and beg to inclose you herewith the list of prices for the different countries. After the inclosed list was printed prices were advanced one-sixteenth per pound, as you will notice stamped thereon. Please, therefore, note that the figures given are subject to that addition.

With regard to payment the terms are net cash in London, 30 days from date of invoice, or less one-third per cent discount for cash here against B/L, and we trust that on these terms you may be able to pass us some of your orders.

Yours, faithfully,

G. Boor & Co.

Senator REED. This letter suggests, evidently, that while they could not ship the materials to you direct, if you had it consigned to some other port—

Mr. KIDDE. Mexico or Canada.

Senator REED (continuing). You could get them in. Did you resort to that device?

Mr. KIDDE. No, sir.

Senator REED. You did not do that?

Mr. KIDDE. No, sir.  
 Senator REED. You handed me with this letter a price sheet. Is that the price sheet which came with the letter and the one to which the letter refers?

Mr. KIDDE. Yes, sir.

Senator REED. I would like to put that in evidence. I will just read parts of it to see what information it contains, but I should like to have the whole sheet go into the record, if it is agreeable to the chairman.

(The price sheet is as follows:)

[George Boor & Co., 39 Mincing Lane, London, Nov. 7, 1904.]

Price list, chlorates of potash and soda, contracts 5 tons minimum.

HOME TRADE.

	Deliveries.		Sales.	
	1 ton	Under 1 ton.	Below 5 tons.	Below 1 ton.
Chlorate of potash:				
Crystal.....	3d.....	3½d.....	3½d.....	3½d.
Powder.....	3d.....	3½d.....	3½d.....	3½d.
Granulated.....	3½d.....	3½d.....	3½d.....	3½d.
Chemically pure.....	3½d.....	3½d.....	3½d.....	3½d.
Chlorate of soda:				
Crystal.....	3d.....	3½d.....	3½d.....	3½d.
Powder.....	3½d.....	3½d.....	3½d.....	3½d.

Packed in 1-cwt. paper-lined kegs, or 2-cwt. cases. 10/ allowance per ton in 5-cwt. cases. Delivered c. l. f., f. o. b., or f. o. r., U. K. ports. To inland stations or buyer's works ½d. per lb. extra.

Chlorates of potash crystal and powder, chlorate of soda crystal, deliveries not less than 1 ton.

FOREIGN PRICES.

	In contract quantities of 5 tons.	Below 5 tons.
Cost and freight, China and Japan.....	3½ d.	3½d.
C. I. F., Canada, Cape Colony, Mexico, South America (east coast).....	3½ d.	3½d.
C. I. F., Bombay, Calcutta, Colombo, Kuracnee, Madras.....	3½d.	3½d.
C. I. F., Adelaide, Melbourne, Sydney, South America (west coast).....	3½d.	3½d.

Packed in the usual 1-cwt. kegs or 2-cwt. cases at buyer's option. 10/ per ton allowance if packed in 5-cwt. casks.

Senator REED. That means orders for 1 ton, does it?

Mr. KIDDE. I think so.

Senator REED. It says here "3d." What does that mean?

Mr. KIDDE. Three pence.

Senator REED. Three pence per pound?

Mr. KIDDE. Yes, sir.

Senator REED. Then, under 1 ton I find "3½d." and below 5 tons, 3½d. and below 1 ton, 3½d. That is under the head of "Sales." The other is under the head of "Deliveries." That means, I suppose, that they would deliver this to you at 3 cents per pound if you ordered a ton?

Mr. KIDDE. I think so.

Senator REED. What does the column headed "Sales" mean?

Mr. KIDDE. That shows deliveries and gives the price. I think it probably means that small quantity sales were the ones on which they wanted higher prices.

Senator REED. Then, further down on the sheet the foreign prices are quoted. It says, "Cost and freight, China and Japan, 3½ pence per pound." Then, I find, "C. i. f., Canada, Cape Colony, Mexico, South America (east coast), 3½d." I would like to have that table go in.

Now, did you resort to this device and get some of the chlorate in?

Mr. KIDDE. No.

Senator REED. What did you do?

Mr. KIDDE. Bought it domestically.

Senator REED. And paid their price?

Mr. KIDDE. Yes.

Senator REED. This letter is dated away back in 1905, is it not?

Mr. KIDDE. At the beginning of that agreement, which lasted until the war.

Senator REED. Did you afterwards try to buy it abroad—that is, after this letter was written?

Mr. KIDDE. Yes; we made efforts to do so. I have no written proof that we were rejected.

Senator REED. Have you other letters that indicate the same thing?

Mr. KIDDE. I think the committee can take my statement for it that it was impossible to purchase the chlorate.

Senator REED. Was that impossibility created in the shape of a flat refusal or by asking excessive prices?

Mr. KIDDE. It was created by a flat refusal. The indisputable proof to which I referred would be not only from this letter from George Boor but from two firms, one in London and the other in Paris, that know of the chlorate firms and the shipment.

Senator REED. What firms are those?

Mr. KIDDE. I would as soon leave them out of the record. They are large and important firms and I do not wish to bring their names into the record.

Senator REED. Have you this other correspondence?

Mr. KIDDE. Yes. I would be glad to show it to the chairman of the committee or to Senator Reed.

Senator REED. You may show it to the chairman. He is the boss of the committee. However, I would like to see it.

Senator McCUMBER. We will leave the question of what he wishes to present to the witness, as well as the question of what he wishes to withhold and what he thinks he is justified in refusing to present. The committee does not want him to give information he does not wish to.

Senator REED. Well, I would like to put in a letter that I have here, leaving out the names.

Mr. KIDDE. I was trying to protect these firms. They are large international firms, and I do not see why they should be brought into this controversy.

Senator REED. I do not want to bring them in if it is against your wishes.

Mr. KIDDE. Well, Senator Reed, I do not think there is anything to be gained by it.

Senator DILLINGHAM. Do they indicate anything that you would care to testify to?

Mr. KIDDE. Not a thing, Senator. They simply indicate that before the war occurred it was agreed they would not export to the United States, and in return, there was an agreement that makers in the United States would not export from the United States.

Senator McCUMBER. It seems that that is clear and that it should rest that way.

Senator REED. I do not want to do anything that will place the witness in a position that might be embarrassing. However, these letters are highly important, and if this monopoly existed before the war and exists now—

Mr. KIDDE (interposing). It does not exist now, Senator.

Senator REED (continuing). Some of these gentlemen ought to be put on trial.

Mr. KIDDE. It does not exist to-day.

Senator REED. When did it cease to exist?

Mr. KIDDE. It ceased to exist at the time of the war.

Senator REED. I am going to ask you to keep these letters carefully so that if we want them for the public authorities they can be gotten.

Mr. KIDDE. The weight of the war broke that down.

Senator REED. You did not answer my question. I am not asking about that now. I am asking you whether you will keep these letters so that we can get them later on if they are wanted.

Mr. KIDDE. Yes.

Senator REED. When the war came on what happened to the price of potash?

Mr. KIDDE. The price was gradually raised until it was 75 cents, due not only to monopolistic conditions but to the fact that the raw material—this muriate of potash—is a natural commodity that is practically mined only in Germany. Owing to this condition the price went up considerably. Of course, it is my opinion that the price made by the producers was far too high to compensate them for any such advance.

Senator REED. Where did you get your supply?

Mr. KIDDE. We finally had to get some out west; in Nebraska. As you probably know, the Diamond Match Co. developed some muriate fields out west in several places.

Senator REED. What is the fact with reference to the supply of the raw material at this time?

Mr. KIDDE. The raw material is, of course, being imported freely now, and it is a commodity that, as I have always understood it, is very much needed by the agricultural States in the United States. I understand they are importing about 250,000 pounds annually of that material, of which only 10,000 pounds are used by chemical manufacturers.

Senator REED. If we put a tariff upon this raw material coming into the country, and if only 10 per cent is used—is that what you said?

Mr. KIDDE. Yes.

Senator REED. If only 10 per cent is used by the chemical manufacturers, we would be taxing the 90 per cent which the farmers use also.

Mr. KIDDE. I simply made the statement, which I can prove, that approximately out of 250,000 pounds 240,000 pounds are used for mixing agricultural fertilizer.

Senator REED. I was wrong in my figures, then. If it was 240,000, it was more than 90 per cent.

Mr. KIDDE. Yes.

Senator REED. Is it that raw material that you say costs 7 cents a pound?

Mr. KIDDE. No; it is the finished product—chlorate of potash.

Senator REED. What does the raw material cost when it comes in?

Mr. KIDDE. It used to cost in the neighborhood of  $3\frac{1}{2}$  cents a pound.

Senator REED. When was that?

Mr. KIDDE. Before the war.

Senator REED. Now it is about 7 or 8 cents?

Mr. KIDDE. Perhaps so, yes; about that.

Senator REED. You say that the labor cost in it is inconsequential because it is nearly all done by power?

Mr. KIDDE. I did not say it is inconsequential; it is not the factor that it is in other manufacturing processes.

Senator REED. What would you say is the labor cost in proportion to the entire manufacturing cost?

Mr. KIDDE. I am sorry, Senator Reed, but I am not up on that particular part of it. You can see it, however, to some extent from these figures. We can produce a million tons with 30 or 40 men, so that the labor element is not material.

Senator REED. That is all.

Senator McLEAN. Are you interested in the match industry?

Mr. KIDDE. No, sir; we have no interest in the match industry at all. We are consumers to this extent, that the Rendrock Powder Co. has always been a consumer.

Senator McLEAN. Do you sell to the match manufacturers?

Mr. KIDDE. We have not so far sold to the match manufacturers. Our principal users have been all kinds of small users—the tooth-paste people, the dye people who dye furs, or the paper people, all of whom do not amount to much, and the match industry takes only 6 per cent of the output.

Senator McLEAN. You want it to come in under a low duty?

Mr. KIDDE. My feeling is that on this ad valorem—well, I do not wish to attempt to tell members of the committee what to do.

Senator McLEAN. No; but you want a low ad valorem rate.

Mr. KIDDE. I think an ad valorem rate is dangerous.

Senator McLEAN. You want to buy it abroad as cheap as you can, don't you?

Mr. KIDDE. I think that is the safe thing to do.

Senator McLEAN. Why?

Mr. KIDDE. We do not think this situation is going to continue.

Senator McLEAN. You can make a larger profit on the foreign product, can you?

Mr. KIDDE. For the time being. That does not mean, however, that we shall abandon the manufacture of our product.

Senator McLEAN. But if you can make more money by abandonment you will abandon the manufacture of it?

Mr. KIDDE. Yes; temporarily.

Senator McLEAN. And won't you continue it under those conditions?

Mr. KIDDE. Well, we are not running our plant on a philanthropic basis. Naturally, if it should appear to be to our interest to import, we shall continue to import.

Senator McLEAN. Of course. That is all.

### SALT.

[Paragraph 78.]

#### STATEMENT OF W. T. CHISHOLM, SCRANTON, PA., REPRESENTING THE INTERNATIONAL SALT CO.

The CHAIRMAN. What position do you hold with the International Salt Co.?

Mr. CHISHOLM. Vice president, International Salt Co., in charge of sales.

The CHAIRMAN. Now will you submit briefly your views on the pending question?

Mr. CHISHOLM. There is at present no import duty on salt. The last duty in effect was in 1909.

It is proposed in the Fordney bill to reinstate the Payne-Aldrich rate of 7 cents on salt in bulk and 11 cents on salt in packages.

Salt is imported from England, where evaporated salt is produced, the Mediterranean countries, and the West Indies, which is a coarse-grained salt made from sea water by the solar process—the sun—also from Germany, where both rock salt and refined or evaporated salt are produced.

The severe competition existing to-day has to do with salt imported from Germany more than from any other country. We have here statistics showing the increase in volume of arrivals since 1909. Rock salt, which is similar in grade to that produced in this country, not salt for human consumption, is offered at Atlantic coast ports in bulk at 29 cents a hundred pounds. The freight rate from the nearest American salt plant to the Atlantic ports, from Portland, Me., to Jacksonville, Fla., is an average of 36 cents a hundred pounds. They are offering this same salt in 100-pound bags at 40 cents each, whereas against the American manufacturer is a freight rate of 36 cents and 10 cents for the cost of the bag and filling it. In either case nothing for the salt.

Fine salt or so-called table salt—here is a sample from Germany direct, similar in grade to the evaporated or refined salt produced in this country—is offered in 100-pound bags at any Atlantic coast port for 50 cents each as against a freight rate of 36 cents to the Atlantic port and 10 cents for the bag, or 46 cents for the freight and the bag and filling cost; nothing left for the salt.

Senator LA FOLLETTE. What is the freight rate?

Mr. CHISHOLM. From American salt plants in New York State, which are the nearest ones to the ports, the freight rate to Portland, Me., is 30 cents; Boston the same; New York, 25 cents; Philadelphia and Baltimore, 25 cents; Norfolk, 35 cents; Charleston, S. C., 50

cents; and Jacksonville, Fla., 51½ cents; or an average of 36 cents a hundred pounds.

As I say, the severest competition is coming from Germany from both grades of salt, crushed rock salt used in the summer time by the ice-cream people in volume and for the curing of hides and in the chemical industry, as against the finer salt used not only for human consumption, although the tonnage of that is small compared with the total produced, but used by bakers and pork packers, especially at this time of the year in the southeast at the time of the killing of hogs.

It is something new for the American salt industry to be confronted with competition from Germany. Little or no tonnage was imported for several years, but just prior to the war there was every indication of its being offered.

In the year 1920, 47,669,000 pounds of salt were imported from Germany to this country at a valuation of 30 cents per 100 pounds, which about checks with what is being offered to-day. So far this year they have put in about 30,000,000 pounds, between January and June, increasingly so with the summer demand. We have no July figures. The valuation has run from 25 cents to 48 cents a hundred pounds, dependent upon arrival in bulk or in bags.

There exists in Germany a salt syndicate giving direct assistance to the German producer and dealer by the remission of the normal tax of 120 marks per gross ton which is imposed upon salt produced for domestic consumption. This advantage is neutralized by the fixing of the export price at a point considerably higher than the market price for home consumption. The governmental policy appears to be to fix the export price so as to enable the producers and exporters to get export business and at the same time get the highest practicable price for the merchandise.

There are two syndicates existing absolutely directing and controlling the export of salt through the export licensing power, one covering rock salt and the other covering the finer or evaporated salt. The two syndicates are similar and act in the same manner in their respective deals. To these syndicates have been delegated the governmental function of issuing export licenses, and under the arrangement with the Government and according to the organization of the syndicate, export licenses can only be granted to members of the syndicates, and then only when the invoice discloses that at least the minimum price fixed by the syndicate, with the approval of the Government, is obtained for the merchandise. In this manner complete control over the export business is obtained and the governmental price is maintained.

There are many indications that the producers would be glad to sell at a far lower price than that fixed by the syndicate, and also that if it became necessary for competitive purposes the Government through the syndicate would decrease the minimum export price.

The rate of wages in the rock-salt plants is from 4 to 4½ marks per hour. I have here a list of the number and location of the plants, comprising 85 in the rock-salt industry and 33 in the refined or evaporated salt industry.

Senator DILLINGHAM. Those are in Germany?

Mr. CHISHOLM. They are in Germany. They are located all over Germany, but the most important district for the export trade, on account of accessibility to seaports, is the district which comprises

Braunschweig, Hanover, and Magdeburg. There are many plants which have water transportation by the River Elbe and there are also plants which have water transportation by the Rhine and by other rivers leading to tidewater.

The development of the German salt industry during the war was extensive and was along lines which practically compelled Germany to seek markets for her salt outside of Germany.

In the rock-salt industry a product was developed during the war which competed with evaporated salt and has practically displaced evaporated salt in the German market.

Here is a sample of their rock salt [exhibiting]. Through their process of grinding and refining they are producing this character of salt so as to compete with refined or evaporated salt.

The records of the rock-salt syndicate show that during the 29 months from January 1, 1916, to May 31, 1918, there were produced for export and exported 2,700,272 tons of rock salt, not only to this country but elsewhere. It is asserted by producers and representatives of the syndicate that 2,000,000 tons could be produced for export during the coming year and that if greater quantities were required this amount could be indefinitely increased. It is evident that this claim is not exaggerated.

Senator DILLINGHAM. How much is produced in the United States?

Mr. CHISHOLM. Four million tons of all grades of salt.

It has been represented to the American salt industry that the Czechoslovakian Government is now ready to parcel out salt privileges which came to them in the territory acquired from Austria, which would undoubtedly include a monopoly in a manner somewhat similar to the present German Government control and salt syndicates. There is considerable salt in Austria available for export through the port of Danzig. This indicates how cumulative the possibilities of import salt competition appear as a result of the changed conditions arising from the war, and more particularly because of the present rates of exchange.

The absolute indispensability of salt as a food product is universally conceded. In addition to the necessity of salt for human and animal consumption, it is necessary in packing meats and fish, preserving and pickling food products, salting hides and skins, and freezing and packing ice cream. It is also essential in the manufacture of dyes, chemicals, fertilizers, soap, paper, steel, and tile, as well as for many other commercial uses.

Among the industries by which the use of salt is necessary and which indicate possibilities of further development of the salt industry are those established during and subsequent to the war. Salt was quite a factor in the gas program and accounts to some extent for the growth and expansion of the salt industry in Germany. If it is to be the policy of this Government to assist in the growth and development of those industries, as has been evidenced by your committee, it is likewise of equal importance that one of the principal ingredients used in their respective processes should receive the same measure of protection and assistance in its growth and development. There would be no permanent advantage in developing American industry as such if it were necessary for that industry to depend upon foreign basic materials for the manufacture of its products. This country is independent of all foreign countries for any portion of its

salt supply, as the capacity of its mines and manufacturing plants is greatly in excess of the present demand.

The growth of the salt industry in this country from 1880 to 1919 shows a production in 1880 of 834,540 tons, increased in 1919 to 4,032,000 tons.

The exports of salt are available, but you will not find any salt exported from this country to Europe. The exports are to Cuba, Mexico, and the Province of Ontario, Canada, limited almost entirely to mineral rock salt, where none of that grade of salt is produced. Canada produces a refined salt.

The CHAIRMAN. We have a book here which says that imports of salt are negligible, chiefly from England and the British West Indies.

Mr. CHISHOLM. I have here, Senator, the actual figures from the Department of Commerce of salt imported from England from 1913 to 1920, and it runs from 95,000,000 pounds to 44,000,000 pounds. But conditions in England to-day are such that the American salt industry need not be concerned about it. The chief factors are cost of labor and fuel. The value per hundredweight of what has been coming from England is running around \$20 a ton. Some people are ordering what English salt they can get, either to apply on meats exported back to England or on account of prejudice.

The salt from the West Indies and the Mediterranean countries is a coarse-grained sea-water salt. The water is let into lagoons and evaporated by the heat of the sun. Salt can not be produced in this country by evaporation of sea water to compete with that, and there always has been and still is, and probably always will be, some demand for that kind of salt. The nature of the product is such that the fisheries have a prejudice for the use of it. Your book makes no mention of German imports. It is not up to date.

In conclusion, in view of the showing that currently, especially from Germany, rock salt is offered at 29 cents a hundred pounds in bulk, with an average freight rate from American plants of 36 cents a hundred pounds to any Atlantic coast port, and fine salt is offered in 100-pound bags at 50 cents each as against the freight rate of 36 cents and 10 cents for the bag filling, we recommend that the import duty on salt be fixed at the rate of 25 cents per hundred pounds, with a proviso that the coverings—that is, the bag, sack, barrel, package, or other container—pay the same rate of duty as if imported separately; or an import duty of 25 cents per hundred pounds on coarse or rock salt, which comes in bulk or in large containers, in 100 or 200 pound bags, and 35 cents per hundred pounds on fine, ground, pulverized, or refined salt which comes in similar containers but seldom, if ever, in bulk.

I have a memorandum prepared, Mr. Chairman, which covers the investigation made abroad, with some pictures of the interior of a rock-salt mine in this country as compared with those abroad. Before it is printed, however, I think we would like to have a conference about it.

The CHAIRMAN. Of course, the committee can not duplicate the pictures, but you can have a conference about your document, and if you want it printed as part of your remarks you can give it to me later.

I would like to have you look at this book at your leisure. The statements vary a good bit from yours.

Senator McLEAN. Is there anything in your brief bearing on the cost of production in this country?

Mr. CHISHOLM. No, sir; the showing made is not as to the cost of production abroad as compared with the cost here, but there are two situations—the rate of exchange and the ocean transportation cost as compared with our freight rate. What we ask for is justified by our freight cost to get our product to the port.

The CHAIRMAN. Look over your brief and I will talk to you and Mr. Fuller about it.

Senator LA FOLLETTE. Where is salt produced in this country?

Mr. CHISHOLM. Michigan is the largest salt-producing State; New York next; then Ohio, Louisiana, Kansas, California, and Texas. It is produced in practically every State.

Senator LA FOLLETTE. How much of the production of salt in this country is produced by evaporation?

Mr. CHISHOLM. Sixty per cent of the 4,000,000.

The CHAIRMAN. The book to which I refer says it is 6,000,000.

Mr. CHISHOLM. Included in those figures is brine production. It does not refer to the manufactured salt. It specifically refers to that. It is 6,000,000, including brine, and 4,000,000 is the manufactured product.

Senator LA FOLLETTE. Your address is Scranton, Pa.?

Mr. CHISHOLM. Yes, sir; that is our home office. We have no plants there.

Senator LA FOLLETTE. Is that your residence?

Mr. CHISHOLM. Yes, sir.

Senator McLEAN. I would like to ask this witness just one question. I assume that the cost of producing salt is in the mining and transportation? The raw material is very plentiful?

Mr. CHISHOLM. Yes, sir.

Senator McLEAN. It is all a question of labor cost and mining and transportation?

Mr. CHISHOLM. Yes, sir.

**BRIEF OF W. T. CHISHOLM, REPRESENTING THE INTERNATIONAL SALT CO.**

There is at present no import duty on salt. The last duty in effect was under the act of August 5, 1909, which provided for a duty on salt in bags, sacks, barrels, or other packages of 11 cents per 100 pounds and salt in bulk of 7 cents per 100 pounds. Under the act of October 3, 1913, at present in effect, salt was placed on the free list.

Salt is imported chiefly from England, Mediterranean countries, the West Indies, Canada, and Germany.

Practically all the salt imported from England is evaporated (refined) salt of the same grade and character and produced in the same manner as such salt in this country. The chief factors of cost in the production of evaporated salt are labor and fuel. Under existing conditions in England there is little for the American salt industry to be concerned about.

*Salt imported from England, January to June, inclusive, 1921.*

	Pounds.	Value.	Hundred-weight.	Value per hundred-weight.
January.....	1,338,020	\$9,162	13,260	\$0.6852
February.....	1,669,000	14,283	16,600	.8558
March.....	1,898,080	16,673	18,980	.8784
April.....	974,512	8,467	9,745	.8688
May.....	1,114,400	12,061	11,144	1.0816
June.....	587,018	5,197	5,870	.8853

*Salt imported from England, 1914 to 1920, inclusive.*

	Pounds.	Value.	Hundred-weight.	Value per hundred-weight.
1914.....	75,632,100	\$185,931	756,321	\$0.2458
1915.....	95,635,500	246,307	956,256	.25
1916.....	73,223,300	219,977	702,223	.31
1917.....	48,594,100	196,718	485,911	.40
1918.....	31,102,700	219,007	311,027	.64
1919.....	18,253,600	135,612	182,634	.74
1920.....	44,281,500	236,374	442,815	.53

Salt imported from the West Indies and Mediterranean countries is a coarse-grain product made from sea water, which is let into lagoons and evaporated by the heat of the sun without the use of coal, plant, or machinery, the cost of labor being practically the only expense of production, and that extremely low as compared with labor costs in this country. Salt can not be produced in this country by evaporation of sea water to compete with the West Indian or Mediterranean product. There has always been, still is, and probably always will be, under any circumstances, some demand for this kind of salt produced by solar evaporation of sea water, because of the nature of the product and the prejudice on the part of certain consumers, principally the fisheries, in favor of same.

*Salt imported from Italy, to June, 1921.*

	Pounds.	Value.	Hundred-weight.	Value per hundred-weight.
January.....	4,390,400	\$4,122	43,904	\$0.0039
April.....	1,456,000	4,725	14,560	.29

*Salt imported from Italy, 1914 to 1920, inclusive.*

	Pounds.	Value.	Hundred-weight.	Value per hundred-weight.
1914.....	27,095,500	\$19,745	270,955	\$0.072
1915.....	22,148,300	15,083	221,483	.07
1916.....	18,120,800	13,083	181,208	.08
1917.....	1,904,000	1,344	19,040	.07

*Salt imported from Spain, to June, 1921.*

	Pounds.	Value.	Hundred-weight.	Value per hundred-weight.
March.....	2,189,500	\$2,478	21,895	\$0.11318
May.....	1,792,300	2,407	17,923	.1343
June.....	2,150,400	2,473	21,504	.115

*Salt imported from Spain, 1914 to 1920, inclusive,*

	Pounds.	Value.	Hundred-weight.	Value. Per hundred-weight.
1914.....	17,091,200	\$8,497	170,912	\$0.05
1915.....	28,147,400	14,722	281,474	.05
1916.....	53,076,500	27,785	530,765	.05
1917.....	33,884,200	18,536	338,842	.05
1918.....	10,180,000	6,760	101,800	.07
1919.....	55,722,100	37,952	557,221	.07
1920.....	65,732,100	71,158	657,321	.11

*Salt imported from Dutch West Indies, to June, 1921.*

	Pounds.	Value.	Hundred-weight.	Value. per hundred-weight.
January.....	368,000	\$444	3,680	\$0.12
February.....	513,700	651	5,137	.12
March.....	182,000	169	1,820	.09
April.....	260,900	1,250	2,609	.43
May.....	100,000	1,050	1,000	1.05
June.....	213,200	304	2,132	.14

*Salt imported from Dutch West Indies, 1914 to 1920, inclusive.*

	Pounds.	Value.	Hundred-weight.	Value per hundred-weight.
1914.....	13,409,600	\$12,287	134,099	\$0.09
1915.....	10,579,800	11,525	105,798	.11
1916.....	9,461,600	8,479	94,615	.09
1917.....	11,875,500	8,854	118,755	.07
1918.....	4,731,400	8,779	47,314	.19
1919.....	2,139,300	4,633	21,393	.22
1920.....	20,415,600	39,571	204,156	.19

*Salt imported from British West Indies, to June, 1921.*

	Pounds.	Value.	Hundred-weight.	Value. per hundred-weight.
January.....	2,769,235	\$4,420	27,692	\$0.17
February.....	54,540	154	545	.28
March.....	1,977,474	2,493	19,774	.12
April.....	2,838,100	6,652	28,381	.23
May.....	4,035,720	5,979	40,357	.15
June.....	1,351,320	2,690	13,513	.20

*Salt imported from British West Indies, 1914 to 1920, inclusive.*

	Pounds.	Value.	Hundred-weight.	Value per hundred-weight.
1914.....	57,681,200	\$47,955	576,812	\$0.08
1915.....	75,527,300	62,499	755,273	.08
1916.....	48,872,500	41,117	488,725	.08
1917.....	100,744,400	76,097	1,007,444	.075
1918.....	25,779,400	35,815	257,794	.145
1919.....	41,930,900	55,423	419,309	.13
1920.....	74,961,600	124,654	749,616	.16

There are extensive salt deposits on the Detroit and St. Clair Rivers, and large salt-producing plants are located on the Canadian side of these rivers. Assuming their cost of production is fairly comparable with the cost of production in this country, there remains against the salt industry in this country a most unreasonable situation brought about by the Canadian import duty, whereas Canadian salt for years has been brought into the United States free of any duty.

*Salt imported from Canada, to June, 1921.*

	Pounds.	Value.	Hundred-weight.	Value per hundred-weight.
January.....	14,950	\$169	149	\$1.13
February.....	2,540	36	25	1.42
March.....	4,000	57	40	1.425
April.....	132,340	713	1,323	.54
May.....	116,635	1,134	1,168	.97
June.....	47,517	428	475	.90

*Salt imported from Canada, 1914 to 1920, inclusive.*

	Pounds.	Value.	Hundred-weight.	Value per hundred-weight.
1914.....	19,653,300	\$24,710	196,533	\$0.13
1915.....	15,572,000	23,327	155,720	.16
1916.....	14,074,200	17,893	140,742	.13
1917.....	20,832,500	31,209	208,325	.15
1918.....	589,200	6,663	5,892	1.13
1919.....	299,700	3,050	2,977	1.02
1920.....	3,156,200	22,188	31,562	.70

Germany produces both evaporated (refined) and mined (rock) salt comparable in grade, size, and quality with that produced in this country. It is something new for the American salt industry to be confronted with competition from importations from Germany. Statistics show little or no tonnage imported for several years, but just prior to the war there was every indication of it being offered.

*Salt imported from Germany, to June, 1921.*

	Pounds.	Value.	Hundred weight.	Value per hundred-weight.
January.....	132,141	\$782	1,321	\$0.59
February.....	101,000	548	1,010	.5426
March.....	718,000	3,471	7,160	.48
April.....	12,330,737	50,593	123,507	.25
May.....	2,855,800	13,728	28,558	.48
June.....	6,906,409	22,972	69,064	.33

*Salt imported from Germany, 1914 to 1920, inclusive.*

	Pounds.	Value.	Hundred-weight.	Value per hundred-weight.
1914.....	4,319,800	\$3,652	43,198	\$0.13
1915.....	1,839,000	7,378	18,380	.40
1916.....	2,100	77	21	3.66
1919.....	6,613,800	81,698	66,138	1.235
1920.....	47,669,300	143,158	476,693	.30

## GERMAN GOVERNMENT CONTROL AND REGULATION.

The only direct assistance given to German salt producers and dealers in connection with the export of salt consists of the remission of the normal tax of 120 marks per 1,000 kilos (2,200 pounds) which is imposed upon salt produced for domestic consumption. This advantage is neutralized, however, by the fixing of the export price at a point considerably higher than the market price for home consumption. For example, the domestic price for rock salt is 120 marks per 1,000 kilos, which with the tax added makes the domestic price 240 marks per 1,000 kilos, but the present minimum export price for rock salt is 20 shillings per 1,000 kilos. So, also, in the case of evaporated salt the domestic price is 380 to 450 marks per 1,000 kilos, to which the tax of 120 marks is added, but the minimum export price for evaporated salt is 500 marks per 1,000 kilos. It is readily seen that the minimum export price for rock salt is considerably higher than the domestic price plus the tax. The governmental policy appears to be to fix the export price so as to enable the producers and exporters to get export business and at the same time get the highest practicable price for the merchandise.

## SYNDICATE CONTROL.

There exist two syndicates which absolutely control the export of salt through the export licensing power. One governs the export of rock salt and the other the export of evaporated salt. The two syndicates are similar and act in the same manner in their respective fields. To these syndicates has been delegated the governmental function of issuing export licenses, and under the arrangement with the Government and according to the organization of the syndicate, export licenses can only be granted to members of the syndicates and then only when the invoice discloses that at least the minimum price fixed by the syndicate, with the approval of the Government, is obtained for the merchandise. In this manner complete control over the export business is obtained and the governmental price is maintained. There were many indications that the producers would be glad to sell at a far lower price than that fixed by the syndicate, and also that if it became necessary for competitive purposes the Government through the syndicate would decrease the minimum export price.

## WAGES.

In the evaporated-salt plants hour rate of wages is 4 to 5 marks per hour.

In the rock-salt plants the rate is 4 to 4½ marks per hour above ground and 5 marks per hour below ground. The working day is eight hours, of which eight hours one-half hour is allowed for recreation and rest, so that the net working day is seven and one-half hours. On most of the operations in both the evaporated and rock salt plants the men work in groups on a piecework basis, and in this manner gain for work above ground from 42 to 45 marks per day and in the mines below ground 50 marks per day.

Statements by the representatives of the various producers confirm that the foregoing are the wages in effect throughout Germany in the salt industry.

## NUMBER AND LOCATION OF PLANTS.

There are some 25 producing companies operating about 85 plants in the rock-salt industry and some 33 producers of evaporated salt. The salt plants are located all over Germany, but the most important district for the export trade, on account of accessibility to seaports, is the district which comprises Braunschweig, Hanover, and Magdeburg. There are many plants which have water transportation by the River Elbe, and there are also plants which have water transportation by the Rhine and by other rivers leading to tidewater.

## STIMULATION DUE TO WAR NEEDS AND IN CONNECTION WITH DEVELOPMENT OF KALI INDUSTRY.

The development of the German salt industry during the war was extensive and was along lines which practically compelled Germany to seek outside markets for her salt.

In the rock-salt industry a product was developed during the war which competed with evaporated salt and has practically displaced evaporated salt in the German market, compelling the producers of evaporated salt to seek a market elsewhere. In addition to this development of the rock-salt industry the production of rock salt was so greatly increased that that industry also is compelled to seek outside markets in order to continue to employ its present facilities for production. Prior to the war in Germany, as elsewhere, evaporated salt produced by the evaporation of brine was preferred for certain uses, such as in the household, because of its great purity and better appearance. Its production, however, was much more expensive than the

production of rock salt, a great amount of fuel being required to supply the necessary heat for the evaporation process. During the war and on account of the scarcity and high cost of fuel the producers of rock salt began to develop and perfect the production of a fine ground rock salt which might take the place of evaporated salt and which could be sold at a far less price. They were so far successful in this, both through improved methods of production and through the finding of veins of salt of a superior quality, that it is their claim to-day that they have conquered the German market and will be able to retain it, the German public having become satisfied with their product, which is able to displace the evaporated salt on account of a lower price.

Investigation among the evaporated-salt producers showed that they practically concede that they can not compete in the German market against ground rock salt unless they can, through installing better equipment, reduce their cost to a point where they can compete on a price basis.

In this connection the investigation showed that there has been no considerable improvement in equipment for producing evaporated salt since 1911. A few plants operated vacuum pans as at Luneburg, but their capacity is not great and the great majority of the evaporated plants are operated on the old open-pan system. These latter can be operated only because the plants operating them have their own supply of the cheap fuel known as brown coal.

One of the evaporated-salt producing plants is Government owned and has been in operation for more than 150 years. It has its own brown-coal supply and comprises 10 open pans, of which 8 are operated when the plant is in full operation, but only 4 of which are now in operation, and some of these are about to shut down. The pans have a capacity of 10 to 12 tons per pan per day.

In the production of rock salt, on the other hand, there has been a very great increase in the equipment and producing capacity since 1911. Rock salt was used largely for war purposes, and the need for its production resulted in the opening of new sources of supply and in the development of old which had heretofore been unworked. The latter existed in connection with the kali (potash) industry. In mining for kali the shaft frequently passes through salt veins, and as the product in substance and in methods of handling is similar to kali it is a simple matter to produce from the same shaft both salt and kali.

The records show that during the 29 months from January 1, 1910, to May 31, 1918, there were produced for export and exported 2,700,272 tons of rock salt. During the present investigation it was frequently asserted by producers and representatives of the syndicate that 2,000,000 tons could be produced for export during the coming year and that if greater quantities were required this amount could be indefinitely increased. It is evident that this claim is not exaggerated.

As an example of the possibilities of production of mineral salt and delivery thereof at the seaboard, reference is made to one of the plants comprised in an organization known as Deutsche Salzwärke C. M. B. H. of Berlin. This concern is a combination for selling purposes of nine large companies controlling some 38 mines and plants. One of these companies is the Consolidirte Alkali Works Westeregeln, near Magdeburg. This latter concern operates six kali mines, from two of which rock salt is taken. In addition to the six mines it operates three chemical factories and has three brown-coal mines, from which all its fuel is derived. Power for all the mines and plants is derived from a central electrical station operated on brown coal. Within the company's grounds and connecting the plants are 56 kilometers of broad-gauge railroads, upon which its locomotives and cars are operated and by means of which connection is made by rail to the River Elbe, where water transportation to Hamburg may be had. The particular mine in question yields salt at a depth of 500 meters and kali at a depth of 600 meters. The shaft was sunk after the beginning of the war in 1914, and all the equipment is now modern. All buildings are of brick and concrete.

This mine operated apparently almost entirely on fine ground salt, which in Germany has displaced evaporated salt for domestic uses. The other mine of this company produces a salt not quite so white in appearance. The mine producing fine ground salt was developed as a war enterprise, and evidently the chemical factories in connection with it were producing chemical for war uses. The statement was made that they expect to hold the market which they have obtained for their fine ground rock salt and permanently to displace evaporated salt for domestic use. The rate of wages in this mine was nominally from 30 to 35 marks per day, but as all work was piecework the laborers earn about 50 marks in seven and one-half hours. The working day is eight hours, but the employer is required to permit one-half hour to be used for luncheon purposes. The statement was made that while this plant naturally claimed superiority for its product there were many other mines producing a similar grade of salt. It will be noted that the present capacity of this particular mine working on salt alone would be about 100,000 tons per year. The rail freight rate to Hamburg from this locality is approximately 50 marks per 1,000 kilos and the

water freight rate from Schonebeck, which is its shipping point, is 26 marks per 1,000 kilos, although this rate advances to as high as 36 marks per 1,000 kilos in times of low water by reason of the fact that the boats can not be so heavily laden. No estimate could be obtained as to fuel costs by reason of the fact that this property operates its own brown-coal mines. The operation of mining the brown coal is inexpensive. The material is found at 20, 30, or 40 feet under ground. The soil is removed with a steam shovel, which then operates on the brown coal. Successive cuts are made to the limit of the scope of the shovel. Shovels operate at three different levels, and the fuel is loaded directly into the car from the shovel. The rate of wages paid at the plant in question is evidently the standard rate.

#### THE GERMAN VIEW OF THE SALT EXPORT SITUATION.

It is the price of the mark which accounts for the price of salt for export, subject to Government regulation through the syndicate. The rate of wages in normal times was from 3 to 4 marks per day. The present rate is about 10 times that amount. No other factor in the cost has increased more than 10 times, and some have not increased as much as that. In other words, the German mark in its purchasing power in Germany is worth from one-seventh to one-tenth of what it formerly was, but when goods produced in Germany on that basis of cost are sold in the United States they produce in marks 20 times what they formerly produced. It is to this difference principally that the Germans attribute their ability to export to the United States at the prices now prevailing, and they claim that without governmental supervision they could sell at much lower prices. In addition there is the low ocean freight rate, which in April was quoted at \$2.50 per ton for regular shipments, with the probability that it would go considerably lower, and which has since gone lower. Added to this also is the fact that they have produced a mined salt of a quality which is apparently able to compete with evaporated salt. There is also the fact that due to war development facilities for production have been enlarged to a point where there probably is not anywhere a demand sufficient to take the possible supply.

There is the factor that with improving food and living conditions in Germany wage costs may decline and probably will decline. As has been shown, labor is receiving approximately 10 times in marks what it formerly received, but many things, particularly food and beer, in which the German laborer is largely interested, are not now 10 times as expensive as formerly. The German workman is to-day relatively higher paid, as is indicated by the fact that he is spending money freely on his living.

The conclusion is that for many years to come German salt is likely to be offered in foreign markets, including the United States, in increasing quantities and at diminishing prices. It has been represented to the American salt industry that the Czechoslovakian Government is now ready to parcel out the salt privileges which came to them in the territory acquired from Austria, which would undoubtedly include a monopoly in a manner somewhat similar to the present German Government control and salt syndicates. There is considerable salt in Austria available for export through the port of Danzig. This indicates how cumulative the possibilities of import salt competition appear as a result of the changed conditions arising from the war and more particularly because of the present rates of exchange.

In Germany what is known as "plant industry" is in process of formation and in a fashion forbidden by our own antitrust law lines of endeavor are being organized into syndicates.

The United States Shipping Board promises also to be a competitor of the American salt industry, which is another new development of competition with import salt at Atlantic coast ports. Caroes in United States Shipping Board vessels have arrived at Newport News, Va., and Baltimore, Md., during the current year of salt in bulk from Tunis, North Africa, a coarse-grain product made from sea water.

This salt is reported by the Department of Commerce as imported from Azores and Madeira Islands, as follows:

*Salt imported from Azores and Madeira Islands, to June, 1921.*

	Pounds.	Value.	Hundred-weight.	Value per hundred-weight.
February.....	4,180,000	\$3,813	44,800	\$0.08
June.....	3,360,000	6,000	33,600	.17

It will be noted that the value per hundredweight averages 13 cents, whereas the freight rate from the nearest salt plant in this country to Newport News, Va., is 35 cents and to Baltimore, Md., 25 cents per hundredweight.

It has been stated by Shipping Board representatives that the salt was brought over as ballast. It is, therefore, obvious how low the price asked by the Shipping Board can be made, based on the cost of the salt with no transportation cost.

## TRANSPORTATION COSTS.

All salt plants in the United States are located at a considerable distance from the seaboard. Since 1909 various increases in freight rates have been made in this country, especially during and since the Great War, but the effect is disastrous in meeting competition with imported salt at Atlantic coast ports and territory tributary thereto where there is considered the prevailing lower inland and ocean transportation rates on foreign salt.

Most of the English plants are located on water, and no rail haul to the seaboard is necessary. The difference between ocean transportation cost and American railroad freight rates brings the English product into unfair competition with American salt. Ocean transportation rates per net ton to North Atlantic coast ports during the period from 1909 to 1920, inclusive, were as follows:

1909.....	\$1.00	1913.....	\$1.60	1917.....	\$2.68
1910.....	1.07	1914.....	1.88	1918.....	2.68
1911.....	1.07	1915.....	1.15	1919.....	2.88
1912.....	1.27	1916.....	1.60	1920.....	2.53

No rail haul is necessary in order to load vessels with salt produced in the West Indies and the Mediterranean countries. The water transportation cost per net ton from the West Indies and the Mediterranean countries to Atlantic Coast ports is dependent upon the prevailing supply of vessels. Ocean transportation rates per net ton from the West Indies and the Mediterranean countries to North Atlantic coast ports during the period from 1909 to 1920, inclusive, were as follows:

	West Indies.	Mediterranean countries.		West Indies.	Mediterranean countries.
1909.....	\$1.77	\$1.65	1915.....	\$3.14	\$2.57
1910.....	1.83	1.77	1916.....	6.57	5.91
1911.....	2.00	1.83	1917.....	7.51	5.42
1912.....	2.43	2.14	1918.....	8.17	.....
1913.....	2.69	2.65	1919.....	7.83	4.28
1914.....	2.14	2.20	1920.....	6.02	5.00

The increase following 1915 was solely due to lack of vessels for transportation. With the increased ocean shipping facilities now available this salt can be laid down at a very low cost for transportation.

## FREIGHT RATES.

Under the German system the rates for freight are nearly in direct proportion to the distance the freight is moved. Points were selected from which salt for export would be shipped to Hamburg and rates obtained for these points. In general the water freight rates are less than one-half the rail rates. One large rock-salt producing plant takes the water rate from Magdeburg, and accordingly that water rate of freight is shown.

Railroad freights per 1,000 kilos (2,200 pounds) from Braunschweig and Hanover districts to Hamburg:

	Marks.
From Luneberg (approximate distance 25 miles).....	20.00
From Braunschweig (approximate distance 125 miles):	
North.....	56.40
East.....	50.50
West.....	55.40
Center.....	51.20
Northeast.....	58.20

From Hanover, Mohringsberg (approximate distance 100 miles):	Marks.
North.....	48.40
Nordhafen.....	50.10
South.....	50.90
Heilrenhausen.....	47.30
Linden.....	49.70
Wulfel.....	49.90

Water freight per 1,000 kilos from Magdeburg to Hamburg is at present 26 marks. At the lowest water last year it was 36 marks. (Approximate distance Magdeburg to Hamburg by water, 250 miles).

Comparable with all the above facts relating to transportation costs, we again respectfully call attention to the disastrous effect, from the standpoint of competition with imported salt, of the present high level of freight rates in this country. The cost of freight alone per hundredweight to the American producer from the nearest source of supply in placing salt at Atlantic coast ports at the present time, and as compared to 1909, is as follows:

	1909	At present.		1909	At present.
Portland, Me.....	\$0.14	\$0.30	Norfolk, Va.....	\$0.16	\$0.35
Boston, Mass.....	.14	.30	Charleston, S. C.....	.28	.50
New York, N. Y.....	.12	.25	Savannah, Ga.....	.29	.51
Philadelphia, Pa.....	.12	.25	Jacksonville, Fla.....	.32	.51
Baltimore, Md.....	.12	.25			

The absolute indispensability of salt as a food product is universally conceded. In addition to the necessity of salt for human and animal consumption, it is necessary in packing meats and fish, pickling and preserving food products, salting hides and skins, and freezing and packing ice cream. It also is essential in the manufacture of dyes, chemicals, fertilizers, soap, paper, steel, and tile, as well as for many other commercial uses.

Among the industries by which the use of salt is necessary and which indicate possibilities of further development of the salt industry are those established during and subsequent to the war, the future growth of which it has been represented will depend upon the protection afforded them against foreign competition. If it is to be the policy of this Government to assist in the growth and development of these industries, as has been evidenced by your committee, it is likewise of equal importance that one of the principal ingredients used in their respective processes should receive the same measure of protection and assistance in its growth and development. There would be no permanent advantage in developing American industry, as such, if it were necessary for that industry to depend upon foreign basic materials for the manufacture of its product. This country is independent of all foreign countries for any portion of its salt supply, as the capacity of its mines and manufacturing plants is greatly in excess of the present demand.

Reports of the United States Geological Survey, covering the growth of the salt industry of this country from 1880 to 1919, inclusive, show a production in 1880 of 834,540 tons, which was increased in 1919 to 4,032,263 tons.

Statistics showing the exports of salt are available, but you will not find any salt exported from this country to Europe. The exports are to Mexico, Cuba, and the Province of Ontario, Canada, and limited almost entirely to mineral (rock) salt where none of this grade of salt is produced. (See Department of Interior publication, Aug. 5, 1921, by Ralph W. Stone, Mineral Resources of the United States, Part II, pp. 17-25.)

Severe competition exists from salt imported from Germany more than from any other country. Statistics given herein show increasing volume of arrivals in this country since 1919.

Prices quoted currently—and value of their imports confirm them—are as follows:

<b>Rock salt:</b>	
In bulk, c. i. f. Atlantic coast ports.....	cwt. \$0.29
In 100-pound bags.....	each .40
In 200-pound bags.....	do. .70
<b>Fine salt:</b>	
In 100-pound bags.....	do. .50
In 280-pound barrels.....	do. 1.75

Freight rates from nearest American salt plants to Atlantic coast ports average 36 cents per 100 pounds.

Cost of 100-pound bag, including labor of filling.....	\$0.10
Cost of 200-pound bag, including labor of filling.....	.15
Cost of 280-pound barrel, including labor of filling.....	.84

We recommend at this time that an import duty on salt be fixed at the rate of 25 cents per 100 pounds, with the proviso that the coverings, viz, bags, sacks, barrels, packages, or other containers, pay the same rates of duty as if imported separately, or an import duty of 25 cents per 100 pounds on coarse and/or rock salt and 35 cents per 100 pounds on fine, ground, pulverized, and/or refined salt.

**STATEMENT OF EDWARD W. BROWN, VICE PRESIDENT STERLING SALT CO., NEW YORK CITY.**

The CHAIRMAN. Where do you reside?

Mr. BROWN. I am vice president of the Sterling Salt Co., New York City. Our works are in New York State, near Rochester.

Senator LA FOLLETTE. What is your address in New York City?

Mr. BROWN. Twenty-nine Broadway.

The Sterling Salt Co., which I represent, produces rock salt. It does not produce evaporated salt. I am only speaking of rock salt, which is a commercial salt. It is not used for household purposes, but is used very largely by the ice-cream manufacturers, chemical companies, packing houses, paper manufacturers, pickle manufacturers, salters and packers of fish, hide salters, soap makers, refrigerator companies, and for purifying water, etc.

The wages paid at our mines run from 40 to 50 cents per hour. The wages paid in Germany, as shown in the statement of Mr. Chisholm, run about 75 cents a day. Our men earn about \$5 a day.

Senator WATSON. Seventy-five cents a day, gold standard?

Mr. BROWN. Yes, sir.

Senator LA FOLLETTE. When you say your men earn \$5 per day, is that for the common labor?

Mr. BROWN. That is the average labor underground.

Senator LA FOLLETTE. In order to reach that average, do you include the cost of your official staff?

Mr. BROWN. No, sir.

Senator LA FOLLETTE. Just what labor does it include?

Mr. BROWN. Our cheapest labor is getting 42 cents per hour on an 8-hour day, although at the present time they are working nine hours. It runs up to 55 cents for miners underground, drillers, and powder men. The average is about 50 cents per hour. There is a good deal of piecework on which they will average upward of \$5 a day.

The CHAIRMAN. How many men do you employ?

Mr. BROWN. Five hundred, sir. The average in Germany, against that \$5, is about 75 cents. Salt is a very low-priced commodity as compared with the freight from point of production to point of consumption. We may say, roughly, that the cost of rock salt is a little over \$3 per ton.

Senator WATSON. How much rock salt do we import?

Mr. BROWN. Rock salt we have never imported to speak of until Germany began sending it in.

Senator WATSON. Do you supply the entire home demand by the American product?

Mr. BROWN. Yes, sir; except the fisheries. They use solar salt, which is sometimes called rock salt, but which is not.

Senator CALDER. When did Germany begin sending salt here?

Mr. BROWN. Not until after the war; within a year.

Senator LA FOLLETTE. How much did she send in in the year 1920?

Mr. BROWN. In 1920 very little, sir. They just commenced in 1920. They are doubling up each month.

Mr. CHISHOLM. Forty-seven million pounds in 1920, 6,000,000 pounds in 1919.

Mr. BROWN. They are offering their salt at less than \$6 a ton at our seaports. The price has gradually dropped from about \$7 a ton. I have one quotation here of \$5.40.

Our freight rate is \$5.15, the lowest rate that we have to the seaboard. That includes New York and Philadelphia.

Senator CALDER. From your mines to New York it is over \$5 a ton?

Mr. BROWN. \$5.15, and they are offering salt for sale in New York at \$5.40.

Senator LA FOLLETTE. Where is your mine located?

Mr. BROWN. South of Rochester, in New York State.

Senator LA FOLLETTE. What is the distance from there to New York?

Mr. BROWN. About 350 miles.

Senator LA FOLLETTE. What is your rate?

Mr. BROWN. \$5.15 a ton.

Senator LA FOLLETTE. How long has that been the rate?

Mr. BROWN. For about a year and a half.

Senator LA FOLLETTE. What was it before the war?

Mr. BROWN. \$2.40. The advance was about 110 per cent.

Senator McLEAN. Your mining costs about \$3.50?

Mr. BROWN. A little less than that—around \$3.25.

Senator CALDER. For what do you offer your salt for sale per ton at New York?

Mr. BROWN. Not exactly at retail, but in single car lots it runs about \$11 a ton. The large buyers get it on contract considerably less than that.

Senator LA FOLLETTE. How much less?

Mr. BROWN. \$3 a ton less.

Senator LA FOLLETTE. The large buyers get it at \$3 a ton?

Mr. BROWN. \$3 a ton less.

Senator LA FOLLETTE. That would be \$8 a ton?

Mr. BROWN. Yes. That represents about cost.

Senator LA FOLLETTE. I understood you to say a few moments ago that the cost of salt is a little over \$3 a ton.

Mr. BROWN. It is, sir.

Senator LA FOLLETTE. The cost of producing it?

Mr. BROWN. Yes, sir; I would like to explain that we get a considerable quantity of fine salt dust, for which there is a very limited market. In passing the product of the mine through the crusher a large percentage is a finely crushed grade that to some extent compares with the culm produced by the coal companies. This fine salt is suitable for usages of the chemical companies, and to induce them to buy it in large quantities it is sold materially below the average selling price of the regular screened grades. This explains the rather

large discrepancy between the price of \$11 per ton on coarse screened grades and \$8 mentioned as the lowest selling price at New York.

Senator SMOOT. \$3.25 represents coarse salt. That is not the refined salt?

Mr. BROWN. No; that is only rock salt.

Senator SMOOT. How much do you export each year?

Mr. BROWN. We send a little into Canada, I should say about six or seven thousand tons a year.

Senator SMOOT. There was exported in 1917, however, 97,075 tons. Has it increased or decreased since 1917?

Mr. BROWN. I should think it had decreased; but that went to Cuba and Mexico very largely.

Senator WATSON. How many other persons are producing rock salt besides you?

Mr. BROWN. There are about 10 mines.

Senator WATSON. In what other States?

Mr. BROWN. Michigan, Kansas, and Louisiana.

Senator WATSON. That is rock salt?

Mr. BROWN. Yes, sir. What I wanted to bring out particularly was that salt is a low-priced material and the freight cuts a tremendous figure. When the Germans are able to bring their salt from their mines to the sea for less than 50 cents a ton and the present rate from Hamburg to New York is \$2.50 a ton and there is every indication that the rate will be largely reduced and can be largely reduced—

Senator LA FOLLETTE. The present rate from Hamburg?

Mr. BROWN. The present rate from Hamburg to New York or Boston or Philadelphia is \$2.50 a gross ton. Our rate is \$5.15 a net ton.

Senator McLEAN. Is that by rail?

Mr. BROWN. That is by rail; yes, sir.

Senator WATSON. From where to where?

Mr. BROWN. From our works near Rochester to New York City or Philadelphia.

Senator McLEAN. For what can they import salt from the Avery Island mines to New York by boat?

Mr. BROWN. It would have to go by rail to New Orleans and thence be reshipped by vessel. I have not the exact figures.

Mr. CHISHOLM. \$6.40.

Senator McLEAN. What percentage of that is rail charge and reloading?

Mr. CHISHOLM. About \$2.

Senator SMOOT. I notice that for the year ending June 30, 1921, the exports were 242,632,102 pounds. That is 121,000 tons. That is the largest exportation you had with the exception of the fiscal year ending June, 1920.

Senator WATSON. Is that rock salt, Senator?

Senator SMOOT. All salt.

Mr. BROWN. I do not know much about evaporated salt except to Canada and Mexico. There is not more than 10,000 tons a year that goes into Canada.

You can see that it is impossible for us to compete when the selling price is in the neighborhood of \$10 or \$11 a ton, and more than half

of that is freight. The low ocean freights are very much against us and likely to come down still further.

The Germans are offering their salt now and getting for it for export, according to the statistics presented by Mr Chisholm, just double what is being received for rock salt for domestic use. In other words, for export they get twice the price. This would indicate they can sell it for very much less than they are now selling.

Senator SMOOT. I take it for granted that what you want the duty for is to protect you against the New York market, because when the salt comes into the New York market from a foreign country it pays no freight; that is, it is delivered direct to the consumer at New York; but if the imported salt is to be shipped again into the interior of the country, then, of course, they would have to pay a freight rate upon it just the same as you would from your plant. Evidently what you want is protection against the ports of entry rather than the interior parts of the country.

Mr. BROWN. I do not limit it to New York, of course; it is the entire coast—Portland, Boston, New Haven, Providence—

Senator SMOOT. I say the ports of entry.

Mr. BROWN. And down to Norfolk, Charleston, and Savannah.

There is one point I want to bring out. We bring a certain amount of salt to New York City by canal which we ship by rail to Rochester. From there it is brought down by canal. Those canal boats will carry salt from New York to Buffalo for one-half the rate that they will bring salt for from Rochester to New York, because the balance of the trade is east. It is possible for this salt to be landed in Buffalo by canal boat for probably a dollar and a half a ton. That is the starting point for the haul west.

The German production seems to be unlimited. They claim to have a surplus of 2,000,000 tons a year and are ready to send 1,000,000 tons a year to this country. Eighty per cent of the business of our company is done in the coast States, and I suppose that close to 50 per cent of our entire business is shipped to the seaports and cities immediately adjacent to them, tributary to them, like, for instance, Newark, Yonkers, and Hudson River points are tributary to New York; Lowell, Salem, and other points are tributary to Boston; and Trenton and Camden to Philadelphia. So that upward of half of our business goes to those places.

Senator LA FOLLETTE. Do you have a heavy capital investment in a salt plant?

Mr. BROWN. Yes, sir.

Senator LA FOLLETTE. I am not familiar with the business. Do you require a large amount of machinery?

Mr. BROWN. Yes, sir. To equip a mine at the present time would cost at least a couple of million dollars. It is a long and tedious operation.

Senator WATSON. Are not these rates sufficient to protect you?

Mr. BROWN. Which rates, sir?

Senator WATSON. The rates provided in the House bill.

Mr. BROWN. No, sir. They are very inadequate.

Senator WATSON. How much do you claim you need in order to protect you?

Mr. BROWN. We claim that for an average we should have 25 cents a hundred pounds.

Senator SMOOT. Do you mean on salt in bulk?

Mr. BROWN. Yes, sir.

Senator SMOOT. What would be your duty on refined salt, then?

Mr. BROWN. I do not know much about refined salt. We do not manufacture it.

Senator SMOOT. It would be about the same proportion as 7 is to 11.

Mr. BROWN. The difference between 7 and 11 is supposed to be the duty on the package.

Senator SMOOT. It would be the same thing, no matter what the rate was.

Mr. BROWN. Refined salt comes in packages usually, and the coarse salt generally in bulk. If the duty imposed does not reasonably enable the domestic companies to retain their trade at the coast ports and places adjacent thereto their output would be reduced to an extent that their cost upon the remainder of their product would be proportionately increased which would enable the foreign salt to compete just that much further inland.

Senator LA FOLLETTE. What is the labor cost in a ton of salt which costs you \$3 to produce? What proportion of that is labor?

Mr. BROWN. We get about 3 tons of salt with one laborer. That is the average rate, straight through. It is largely machinery, of course. If you take one-third of an average of \$5 that would represent about the labor cost.

Senator McCUMBER. Your time is up, Mr. Witness.

The CHAIRMAN. Have you a brief that you desire to file?

Mr. BROWN. Yes, sir. I will turn this in. I have two or three actual quotations here.

Senator WALSH. Mr. Chairman, I observe that the witnesses give the export and import figures of particular articles at random. I want to know if there is anybody in the Tariff Commission or anybody else checking up these figures so that when we read the record we will know they are accurate?

The CHAIRMAN. We have here a Summary of Tariff Information.

Senator WALSH. I understand that; but I think that the record that is printed ought to be gone over by some expert who will look into these freight rates and statistics with reference to the exports and imports to see if they are correct.

The CHAIRMAN. That will, of course, be done. It only needs a comparison with this manual here to ascertain it. Each member of the committee has that information.

#### BRIEF OF EDWARD W. BROWN, VICE PRESIDENT STERLING SALT CO.

This company is a large producer of mined rock salt and does not manufacture evaporated or so-called fine salt.

Mined rock salt is used for commercial purposes, among the largest users being chemical companies, packing houses, paper manufacturers, ice-cream manufacturers, pickle manufacturers, salters and packers of fish, hide salters, soap manufacturers, refrigerating cars, cattle ranches, water purifiers, etc.

Previous to the World War imports of salt from Germany were negligible, but solar evaporated salt produced in the West Indies, in Mediterranean, Spanish, and Portuguese ports came in considerable quantity and was used by the coast fishing trade almost exclusively.

It is very doubtful if the elimination of the fisheries clause which appeared in the Dingley, Payne-Aldrich, and previous tariff bills would in any way benefit the domestic rock-salt producers.

GERMAN SALT.

According to authentic information, the laborers in German salt mines are paid about 35 marks per day, but much of the labor is on a piecework basis and laborers are enabled to earn about 50 marks in an 8-hour day (42 to 60 cents per day, American money). The Sterling Salt Co. pays its laborers from 40 cents to 50 cents per hour. Many of its men are on piecework and earn from \$5 to \$6 in an 8-hour day.

As the machinery in the German mines is of the highest order, it is only reasonable to suppose that that part of their cost of production, compared with the cost of rock salt mined in this country, is approximately in proportion to the relative cost of labor.

German salt for export is under the absolute control of a syndicate or commission which is licensed by the Government and is given absolute control of the export of salt. This syndicate fixes the price at which the salt is to be sold f. o. b. vessel Hamburg or other port. The present export price for rock salt is about 18 shillings for 1,000 kilos (a metric ton). The German domestic price for rock salt is 120 marks per 1,000 kilos (a metric ton) to which an internal-revenue tax of 120 marks is added, making their domestic price 240 marks (\$2.86 equivalent metric ton).

The price, therefore, netted by the producer on salt for export is approximately double what he nets on salt for domestic consumption, and it is apparent that the export price can, if necessary, be reduced by half.

*Freight rates in Germany.*—German salt is brought from the mines to Hamburg or other ports by both rail and water. The water freight rates are about one-half of the rail rates. Their rail rates average about 50 marks (60 cents) and water rates about 30 marks (36 cents) per metric ton of 1,000 kilos.

*Ocean freight rates.*—The present prevailing freight rates from Hamburg to Atlantic coast ports is about \$2.50 per metric ton (2,204 pounds), and the actual selling price of German rock salt at these ports is \$6 per metric ton and less.

*German production capacity.*—Our information is that the capacity of the German salt mines was doubled due to the war demands made upon them. Chlorine is the base of many of the gases used, and both chlorine and sodium are used extensively in chemical warfare. These two products are produced almost entirely from rock salt, which necessitated a very large increase in the production of German rock salt. We are creditably informed that the German production capacity is now in the neighborhood of 4,000,000 tons and that their domestic consumption is not more than 2,000,000 tons. There is actually available for export from Germany an excess of more than 1,000,000 tons, which we believe they can ship and "dump" into this country's Atlantic ports for not in excess of \$4 per metric ton (2,204 pounds).

German salt is now being offered at points a considerable distance from our coast ports at much less than the prevailing selling price of domestic salt. Even on inland transportation imported salt has a material advantage over the domestic salt in that near the coast the balance of freight is eastward, i. e., the average freight rate on salt, lumber, etc., by canal boat from Rochester to New York is about double the rate these same boats are ready to take salt from New York to Buffalo. A considerable business of the New York State rock-salt producers is moved by rail to Buffalo and thence by lake vessel to Duluth, Milwaukee, Chicago, etc. It will, therefore, be seen that, even at these western ports foreign salt is in a position to successfully compete with the domestic producer.

The rock-salt mines of the United States are located in New York, Michigan, Kansas, and Louisiana. The mines of the Sterling Salt Co. are in Livingston County, N. Y., about 30 miles south of Rochester.

This salt for many years has been shipped extensively to all of our North Atlantic seaports, to the inland cities of the New England, Middle, Middle West, and South Atlantic States, and a small amount to Canada. Approximately 80 per cent of the shipments are made to points east of Buffalo, N. Y., and over 50 per cent to Atlantic coast points and cities adjacent to them.

The freight rates per 2,000 pounds now prevailing from our mines to various Atlantic seaports are as follows:

Portland, Me., Boston, Mass., Providence, R. I.....	\$6. 18
New York, N. Y., Philadelphia, Pa., Baltimore, Md.....	5. 15
Norfolk, Va.....	7. 21
Charleston, S. C.....	10. 00
Savannah, Ga., and Jacksonville, Fla.....	10. 50

It will be seen that the prevailing selling price now of German rock salt is in many cases less at Atlantic seaports than our freight rates, to say nothing of the differential

between a metric and short ton, and it is our belief—as already expressed herein—that if conditions make it necessary the German syndicate—controlling producers—could sell their salt at Atlantic ports with a profit at a very much lower price than they are offering and delivering it now.

The importance of the domestic salt producers of this country can not be overestimated. They are taxpayers, large employers of labor, furnish large amount of freight to the common carriers, and should certainly be kept in the best state of preparedness to furnish possible war needs of the United States Government.

Very heavy demands were made upon the Sterling Salt Co. during the war for the manufacture of chemicals required by the Chemical Warfare Division, War Department, and this brought about an expenditure by this company of over \$300,000 to increase the capacity to meet the urgent demand made upon them.

#### PROPOSED DUTY, FORDNEY TARIFF.

The duty of 7 cents per 100 pounds in the Fordney bill is absolutely inadequate to enable the American producers of rock salt to compete with their German competitors. This proposed duty is identical with that of the Payne-Aldrich bill of 1909, at which time conditions were entirely different and there was no German competition.

A duty equivalent to 25 cents per 100 pounds is necessary. Even this duty at southern Atlantic ports gives German competitors a very material advantage.

To meet certain existing conditions of exchange, possible adjustment of rail freight rates, and possible, although not probable, increase of ocean freight rates, it may not be the judgment of the committee that this requested duty of \$5 per ton should take the form of a specific imposition of 25 cents per 100 pounds. To meet such a contingency and possible adjustment of conditions, we would suggest as acceptable a specific duty of 15 cents per 100 pounds, plus an ad valorem of, say, 20 per cent, assuming that American valuation will be the basis of determination. This phase of the question is one that the expert advisers of the Finance Committee can best decide.

#### STATEMENT OF DR. F. W. BOYER, WADSWORTH, OHIO, MANAGER-TREASURER THE WADSWORTH SALT CO.

DR. BOYER. Mr. Chairman and gentlemen of the committee, I only wish to take a few minutes of your valuable time in the matter of a tariff on salt. It was the judgment of the House in passing the bill which you have now under consideration that salt should be removed from the free list and that it should pay a duty on future imports similar to or practically the same as that under the Payne-Aldrich Act.

There are certain matters which should have your consideration, such as the conditions that exist to-day compared to those that existed at the time of the Payne-Aldrich Act, as a result of which we feel that in plain, common, ordinary, everyday sense the rate should be higher. For example, the matter of transportation, which is a heavy item of expenso entering into the marketing of salt: Take the plants located in the central freight territory or the Detroit River territory. Take the Cleveland-Akron district, for example. Their rate of freight under the Payne-Aldrich Act was 16 cents a hundredweight, or \$3.20 per ton, to New York, lighterage free. That rate to-day, in the judgment of the Interstate Commerce Commission, is \$6.70; in the judgment of Congress an additional 20 cents as a war tax, making a total freight charge of \$6.90 per ton.

By the action of the House yesterday we are led to believe that the 20 cents as a war tax will be removed in the future. The rate on salt from Hamburg, Germany, f. o. b. docks, New York, is not over \$3, and we have quotations as low as \$2.50.

The proposition which has arisen since the House passed that act is set forth in a letter from one of the members of the German salt syndicate, under date of July 21, whereby a German salt maker proposes to an American salt maker to deliver their product at the ports along our Atlantic coast, we to designate the names of the ports, starting with Boston and going as far south as Savannah, at practically the cost of transportation from the central territory to these ports along our Atlantic coast.

Our cost in a recent competitive bid to the Navy Department on a hundred-pound bag, which we were awarded through another firm, was 79½ cents per bag. The quotations here—and this letter is submitted for your consideration—would deliver that salt in New York at 40.68 cents per 100-pound bag. The market price on that salt before this competitive bid to the Navy Department was 94 cents. The price to-day is 83 cents. So you see that the German maker by quoting a price to an American maker asks us to practically join in collusion with him to the detriment of American labor and American institutions, such as our transportation system, to deliver German salt at our Atlantic coast ports and simply exclude American salt.

Senator SMOOT. What was the difference between the German price and the American price?

Dr. BOYER. Senator, here is the letter from the German firm.

Senator SMOOT. You just stated the price. The American salt delivered in New York was how much?

Dr. BOYER. On this one grade it was 40.68 cents per 100-pound bag. The prices in the letter from Berlin, figured out in English sterling, would run as follows: Grade 0, f. o. b. Hamburg, in bulk, 22/6 per 1,016 kilos, \$4.1245; grade 1, f. o. b. Hamburg, in bulk, 20/6 per 1,016 kilos, \$3.7595; grade 5, screened, f. o. b. Hamburg, in bulk, 23/6 per 1,016 kilos, \$4.307; grade A table salt, f. o. b. Hamburg, in bulk, 24/6 per 1,016 kilos, \$4.4395.

Then the cost of bagging it is \$1.46, and this is not a short ton but a long ton, 1,016 kilos. You would get 22 100-pound bags to a ton. Then the freight is \$3—I suppose you could have it in cargoes as low as \$2.50—which makes the price to us \$8.04.

Senator DILLINGHAM. How does the price from Germany compare with your price?

Senator SMOOT. How much is that price?

Dr. BOYER. \$0.4068 per bag; practically 41 cents.

Senator SMOOT. Per bag?

Dr. BOYER. Per 100-pound bag. That is coming in duty free. The House proposes to put on a duty of 11 cents.

Senator SMOOT. That would be \$8.15 per ton.

Dr. BOYER. We feel that duty should be at least 100 per cent higher on account of conditions to-day than under the Payne-Aldrich Act. Transportation is higher and labor is higher.

Senator SMOOT. What would your salt cost delivered to the point where the German delivers his at \$8.15 a ton?

Dr. BOYER. Eighty-three cents.

Senator SMOOT. That would be \$16.60.

Dr. BOYER. Yes, sir.

Senator SMOOT. That is \$8.45 difference on a ton.

Dr. BOYER. Yes, sir.

Senator SMOOT. Or 42 cents a hundred difference?

Dr. BOYER. Yes, sir.

Senator SMOOT. Do you mean to say that you want that amount of duty?

Dr. BOYER. I would like to have this Congress put a duty on that so high that we could not enter into that agreement. You remove the temptation.

Senator SIMMONS. How much of your price would be freight?

Dr. BOYER. Our freight to New York is 33½ cents per hundred, plus the war tax of 2 cents, and we have one quotation here that amounts to 39 cents, I think. This is on table salt, their highest grade. Yes; there is one quotation here that figures 37.36, less than 37½ cents.

Senator SIMMONS. Where is your factory located?

Dr. BOYER. At Wadsworth, Ohio, 15 miles from Akron, in Congressman Knight's district. We have been in business there for over 30 years.

Senator SIMMONS. You now supply the trade along the Atlantic seaboard?

Dr. BOYER. Yes, sir; in competition with other American makers.

Senator SIMMONS. Are there any other competitors outside of Germany?

Dr. BOYER. Germany is our principal competitor to-day. That is the only one we hear from. They have practically scalped the business, if I may use that term.

Senator SIMMONS. Do you know the price at which it is to be purchased in other countries?

Dr. BOYER. No, sir; I do not. This proposition was made on the 21st day of July to the Wadsworth Salt Co., of which company I happen to be the vice president and general manager, unsolicited on our part.

Senator SIMMONS. Was it the same grade of salt?

Dr. BOYER. Yes, sir; they are competitive, fine grades of salt. We will admit that.

Senator SIMMONS. Well, competitive as to price.

Dr. BOYER. As to grade.

Senator SIMMONS. In this market would they be competitive as to price?

Dr. BOYER. At their prices they will take all the business.

Senator SIMMONS. I am not talking about the German article, but would that grade if it were produced here in America be competitive with the grade that you have been comparing it with?

Dr. BOYER. Absolutely; yes, sir. It is excellent salt. I have the samples here.

Senator DILLINGHAM. What proportion of the consumption in the United States is furnished by the American producers?

Dr. BOYER. If we would run at full capacity, we would have an overproduction, sir.

## SODIUM.

[Paragraph 78.]

## STATEMENT OF J. B. FORD, REPRESENTING THE MICHIGAN ALKALI CO., DETROIT, MICH.

We petition that the following-named products, enumerated in paragraph 73, carry the following specific duties:

Sodium bicarbonate, or baking soda,  $\frac{1}{2}$  cent per pound (H. R. 7456 specifies  $\frac{1}{2}$  cent per pound); sodium carbonate, calcined, or soda ash, hydrated or sal soda, and monohydrated,  $\frac{1}{2}$  cent per pound (H. R. 7456 specifies  $\frac{1}{2}$  cent per pound); sodium hydroxide, or caustic soda,  $\frac{1}{2}$  cent per pound (H. R. 7456 specifies  $\frac{1}{2}$  cent per pound).

The rates here recommended on above-named products are the rates embraced in the tariff act of 1897, known as the Dingley bill, and we consider that the situation fully warrants the restoration of the rates of the tariff act of 1897. Our arguments supporting this contention were presented fully to the Ways and Means Committee of the House of Representatives in an amended petition filed with the committee. Since the date of that amended petition, namely, April, 1921, the conditions predicted therein have become fulfilled. There has been no improvement in the foreign currency conditions, and European countries have now reconstituted their chemical manufacturing facilities to a degree which allows them to offer freely throughout the world all of the usual products of their chemical factories.

May we emphasize that the soda alkali industry in the United States, under the rates recommended in this petition, is far less protected under existing circumstances than the industry was under the Democratic tariff act of 1913, when conditions were normal. An illustration may make that condition clearer. Soda ash is now selling in Germany at 100 marks per 100 kilograms. Reduced to American units at the present rate of exchange (1.22 cents per mark), this is equivalent to \$12.20 per metric ton, or 55.3 cents per 100 pounds. The freight from Germany to Atlantic ports is about 25 cents per 100 pounds. The duty under our recommendations would be 37.5 cents per 100 pounds. Germany can, therefore, lay down soda ash at Atlantic ports at per 100 pounds 55.3 cents, selling price in Germany, plus 25 cents freight, plus 37.5 cents proposed duty, equivalent to \$1.178 per 100 pounds.

As a matter of fact, Germany is now selling soda ash in New York and Boston at \$1.30 per 100 pounds, a price at which the American manufacturers can not live.

At the same time the price in Germany of 100 marks per 100 kilograms is a handsome one for the German manufacturers, and is actually higher than the American price, taking into account these facts: While the German mark has at the moment a dollar exchange value of 1.22 cents, its purchasing power in Germany is 5 cents. The German producer, therefore, receives in Germany the equivalent of about \$2.26 per 100 pounds, while he can sell in the United States at \$1.178, paying freight and proposed duty. The current average American price for the same quality soda ash in the same style package (jute bags) is about \$1.81 per 100 pounds f. o. b. maker's works.

The same situation prevails as regards the English producers, and also with the Belgian and French producers, differing only in degree.

We will not burden you with a rehearsal of the arguments presented in our brief to the Ways and Means Committee of the House of Representatives, as we assume those arguments are, or will become, familiar to you through that brief.

We will repeat here, however, that in normal times the soda alkali industry of the United States has held its own in competition with foreign producers, and, as the industry here found itself, tariff duties were consistently reduced.

The industry now finds itself, however, subject to paralyzing attack, and a damage to it is being inflicted which threatens the independence of the country in this key industry of heavy chemicals.

The duties for which we pray will not exclude the foreign products, but they will lessen the intolerable burden now being borne by the American manufacturers.

To summarize: We have an industry amply capable of supplying the needs of the country in every soda product herein mentioned. For years past the import products have been negligible. Prices in the United States have been as low or lower than abroad and are to-day measured in the purchasing power of the unit selling price in the currency of the producing country in that country. We employ 25,000 to 30,000 men directly.

Wise tariff legislation from the beginning of the industry in the year 1881 up to the present time has made this country absolutely independent of European supplies. We pray that this independence of a key industry may be maintained. To lose it is

unthinkable. Without it we can make scarcely one article of war or of peace. The soda industry is the very foundation stone of all chemical industry.

In this petition I have the authority to speak not only for my own company but on behalf of all of those which joined in our petition to the Ways and Means Committee, namely, the Columbia Chemical Co., Hooker Electrochemical Co., Diamond Alkali Co., Pennsylvania Salt Manufacturing Co., Niagara Alkali Co., Mathieson Alkali Works (Inc.), and the Solvay Process Co., all of which are manufacturers of soda products and all of which agree with the views expressed herein.

### STARCH.

[Paragraphs 80, 81, 1644, and 1666.]

#### STATEMENT OF G. J. JENKS, HARBOR BEACH, MICH., PRESIDENT OF THE HURON MILLING CO.

The CHAIRMAN. Will you kindly state your name, address, and whom you represent, Mr. Jenks.

Mr. JENKS. My name is G. J. Jenks, of Harbor Beach, Mich. I am here in the place of Mr. G. G. Scranton. I am president of the Huron Milling Co., which company is engaged in the wheat-starch business.

The CHAIRMAN. You may proceed. What is it you want in connection with these duties?

Mr. JENKS. We want the same rate of duty that potato starch carries, 1½ cents per pound instead of 1 cent per pound.

The CHAIRMAN. You may proceed. If you will excuse me for a moment, Senator McCumber will preside.

Mr. JENKS. This is a comparatively small matter, gentlemen. The production of wheat starch is perhaps one-quarter of 1 per cent of the production of corn starch.

Senator SMOOT. We have had that subject up a great many times before.

Mr. JENKS. But it is a big matter to us. Before the war there were eight wheat-starch manufacturers in this country. To-day there are only two. During the war the Japanese got into the wheat-starch business, and owing to the fact that wheat in their neighborhood is grown with cheap labor and the fact that they are able to employ cheap labor in its manufacture they came into our market and offered starch first at a half cent a pound below our price and they finally got down this year to 2½ cents below our price, nearly 3 cents below. It is unnecessary to say that we could not meet that competition.

Senator McCUMBER. In order that we may understand what 3 cents below you means, what is the American price, generally?

Mr. JENKS. I have a quotation here from Suzuki & Co., of New York, made to another New York concern, on wheat starch at \$5.85 per hundred pounds.

At that time our cost was, roughly, \$8.75 per hundred pounds. Our price was \$7.25 per hundred pounds. In other words, we were selling below cost, and, to a certain extent, we have to meet the cornstarch competition. We finally got our price down to within about 50 cents and are holding about half of our domestic business.

Before the war we exported considerable wheat starch. The Japanese took that market away from us entirely. Where we were

exporting a couple of million pounds in 1916, in the last two or three years we have not exported any. We simply can not meet the competition. In this country, owing to our acquaintance and representation in the mill trade, we have been able to hold about half our business.

I am also speaking for the Keover Starch Co., of Cleveland, Ohio. Mr. Charles J. Kurtz, the general manager of that company, is here. We did not want to take up your time and thought we could give you this in a very few words. We feel that insasmuch as the conditions surrounding the production of potatoes and wheat and the manufacturing of potato and wheat starch are identical, so far as labor costs are concerned—the capital invested in wheat-starch manufacture is much greater, but on all other grounds they are identical—we are entitled to the same protection, and that is what we are asking for.

I might say also that I have authority to represent the six factories that have gone out of business. It so happened that the Keover Co. and the Huron Milling Co. had a distribution in certain lines of specialties, where we have been able to hold enough business to stay in. The other people were making mill wheat starch and could not compete with the Japanese; the difference was so great.

Senator SMOOT. We are giving you a half cent a pound more than was given in the Payne-Aldrich bill of 1909.

Mr. JENKS. Yes, sir.

Senator SMOOT. But that you do not think is enough?

Mr. JENKS. No; in reality we ought to have a cent and a half. And, gentlemen, I might say that this will not raise the price of wheat starch to the cotton mill or to the finisher one-tenth of a cent a pound, as we have to compete with corn starch. Corn is worth less than half what wheat is worth, and, naturally, we can not get two or three times the price of corn starch for wheat starch. We have to compete with it and we have to sell our product at somewhere near the price of corn starch in order to sell it at all.

Canada has two small factories, very small factories; but they protect them with a duty of  $1\frac{1}{2}$  cents per pound.

That is the commercial side of the proposition. There is another side to it, gentlemen, what you might call a human side. In the manufacture of wheat starch we get a by-product, gluten, which is in great demand from individuals in this country and in Europe, a class of individuals who have to eat nonstarchy foods. It is virtually the only palatable cereal food which they can use.

During the war we supplied the English Army, the French Army, and our Army. The importance of the matter was considered so great that the Royal Commission took it up with this country and got us precedence in freights. We are to-day supplying the same association in France that took care of the French Army during the war.

Senator McCUMBER. You speak only of potato and wheat starch?

Mr. JENKS. Yes, sir.

Senator McCUMBER. You say nothing of corn starch, which constitutes about 93 per cent of all the starch products. Would you have corn starch at  $1\frac{1}{2}$  cents, the same as wheat?

Mr. JENKS. I understand that the association representing the manufacturers of corn starch will file a brief here to-day. I am simply asking for 1½ cents on wheat starch.

Senator McCUMBER. You are asking that the 1-cent rate should be increased to 1½ cents?

Mr. JENKS. Yes, sir.

Senator McCUMBER. That would apply, then, to both corn starch and wheat starch?

Mr. JENKS. I am simply asking for a rate on the wheat starch.

Senator WALSH. He asks to have wheat starch put in after potato starch.

Senator McCUMBER. You simply want to put wheat starch in?

Mr. JENKS. Yes, sir.

Senator WALSH. Corn starch is very extensively exported, is it not, and wheat starch is not?

Mr. JENKS. We did export about one-fourth of our output before the war, but when the Japanese got into the field they took the business away from us.

Now, in regard to gluten. It is a small thing, of course, gentlemen; it represents the products of our two factories of about a million and a quarter pounds a year, but it is a very important thing, and if we can not manufacture wheat starch we can not manufacture gluten, which is a by-product of wheat starch. We have only been able to run our factory three months of this year.

Senator McCUMBER. Will you explain that a little further, please? A number of mills make what they call gluten flour, but they do not make any starch?

Mr. JENKS. That is true.

Senator McCUMBER. As I understand you, you can not make gluten unless you make the starch, and I have not a very clear idea of the matter.

Mr. JENKS. I can explain that very briefly, Mr. Chairman. They are mixers. We furnish them the pure gluten, which they mix with a strong, rich flour, so that a bread can be made. You can not make bread from a pure gluten; there is nothing there to carry a leavening agent.

There is a Government regulation requiring that they must have 40 per cent protein. That would mean virtually 45 to 50 per cent of gluten. They put in all they can and make a palatable loaf of bread. That is the idea.

As I stated to say, we have only been able to operate three months of this year, entirely because of this Japanese competition. Our business with the cotton mills this year is not one-fourth normal. We can not meet that competition.

Senator SMOOR. A great deal of that is caused by the cotton mills shutting down and the demand not being equal to what it was a few months ago.

Mr. JENKS. Our experience in corn starch, of which we are manufacturers, is that we are selling as much corn starch to the cotton mills, finishers, weavers, etc., this year as we did last year.

Senator SMOOR. You know the cotton mills just recently have been working only at about 20 per cent capacity, and they certainly would not have bought as much as they used to.

Mr. JENKS. That has not been our experience.

Senator WALSH. The cotton mills have been somewhat an exception to the other industries.

Senator SMOOT. They are to-day.

Mr. JENKS. They have been all winter.

Senator WALSH. They are an exception to the other industries.

Senator McLEAN. Yes; I think that is so. They have had raw material very cheap. I think they have a large stock of goods.

Mr. JENKS. I should think that they were running up to 85 or 90 per cent of their capacity.

Senator SMOOT. The June importations for 1920 were 2,310,023 pounds; for June, 1921, they had fallen down to 5,511 pounds.

Mr. JENKS. They had enough in this country to take care of the business. Our entire business on wheat starch with the cotton mills is a matter of a couple of million pounds. It is a small matter.

Senator WALSH. I think we understand this case fully.

Mr. JENKS. I would like to say that we have been out of gluten for two months, and we have had many letters from our customers in Europe begging us to furnish them gluten. We were unable to furnish it. You might say that if the Japanese are going to ship wheat starch in here, why can not they furnish gluten also. The fact is that Japan is lacking in the protein elements in their food, and their Government does not permit the shipment of gluten and probably never will.

We have to sell wheat starch at less than cost in order to provide the gluten that is needed. We have lost money for the last three years in the wheat-starch business.

**STATEMENT OF W. PARKER JONES, WASHINGTON, D. C., REPRESENTING THE AMERICAN MANUFACTURERS' ASSOCIATION OF PRODUCTS FROM CORN.**

Mr. JONES. Mr. Chairman and gentlemen, I appear before the committee this morning as attorney for the American Manufacturers' Association of Products from Corn. We are interested in paragraphs 80 and 81 and also in paragraphs 1644 and 1666 of the free list.

Our recommendation to the committee is that all starches should carry the same rate of duty, and that that should not be less than 1½ cents per pound. In order to accomplish this we suggest that paragraph 80 be amended so as to read as follows:

Starch, including all preparations from whatever substance produced fit for use as starch, including sago flour and tapioca flour, at 1½ cents per pound.

Senator WALSH. Mr. Jones, are you a producer of corn starch?

Mr. JONES. No, sir, Senator; I am an attorney.

Senator WALSH. Do you represent the corn starch people?

Mr. JONES. Yes, sir.

Senator WALSH. So what you really want is to include corn starch?

Mr. JONES. No, sir; we ask that sago flour and tapioca flour, which compete with corn starch as well as with potato starch and wheat starch, be taken off the free list.

Senator WALSH. Why should they have the same duty now?

Mr. JONES. Because they are products which are directly in competition with each other, and our belief is that these imported

products which compete with domestic corn starch and potato starch should carry the same rate of duty.

Senator WALSH. You will note that corn starch is very heavily exported, showing that there is an overproduction in this country. Do you think that articles that are heavily exported should be treated differently from those that are not exported at all?

Mr. JONES. I think that is correct. Corn, wheat, and potatoes carry duties. These can not be effective unless duties are also imposed on materials which compete with materials derived from corn, wheat, and potatoes. We are primarily interested in securing a rate of duty on tapioca flour and sago flour, which are starches and which are used for the same purposes essentially as corn starch, potato starch, and wheat starch.

Senator WALSH. So you will waive corn starch if we include tapioca and—what other starch?

Mr. JONES. Sago.

Senator WALSH. It is more important to include that than corn starch?

Mr. JONES. We think duties on corn, wheat, and potatoes fail unless tapioca flour and sago flour also pay duty.

Senator SMOOT. That is what you want and nothing else?

Mr. JONES. We have no objection to having a duty on corn starch.

Senator SMOOT. I know you have not any objection to that, but what is the use of putting it on?

Mr. JONES. It always has been dutiable and is now dutiable under the Fordney tariff bill.

Senator SMOOT. I mean an increased rate, when the present rate does not allow any importations.

Mr. JONES. I know of no particular reason, except that we think all starches should carry the same rate.

Senator SMOOT. If conditions were the same that argument may be all right, but they are not the same.

Mr. JONES. Tapioca and sago starches under the name of flours are being imported in constantly increasing quantities to the disadvantage of corn starch, potato starch, and wheat starch.

Senator McLEAN. What is the rate that you want changed, Mr. Jones? You want the 1909 rate?

Mr. JONES. No, sir; the point of our contention is this, that tapioca flour and sago flour, which are starches and which are now in the Fordney bill, named on the free list, and which were on the free list in the Underwood tariff and the Payne-Aldrich bill, should be made dutiable the same as other imported starches. We ask that sago flour and tapioca flour be taken off the free list, and suggest that all such starches should pay duty at a rate of not less than 1½ cents a pound.

Senator McCUMBER. Anything further, Mr. Jones?

Mr. JONES. No, sir; except that I have a brief statement prepared by the secretary of the association I represent, which I would like to have included in the record.

Senator McCUMBER. It will be included as a part of your statement.

**BRIEF OF W. P. CUTLER, SECRETARY AMERICAN MANUFACTURERS' ASSOCIATION OF PRODUCTS FROM CORN.**

The American Manufacturers' Association of Products from Corn is composed of the following:

American Maize Products Co.; 1 factory at Roby, Ind.  
 Clinton Corn Syrup Refining Co.; 1 factory at Clinton, Iowa.  
 Corn Products Refining Co.; factories at Argo, Ill., Pekin, Ill., Edgewater, N. J.  
 J. C. Hubinger Bros. Co.; 1 factory at Keokuk, Iowa.  
 Huron Milling Co.; 1 factory at Harbor Beach, Mich.  
 Keever Starch Co.; 1 factory at Columbus, Ohio.  
 National Starch Co.; 1 factory at Oswego, N. Y.  
 Penick & Ford (Ltd.); 1 factory at Cedar Rapids, Iowa.  
 Piel Brothers Starch Co.; 1 factory at Indianapolis, Ind.  
 Temtor Corn & Fruit Products Co.; 1 factory at Granite City, Ill.  
 Union Starch & Refining Co.; 1 factory at Edinburgh, Ind.

These companies, together with the A. E. Staley Manufacturing Co., of Decatur, Ill. (for whom we are also authorized to speak), comprise the whole of the industry of the wet milling of corn in the United States.

They are engaged in producing various products from shelled corn and ten of the companies produce starches. The industry uses about 70,000,000 bushels of corn annually and has increased its grinding capacity to nearly 100,000,000 bushels during the late war to take care of the demands of the Government and to comply with the urgent requests of the United States Food Administration, under whose control it operated for the greater period of the war.

The primary product of the industry is starch, of which some 600,000,000 pounds are produced annually and there is capacity for producing nearly twice that amount. The industry also makes soluble and modified starches and dextrines from this starch and sells its starch to others who also make therefrom dextrines, etc.

By far the largest share of the industry's production of starch (other than that sold in packages to grocers for household distribution) is used in the cotton, textile, and kindred trades, either as starch in one form or another, or as modified, soluble, burnt starch, and dextrine.

We ask that sago flour and tapioca flour be removed from the free list and made dutiable as starch or substance fit for use as starch, in accordance with the intent of tariff as clearly indicated by the wording of the present starch paragraph (234) reading:

"Starch, made from potatoes, 1 cent per pound; all other starch, including all preparations, from whatever substance produced, fit for use as starch, one-half cent per pound."

And the starch paragraph in the former tariff (1909) (No. 296) reading:

"Starch, made from potatoes, 1½ cents per pound; all other starch, including all preparations, from whatever substance produced, fit for use as starch, 1 cent per pound."

However, as also contended in our briefs before the Ways and Means Committee, we hold that all starches and all preparations from whatever substance produced fit for use as starch should be dutiable at the same rates and not less than 1½ cents per pound.

The simple elimination of the words sago flour and tapioca flour from the free list paragraphs may be sufficient, since it is stated in the Tariff Information Survey of the United States Tariff Commission, under "Starch and related materials" at page 28: "Although much of this (tapioca flour) is used as starch, it has been held that paragraph 234 imposing a duty \* \* \* does not apply in the presence of the more specific provision in paragraph 625." Also, at page 32: "Sago flour is imported free of duty in accordance with paragraph 590. In actual practice, sago flour is largely used as a starch, in the same manner as cassava \* \* \*. Although 'All other starch \* \* \* fit for use as starch' in paragraph 234 are dutiable at one-half cent per pound, the difference in rates of duty exists primarily, because of the designation of the sago product as flour and the difference in uses between sago and other starches. However, the difference between flour and starch is so slight in the trade that the product enjoys starch uses."

However, we suggest, in addition to removing the words sago flour and tapioca flour from the paragraphs of the free list, they be also specifically inserted in the starch paragraph, in order that there may be no doubt as to the intent, and thereby avoid any possibility of the importers again trying to enter these products by some other means. We submit that the present is the time to clear up any doubt, although we see no reason for doubt as to the real issue.

The imports of sago and tapioca products under the paragraphs corresponding with paragraphs 590 and 625 of the present tariff, entered for consumption according to

Government reports of imports, Commerce and Navigation, published by the Bureau of Foreign and Domestic Commerce, have been as follows:

Year.	Imports, in pounds.			Year.	Imports, in pounds.		
	Sago, crude, and sago flour.	Tapioca and tapioca flour.	Total.		Sago, crude, and sago flour.	Tapioca and tapioca flour.	Total.
1890.....	2,177,985	5,644,753	7,824,743	1902.....	107,731	27,501,008	27,608,739
1891.....	1,916,135	7,344,846	9,260,981	1903.....	4,320,659	32,506,086	36,926,742
1894.....	3,417,820	4,903,356	8,321,176	1904.....	5,845,285	39,640,206	42,485,474
1895.....	2,682,531	5,355,497	7,638,028	1905.....	1,700,673	34,982,549	39,782,222
1896.....	2,701,533	7,519,674	10,221,407	1906.....	8,356,717	35,658,354	44,015,071
1897.....	2,792,405	4,935,868	7,644,273	1907.....	9,746,344	43,647,731	53,294,075
1898.....	5,632,426	4,418,476	10,050,902	1908.....	11,330,746	49,906,692	61,096,838
1899.....	4,930,662	5,045,714	9,975,976	1909.....	16,796,780	56,363,629	73,160,409
1900.....	6,509,191	7,054,796	13,563,987	1910.....	7,515,712	41,628,071	49,141,386
1901.....	3,970,504	8,147,585	12,118,089	1911.....	11,765,108	60,915,112	72,680,218
1902.....	3,664,290	7,190,703	10,854,993	1912.....	8,842,299	62,493,313	81,335,612
1903.....	5,310,029	9,277,825	14,587,854	1913.....	12,330,192	71,356,085	83,745,277
1904.....	5,714,861	6,336,182	12,051,043	1914.....	9,970,717	71,304,728	81,275,445
1905.....	6,108,525	13,293,512	19,389,037	1915.....	6,630,400	60,080,050	66,710,450
1906.....	8,697,697	9,740,567	18,438,264	1916.....	10,999,587	64,838,470	75,838,057
1907.....	7,562,551	9,552,926	17,415,477	1917.....	7,891,055	100,517,107	108,410,162
1908.....	1,161,243	11,877,675	13,038,918	1918.....	22,179,761	92,251,460	114,531,221
1909.....	142,995	11,483,711	11,626,706	1919.....	2,900,936	95,652,619	98,553,555
1900.....	417,411	16,428,615	16,846,026	1920.....			104,843,279
1901.....	51,991	17,411,046	17,463,037				

<sup>1</sup> Division between sago and tapioca not shown.

These figures we submit are conclusive proof that with continued free entry sago and tapioca starches will make further and increased inroads into the starch business of the United States.

The only starches of any moment entering into this country are made from potatoes, wheat, sago, and tapioca. Imported potato and wheat starches have always been dutiable, and yet they come in to a considerable extent. Sago and tapioca starches have not been dutiable and come in in enormous quantities, as shown, thereby escaping the duty because they are called sago flour and tapioca flour and have been specifically mentioned in the free list.

We are not opposed to a tariff on corn, wheat, or potatoes, but we submit that it is not only unfair but ridiculous to place a duty on corn, wheat, and potatoes without at the same time placing compensating rates of duty upon all of the finished products from such raw materials and upon all finished materials which can in any way directly compete with the finished materials from corn, wheat, and potatoes. Most important of these finished materials to consider is starch.

We further submit that the duties upon corn, wheat, and potatoes positively fail in the effect as a protection to the American farmer producing corn, wheat, and potatoes, and to the American manufacturer producing starches therefrom.

We respectfully urge your honorable body to make the starch paragraph (now No. 80 in the proposed bill) read as follows:

"Starch, including all preparations from whatever substance produced fit for use as starch, including sago flour and tapioca flour, 1½ cents per pound."

Then, in order to remove any possible doubt as to the intent, the words sago flour and tapioca flour should be eliminated from the two paragraphs in the free list.

It will be noted that we do not urge that sago crude nor tapioca crude be made dutiable, although there is justification for some rate of duty on same in the general protection of the American farmer and in order to provide revenue for the Government. We submit that even with a small duty on same some revenue can be counted upon and we firmly believe that considerable quantities of both sago flour and tapioca flour will continue to come in from time to time even with a duty of 1½ cents per pound, so that some revenue will result without detriment to the public.

As to paragraph 81, covering dextrine, burnt starch, or British gum, dextrine substitutes, and soluble or chemically treated starch, 1½ cents per pound is the right rate for all, whether made from potato, wheat, corn, sago, or tapioca starch, provided the starch rate of duty is 1½ cents per pound and provided sago and tapioca starches are included. This is another reason why same should be dutiable as starch, otherwise all dextrine and modified starch makers are further encouraged to bring in sago and tapioca starches without duty and under protection of the whole dextrine rate of duty.

**THORIUM NITRATE.**

[Paragraph 84.]

**STATEMENT OF JOSEPH M. SHERBURNE, PRESIDENT LINDSAY LIGHT CO., CHICAGO, ILL.**

Mr. SHERBURNE. My name is Joseph M. Sherburne, and I am president of the Lindsay Light Co., Chicago, Ill., manufacturers of incandescent gas mantles and rare earth chemicals used in the manufacture of incandescent gas mantles, and I appear before you with specific reference to the pending tariff bill, Schedule 1, paragraph 84, reading as follows:

Thorium nitrate, thorium oxide, and other salts of thorium not specially provided for; cerium nitrate, cerium fluoride, and other salts of cerium not specially provided for; and gas-mantle scrap consisting in chief value of metallic oxides, 25 per cent ad valorem.

I am also representing the interests of the following manufacturers of thorium nitrate and incandescent gas mantles, which represent over 80 per cent of the industry in the United States: Block Gas Mantle Co., Youngstown, Ohio; J. C. Jennings, Columbus, Ohio; Erie Gas Mantle Manufacturing Co., Erie, Pa.; Aurora Mantle & Lamp Co., Aurora, Ill.; General Gas Mantle Co., Camden, N. J.; Lindsay Light Co., Chicago, Ill.; Buckeye Gas Mantle Manufacturing Co., Columbus, Ohio; Alter Light Co., Chicago, Ill.; Milwaukee Gas Mantle Co., Milwaukee, Wis.; Hickory Gas Mantle Manufacturing Co., St. Paul, Minn.; Sunshine Mantle Co., Chanute, Kans.; Welsbach Co., Gloucester, N. J.; Coleman Lamp Co., Wichita, Kans.

The proposed tariff of 25 per cent ad valorem and based upon American valuation, recommended in section 402, does not permit the American producer to compete with the foreign manufacturer's product sold in the United States at the present time.

The present market price of imported thorium in the United States is \$6 per kilo, duty paid, f. o. b. New York, which equals \$2.73 per pound. On page 19 of "Tariff Information Survey," issued by the United States Tariff Commission, it is shown that the import value of thorium nitrate as declared for dutiable purposes, including 1 per cent cerium nitrate free, ranged in price from \$1.89 per pound to \$2.28 per pound from 1909 to 1914.

These were prewar prices, supposed to be the value of the material at the point of shipment in wholesale quantities in the country of origin. These prices bore a duty which would average about 50 cents per pound, bringing the average price, exclusive of the cost of handling, such as commissions, freights, etc., to about \$2.50 per pound based on normal exchange. The present price of \$2.73 per pound for imported thorium in the United States covers the payment of duty, 25 per cent transportation costs, insurance, commissions, storage, etc.

It is a well-established fact that when the last revision of the present tariff downward became effective, reducing the duty from 40 per cent ad valorem to the present tariff of 25 per cent ad valorem, the foreign manufacturers raised their selling price to the American consumer from \$2.85 per pound under a tariff of 40 per cent ad valorem to \$3.30 per pound under a tariff of 25 per cent ad valorem,

which increased the selling price to the American consumer 16 per cent.

Senator SMOOT. It did not hurt you in the manufacture of it?

Mr. SHERBURNE. We were not then manufacturing, Senator.

The present market price of thorium nitrate made in the United States is \$3.75 per pound, which equals \$8.25 per kilo, and which price represents a profit to the American manufacturers of about 20 per cent on the selling price. This American price of \$3.75 per pound represents a decrease in selling price over the last five years of over 53 per cent and represents an increase over the importer's selling price of 1914, which was then \$3.30 per pound, of less than 14 per cent, showing that the American manufacturers, even when the opportunity presented itself and long before tariff became a matter for consideration, voluntarily lowered their prices as their costs decreased.

Senator SMOOT. Are you exporting any of it now?

Mr. SHERBURNE. We are not now. Our exports fell off last February. Those are the last we sent over, and was to fulfill contracts made during the war. I wish we had not sent it over last February, because it has not been taken.

Senator SMOOT. What is the difference between thorium and cerium?

Mr. SHERBURNE. The words thorium and cerium are analogous; they come from the same source, monasite sand, and it requires not exceeding 1 per cent of cerium with thorium to produce an incandescent gas mantle.

Senator SMOOT. Is there enough of that produced in the United States to supply the demand for thorium?

Mr. SHERBURNE. There is; the ability to produce thorium in the United States is three times as great as the consumption of thorium in the United States.

Senator SMOOT. Where is it found?

Mr. SHERBURNE. Thorium comes in the form of monasite sand, and it is found in Brazil, India, and the Carolinas.

Senator SMOOT. Is there any found in the United States?

Mr. SHERBURNE. In the Carolinas.

Senator SMOOT. That is what I am asking; that is, whether or not the home demand is met by the home supply of the monasite sand?

Mr. SHERBURNE. Yes; you could do that, but the cost of operating the American monasite sand, which contains an oxide content of 4 or 5 per cent—

Senator SMOOT (interposing). Then, you import the monasite sand and export the thorium?

Mr. SHERBURNE. Yes, sir. [Continuing.] Would penalize the cost by the lower oxide content, and so it would increase the cost to the American manufacturer, because of the low oxide content of the American monasite sand.

Senator WALSH. There is no production of American monasite sand that we know of?

Mr. SHERBURNE. No.

Senator LA FOLLETTE. You make no use of that produced in Carolina?

Mr. SHERBURNE. No; it can not be used, comparatively, and compete.

The American manufacturers have facilities in plant equipment and capital to produce much larger quantities of thorium than is required for domestic consumption. The American manufacturers have always been highly competitive, even though the sale of thorium is restricted because of its limited use, confined principally to the manufacture of incandescent gas mantles.

The American manufacturers recommend an ad valorem duty of 50 per cent on American valuation, because it is felt that regardless of whatever duty is placed that the lower cost of foreign production will enable such foreign producers to bring the finished product into this market. All that the American thorium manufacturers desire is a chance to be able to meet such competition at a nominal profit. Otherwise, this industry can not continue in this country.

In conclusion, we have been informed from several sources abroad that the German manufacturers have large quantities of thorium oxide which was accumulated during the war, and which they carry on their books at no value and which they are prepared to ship into this country to regain the markets which they temporarily lost during the war.

It will be evident to you that the foreign manufacturers did not have to make a price of \$2.73 per pound to obtain American business when the American price was and has been \$3.75 per pound, when a slight concession in price would have accomplished the same result. It is clearly evident that the foreign price of \$2.73 represents either abnormally low production costs or that the stocks of thorium oxide accumulated during the war are being disposed of profitably, or that the material being shipped into this country is being dumped in to discredit the American thorium manufacturers at a price below the cost of American production, or all three.

I can assure you that the foreign producers have determined to re-establish themselves in this market, which they can very easily do unless the relief we pray for as an industry is given.

Senator SMOOT. I notice that thorium sand is not mentioned in this paragraph No. 84.

Senator McLEAN. That is free.

Mr. SHERBURNE. Monasite sand was recommended free in the last House bill.

Senator SMOOT. Monasite sand in the Payne-Aldrich bill was 4 cents a pound?

Mr. SHERBURNE. Yes.

Senator SMOOT. And now you have free sand instead of 4 cents a pound sand. Does not that make a good deal of difference?

Mr. SHERBURNE. It makes a difference of 15 cents a pound in production costs.

Senator SMOOT. Yes. And the 40 per cent ad valorem is what you had on the gas mantles in the Payne-Aldrich Act?

Mr. SHERBURNE. Yes, sir.

Senator SMOOT. But you had a 4 cents a pound duty on the monasite sand?

Mr. SHERBURNE. Yes. We afterwards had a 25 per cent duty on monasite sand. The present duty is 25 cents ad valorem.

Senator SMOOT. That is under the act of 1913, 25 per cent?

Mr. SHERBURNE. Yes, sir.

Senator SMOOT. It seems to me that free sand and 25 per cent, which is given to you in the House, is equal to the Payne-Aldrich bill, and if you adopt the American valuation, of course, you will have more protection than you did in 1909?

Mr. SHERBURNE. The difference of \$2.73 per pound, which is the present import price, duty paid; the American price is \$3.75, and there is a difference of a dollar a pound spread.

As I told you, that represents a cost to the American thorium manufacturer of about \$3 a pound. The present price of \$2.73 is, therefore, below cost.

If you leave the 25 per cent where it is and take the American valuation, you will increase it 46 cents—to 96 from 50 cents a pound, where it now stands.

Senator SMOOT. If you want an increase of 25 per cent on \$3, that is 75 cents.

Mr. SHERBURNE. I understand, but it is 50 cents.

Senator SMOOT. It is not 50 cents on \$3.

Mr. SHERBURNE. No; but the duty has a value of about 50 cents a pound valuation as declared by the foreign producer.

Senator SMOOT. That is so, but we are taking into consideration the American valuation in this.

Mr. SHERBURNE. Very true; but if you take 25 per cent of the American valuation, that would be one-fourth—96 cents a pound. That is what it would cost under the present conditions. If you take the imported thorium at \$2.73 a pound, duty paid, which represents a declared value, as shown by our Government records, of about \$2 a pound in normal times and up to 96, you have \$2.96. If we want to make any money, we can not meet that competition.

Senator McCUMBER. Is that all?

Mr. SHERBURNE. I would like to ask permission—my notice to appear only said paragraph 84—and I find they have calendared it also as incandescent gas mantles, and I would like permission to file a brief on that, if I may.

Senator McCUMBER. Without objection, that may be done.

## SCHEDULE 2.

### EARTHS, EARTHENWARE, AND GLASSWARE.

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#### TILE.

[Paragraph 202.]

**STATEMENT OF S. F. WILLIAMSON, REPRESENTING WILLIAMSON & MESSINGER, PHILADELPHIA, PA.**

Senator McCUMBER. Mr. Williamson, state for the record your full name, your address, and whom you represent.

Mr. WILLIAMSON. S. F. Williamson, of the firm of Williamson & Messinger, 1208-1210 Ridge Avenue, Philadelphia, Pa.

We are not manufacturers of tile, but we distribute tile to the building trade and others. We desire to call your attention to paragraph 202 of H. R. 7456, which is now before your committee, and in which we are specially interested.

This paragraph among other things specifies tiles, unglazed, except pill tiles and so-called quarries, or quarry tiles valued at not more than 40 cents per square foot, 8 cents per square foot, but not less than 35 nor more than 50 per cent ad valorem.

For some time we have been trying to build up a demand in the trade for a so-called plastora red tile, of which a sample is herewith submitted. This is a very cheap tile, manufactured in England; is unglazed and is used in the construction of cheap fire places and hearths, also very largely as floors in engine and boiler rooms. Its average foreign market price is about 17 cents per square foot in England. There is no tile manufactured in America which is exactly similar to the English plastora red tile. The nearest comparable tile of American manufacture is a much better tile valued at about 40 cents per square foot.

Senator WATSON. Is this sample that you have here encaustic tile?

Mr. WILLIAMSON. No; an encaustic tile would be of a better color. It is simply an unglazed tile; that is all you can call it.

Under paragraph 202 the duty that would be imposed on the imported English plastora red tile would be 8 cents per square foot, provided 8 cents per square foot would be not less than 35 nor more than 50 per cent ad valorem. As 8 cents per square foot is equal to one-fifth of 40 cents, that is to say 20 per cent of the American price of the nearest comparable tile of American manufacture, the rate of 35 per cent ad valorem would automatically apply. Thirty-five per cent of 40 cents would be 14 cents duty per square foot, as against the English open-market price of 17 cents per square foot, or a little over 80 per cent ad valorem on the foreign selling price.

In other words, it means that the duty on this tile would be 14 cents per square foot, a little over 80 per cent.

Senator SMOOT. You object to the ad valorem rate named?

Mr. WILLIAMSON. Yes. It really makes it prohibitive; it is out of the question.

Senator WATSON. Are you a manufacturer or an importer?

Mr. WILLIAMSON. We are really dealers. We take large contracts for hotels and buildings of that kind, and we install this tile when we get it. At times we sell a little of it to jobbers, but most of it is brought over for our use.

Senator WATSON. Is most of that which you use imported?

Mr. WILLIAMSON. No; we have not been able to bring it over to any extent on account of the duty. I do not suppose we have used 10 per cent of the foreign article.

Senator WATSON. Can you not get all you want in the United States?

Mr. WILLIAMSON. Yes; we can, with the exception of this tile here [referring to the sample tile].

Senator WATSON. What is there peculiar about that tile?

Mr. WILLIAMSON. It is really a very crude, cheap article, put together in a crude way, and there is nothing made here in this country that really compares with it, except this tile which is superior in almost every way.

This particular tile here was provided for in paragraph 85 in the Payne-Aldrich Tariff Act at the rate of 4 cents per square foot. In paragraph 72 of the Underwood-Simmons Tariff Act of October 3, 1913, the duty was provided at the rate of 1½ cents per square foot. That is the duty that prevails to-day.

What I am trying to call your attention to is that the duty on this article is a cent and a half to-day, and as provided for in this bill it would go up from a cent and a half to 14 cents.

The statistics of importation, as published by the Department of Commerce in its monthly summary for June, 1921, do not segregate the importations of tiles, but carry the same under the general head of "earthenware and crockeryware not decorated or ornamented." The importation of this class of tile has, however, been negligible. The importations by our firm for the last year amounted to less than \$10,000, and practically nothing in previous years.

We submit that a duty of 14 cents per square foot, equivalent to 80 per cent ad valorem of the English selling price, is prohibitive. It is also out of proportion to the duty of 3 cents per square foot but not less than 20 per cent ad valorem placed upon the so-called quarries or quarry tiles, enumerated at the close of paragraph 202. That is this tile here [referring to the sample]. The duty proposed on this is 3 cents per square foot, a far better article and a much more expensive article, and on the other about 14 cents.

Senator DILLINGHAM. You say "on this." One reading the record will not know what is meant by that.

Mr. WILLIAMSON. On this red unglazed tile the duty would be 14 cents per square foot. On the quarry tile it is practically let alone; it is hardly changed any from the present duty, that which prevails now, which is probably—well, I am not sure about the duty which prevails now, but what they say here about quarry tile is 3 cents per square foot, but not less than 20 per cent ad valorem.

The 20 per cent ad valorem amounts to about 3 cents, or it might amount to 4 cents. What I am trying to explain is that the duty on the tile here that is far more serviceable and more durable and used for many more purposes is so low—that is, 3 or 4 cents—compared to what is asked for on this particular tile here.

We therefore submit that as tiles, unglazed, of this character have been assessed with specific duties in both the tariff acts of 1909 and 1913, the same principle should be adhered to by your committee when revising paragraph 202 of H. R. 7456. If it is the desire of your committee to follow as closely as may be the rates prescribed under the Payne-Aldrich Tariff Act of 1909 rather than those enumerated in the Underwood-Simmons Tariff Act of October 3, 1913, we have no objection to your placing a rate of 4 cents per square foot upon tiles, unglazed, thereby following paragraph 85 of the Payne-Aldrich Tariff Act of 1909.

Senator WATSON. It was 18 cents per square foot under the Underwood bill.

Mr. WILLIAMSON. You will find that that is glazed tile. This is specified under "unglazed."

We think that the duty ought to be specific and so much per square foot rather than ad valorem, particularly if the American valuation plan is to be used, because we would never know where we were, owing to the fact that we would probably be paying a duty on an article here that is not similar.

Senator WATSON. Do you import any other tiles except that kind?

Mr. WILLIAMSON. Yes; we import some white glazed tile. That is about all I have to say about this unglazed tile, just to show you that there is something wrong about the duty there—asking a rate of 14 cents.

Senator SMOOT. Would you object if we put the Payne-Aldrich rate in here?

Mr. WILLIAMSON. No; we could bring this tile in then, but we can not bring it in under any such rate as 14 cents. It is prohibitive and out of the question, because the tile can not be compared to the American product.

Senator SMOOT. Then, if we take out the provision here, "but not less than 35 nor more than 50 per centum ad valorem," that would make it satisfactory?

Mr. WILLIAMSON. Yes; that is at 4 cents per square foot. It is now specified at 8 cents.

Senator SMOOT. If you had 4 cents per square foot the other provision would not be objectionable to you?

Mr. WILLIAMSON. No. We would be satisfied with a specific duty of 4 cents per square foot.

We also desire to call your attention to "white glazed wall tiles." This glazed wall tile is a standard article, well known and extensively used in bathrooms, corridors, or halls, and for various other building purposes. This glazed tile would also carry a duty of 8 cents per square foot, but not less than 35 nor more than 50 per cent ad valorem under paragraph 202.

White glazed wall tiles of American manufacture are classified in the trade as first quality, valued approximately at 50 cents per square foot; standard quality 40 cents per square foot, and commercial quality 25 cents per square foot.

There are three grades known throughout the country, and those are the prices which they charge. Some white glazed wall tiles have been imported from Belgium and Germany to this country, but they are unsatisfactory. I think last year was the only year I know of when any was brought over, and that was not on account of the price; it was simply because tile was not available; they were unable to manufacture in this country, and we had to go abroad and get what we could. We have now a lot of German and Belgian tile in our place that we can not sell at any price; the quality is too poor.

Senator SMOOT. The same objection applies to that that you have stated with reference to the other items?

Mr. WILLIAMSON. Yes. English tile that comes over here is of a better grade and is probably more nearly equal to the standard grade, but we feel that the duty should be specific and so much per square foot without any ad valorem, because it would be confusing; we would not know where we were in taking contracts, and the duty is high enough. It will be seen that the tile industry in this country is very firmly established. The exports in 1919 were over a million dollars compared to probably \$40,000 or \$50,000 of imports.

Considering that the tile industry is firmly established and can no longer be considered an "infant industry" for the reason that the imports of foreign tile are almost negligible, as shown by the Tariff Information Survey, prepared by the United States Tariff Commission, clearly indicating "that the domestic manufacturing industry manufactures sufficient tile to supply the entire domestic demand," and that prior to the war the excess of exports over imports amounted annually to some six hundred thousand to eight hundred thousand dollars, it would seem that the exorbitant rate of 14 cents per square foot on white glazed wall tile valued at not more than 40 cents per square foot, is not only prohibitive, but is not necessary for the protection of the domestic tile industry.

We would, therefore, suggest a straight specific duty of 5 cents per square foot, following the Underwood-Simmons Tariff of 1913, or a rate not to exceed 8 cents per square foot, following the Payne-Aldrich Tariff Act of 1909.

That is about all I have to say about it. I tried to explain that the tile manufacturers here have shipped out of the country as high as a million and a quarter dollars' worth of tile. In one year I believe there was a little over one hundred thousand dollars' worth of tile that came in. I think that was in the year 1914. Why they would need any such duty as that which is prescribed here is beyond my comprehension.

Senator McCUMBER. Do you import tile?

Mr. WILLIAMSON. Yes, sir.

Senator McCUMBER. From where?

Mr. WILLIAMSON. We have brought some from England and some from Belgium; very little from Belgium on account of the quality; it will not answer in this country at all. There was some brought over last year, as I explained a while ago, on account of the scarcity of tile. The dealers then would use anything they could get their hands on; but that is not the case now; they are now after quality.

Senator McLEAN. How much is used in this country?

Mr. WILLIAMSON. Do you mean how much was manufactured?

Senator McLEAN. Yes; what is the value of it?

Mr. WILLIAMSON. The tile manufactured during the last six or seven years ranges from five to seven million dollars, I think.

Senator SMOOT. In 1917 it was \$6,821,221.

Mr. WILLIAMSON. Yes; something like that.

**STATEMENT OF ADOLPH GRANT, NEW YORK CITY, REPRESENTING ADOLPH GRANT & CO.**

The CHAIRMAN. Where do you reside, Mr. Grant.

Mr. GRANT. Fifty-five West Forty-fourth Street, New York City.

The CHAIRMAN. What is your business?

Mr. GRANT. We are tile contractors and importers.

The CHAIRMAN. Do you manufacture tiles?

Mr. GRANT. Not at all.

The CHAIRMAN. You speak as an importer, then?

Mr. GRANT. As an importer and as a contractor.

The CHAIRMAN. What do you want in reference to this bill?

Mr. GRANT. We want three changes made.

Senator DILLINGHAM. To what paragraph are you referring?

Mr. GRANT. I am referring to paragraph 202.

The CHAIRMAN. What do you want, Mr. Grant, on that?

Mr. GRANT. We want the substitution of a flat-foot duty in the place of an ad valorem. We want a differentiation between the various kinds of tile, and we want some protection against the dumping of second-class goods into this country.

The first point I wish to bring up is the ad valorem proposition. Under the provisions of this bill goods will be taxed on an ad valorem, but that ad valorem will be on the similar American products.

I do not think consideration has been given to the fact that there are three grades of prices, ranging from 50 to 25 cents per square foot. There is no provision that I can see in the bill to prevent any European manufacturer from getting in cahoots with the American importer and bringing in 50-cent stuff and paying a duty on the 25 per cent ad valorem.

Senator SMOOT. First, you object to the clause "but not less than 35 nor more than 50 per cent ad valorem;" that is, ad valorem on all tiles, glazed and unglazed, at 8 cents per square foot, but not less than 35 nor more than 50 per cent ad valorem?

Mr. GRANT. I do not want any ad valorem in it at all.

Senator SMOOT. You object to that limitation of 35 per cent?

Mr. GRANT. I do. I object to any ad valorem. I think there ought to be a square-foot price.

Senator WALSH. How much would you make that price?

Mr. GRANT. On different tiles different amounts, Senator.

Senator WALSH. Give us the language you would like to have incorporated in this bill?

Mr. GRANT. I would not undertake to incorporate it in language; I will simply give you my ideas about it.

Senator SMOOT. Do you object to the 8 cents per square foot?

Mr. GRANT. No; that is a good provision, except I think in certain grades it should be higher.

Senator SMOOT. In the Payne-Aldrich bill it was 4 cents and in the present law it is 8 cents. Now, do you object to that 8 cents?

Mr. GRANT. I do on certain grades of tile, because I think it should be higher on some grades and lower on others, dependent on the amount of competition that exists between the foreign manufacturer and ourselves.

Senator McLEAN. Have you a brief stating what you do want?

Mr. GRANT. I have not. I can state it here in just a few minutes. We have three grades of tile--two of them for the wall and two for the floor. The tiles that go into the wall are of two classes--bright finish and dull finish. We have the greatest competition on the wall tile, bright glazed. That should receive the greatest amount of protection, because that is what the American factory needs. It is what is used in the greatest quantity in this country, and I would suggest at least 10 cents per square foot for it, with the additional proviso that no foreign manufacturer be permitted to bring into this country any tile at a lesser price than the best price for the best quality of goods prevailing in his own country at the time the shipment is made, which would obviate the possibility of the dumping which we are up against right now, particularly in connection with German and Austrian goods of an inferior grade. It does not affect me at all.

Senator WATSON. Where do you import from?

Mr. GRANT. The only importation we do is a small amount from England. We have imported considerable glazed tile from England also.

Senator WATSON. I understood you to say that you were an importer.

Mr. GRANT. We are, primarily speaking, contractors. We buy from the manufacturer and erect in place.

Senator WATSON. Do you buy the foreign product or the American product?

Mr. GRANT. We buy both. It is not to our advantage, nor to the advantage of the industry in general, to permit British, French, Belgian, and particularly German or Austrian manufacturers, to come in here and undersell our products.

We come now to the second grade of wall tile, which are eggshell finish, and which are not made in this country. There is nothing made in this country that equals them. That class of tile is used very smally, and almost entirely in private residences. It is not used in commercial work to any extent. It is a more expensive tile and takes the 8 per cent ad valorem rate because it is over 40 cents per foot. We are not protecting the American industry by putting that on, and we are not getting any tariff for the United States Government, because we will not be able to bring it in at that price. It means that a man building a house at the cost of \$10,000 or \$15,000 will not have the advantage of using that tile in his residence. He will have to take something else. Under those conditions we would like to see, simply for the purpose of revenue, an 8 cents per square foot duty on that tile. The present rate is 5 cents.

Senator DILLINGHAM. You say there is practically no such thing used in America?

Mr. GRANT. There is no duplicate of it. There are map-finished tiles made in America; but the manufacturers do not like to make them.

Senator WALSH. Is there a demand for that grade of tile in America?

Mr. GRANT. Very little; such as there is the American manufacturers will not make.

Senator WALSH. If it were used would it be used generally?

Mr. GRANT. Not in extensive work. It is essentially a thing for a man's own home.

The other suggestion is with reference to the floor tile. There is so very little competition, except in the unglazed red, that almost any duty would do. The ad valorem ought to come off because of the difficulty I stated earlier.

Senator WATSON. Are you interested in all these kinds of tiles?

Mr. GRANT. Referring to a great many of them there, Senator, I do not think there is any such animal any more. I do not know where the wording of that came from, but I never heard of a pill tile, and there are some other things stated in there that are not used any more, such as embossed, friezes, etc.

Senator WATSON. The bill covers tiles, unglazed, glazed, ornamented, hand painted, enameled, vitrified, semivitrified, decorated, encaustic, ceramic mosaics, flint, spar, embossed, gold decorated, grooved, and corrugated. Do they make all those?

Mr. GRANT. If they do I have never seen them in the last 10 years, a great many of them.

Senator WATSON. Which ones do they make the most of?

Mr. GRANT. The 6 by 3 glazed tile that you see in bathrooms, the same shape of tile, but of an entirely different finish.

Senator WATSON. Which kind do you sell the most of?

Mr. GRANT. Ninety-nine and a fraction per cent of them are white glazed tile, and that is the stuff that we want the American manufacturer protected on.

Senator WATSON. And the most of what you sell is the American product?

Mr. GRANT. Absolutely. We have not imported any bright glazed tile in this country for years. The only time we tried to bring it in was when there was a tie-up during the war, and we could not get any of it then. There are great floods of British, Belgian, and Austrian tiles hitting this market. They are glazed tiles, but we would not use them; it is rotten stuff. You can bring them in and any inspector will tell you that they are rank. At 25 per cent you are not giving the American manufacturers the real protection that they need. I hold no brief for the American manufacturer. I am simply stating what I believe to be in the best interests of the industry.

Senator SMOOT. You say you know nothing about pill tile?

Mr. GRANT. No. It may be something of a trade name. I do not know of it.

Senator SMOOT. It has been used in every tariff bill since 1884.

Mr. GRANT. Probably in 1884 they were in demand, but to-day we do not use them.

The CHAIRMAN. There are a number of antiquities in a tariff bill.

Senator SIMMONS. A great many of these things are not produced in the United States now, but they may be in the future.

Mr. GRANT. They will never be used in the lifetime of this bill.

The CHAIRMAN. Is that all, Mr. Grant?

Mr. GRANT. That is all, unless there are some questions that the members of the committee wish to ask me.

**STATEMENT OF D. A. CABLE, REPRESENTING THE UNITED STATES ROOFING TILE CO., PARKERSBURG, W. VA.**

Mr. CABLE. My name is D. A. Cable, of Canton, Ohio. I represent the United States Roofing Tile Co., Parkersburg, W. Va.

Senator SMOOT. To which paragraph are you going to address yourself?

Mr. CABLE. To paragraph 202.

This [referring to exhibit] is a sample of our product. We ask for a tariff on quarry tiles the same as is given under the Payne-Aldrich Act of 1909; in other words, we ask that the last two lines of paragraph 202 be changed to read as follows: "or quarry tiles, red or brown in color, 5 cents per square foot, but not less than 25 per centum ad valorem." Under the Payne-Aldrich law the tariff was 45 per centum ad valorem; which, when reduced to American valuation, would give us an equivalent of 25.29 per cent. The law as it now stands reads "20 per cent ad valorem."

Senator SMOOT. Would you object to having the words "red or brown in color" stricken out?

Mr. CABLE. We would not object.

The 5 cents per square foot we ask for as a stabilizer. As large quantities of tile come into this country we will be forced to reduce our price, the amount of duty as applied to the incoming tile will then be reduced, and our price will again be reduced. We ask for a 5 cents per square foot duty in order that we may have protection through the number of years that this law will in all probability be in effect.

Senator SMOOT. No one can tell how long that law will be in effect, but I do not think it will be many years.

Mr. CABLE. During that time we feel we should have a minimum of 5 cents per square foot as a tariff on this product.

We also ask that a technical change be made, in that in lines 11 and 13 the word "so-called" be stricken out. I might add that our company is the only company engaged exclusively in the making of quarry tiles in the United States and that it is an infant industry. Quarry tiles have been produced in this country in quantity only during the last 10 years.

Senator McLEAN. Just what are quarry tiles?

Mr. CABLE. This is a sample of 6 by 6 tile. They are flooring tiles.

Senator McLEAN. Then, why are they called "quarry" tiles?

Mr. CABLE. That name was given to them in Europe a number of years ago. I do not know just why. It is a trade name. They are made in general in sizes of 4 by 4, 6 by 6, and 9 by 9. This [indicating] is the 6 by 6 size.

Senator DILLINGHAM. What is the sense of striking out the word "so-called"? Is the name so well established that it does not need that?

Mr. CABLE. Yes. All the tiles that come into this country under the last two lines of this paragraph are in competition with all the tiles included under the paragraph. The entire tile industry should be protected by putting an adequate tariff on quarry tiles.

I mailed a brief to the committee which I wish to withdraw and submit in lieu thereof the brief which I have here.

Senator SMOOT. It will be so ordered. Is there anything else?

Mr. CABLE. Nothing, unless there are some questions.

## BRIEF OF D. A. CABLE, REPRESENTING THE UNITED STATES ROOFING TILE CO., PARKERSBURG, W. VA.

Quarry tiles are defined as "unglazed, vitrified flooring tiles made from natural clays." There are seven small plants now in the United States making this product. These plants are located all over the United States.

The United States Roofing Tile Co. is the only company exclusively engaged in the production of quarry tiles. This company began operation in 1914. The business was operated at a loss, and not until 1918 were we able to make expenses. By reason of the World War, the importation of quarry tiles from Europe dropped about 50 per cent, thus permitting these plants to get a start. Quarry tiles have been made in Germany, England (Wales), Holland, and Belgium for many years. They are manufactured in Europe and this country in various sizes and shades, but are chiefly red and brown in color, and the standard sizes are 4 by 4, 6 by 6, and 9 by 9.

Quarry tiles are used for floors in corridors, hospitals, cold-storage plants, power houses, restaurants, sun parlors, schools, and many other places.

Great skill is required to manufacture these quarry tiles in order that they may have a uniform shade of color and size, and that losses in manufacture be low so that the product can be sold cheaply.

## PROPOSED TARIFF WILL NOT PROPERLY PROTECT QUARRY TILE MANUFACTURERS IN THE UNITED STATES.

The yearly reports of the Bureau of Foreign Commerce and Navigation, issued by the Department of Commerce, show that from the year ending June 30, 1913, to the year ending June 30, 1920, the value of quarry tiles imported into this country was twice the value of all other imported tiles combined. Because of the fact that approximately 95 per cent of these quarry tiles come within the low tariff classification of the present act, we respectfully request that our industry receive protection equal to the Payne-Aldrich Act of 1909. This committee should bear in mind that all quarry tiles imported into this country not only enter into competition with the quarry-tile manufacturers here, but also all other tile manufacturers in the United States; and, therefore, the rate on these quarry tiles should be such as to protect all tile manufacturers irrespective of classification.

## TARIFF LEGISLATION.

The first act, so far as I can ascertain, that protected quarry tiles was the Payne-Aldrich law of 1909, which carried a provision of protection on quarry tiles to the extent of 45 per cent ad valorem. That act, in part, reads "so-called quarries or quarry tiles, 45 per centum ad valorem." This naturally was based on foreign valuation, but it would be equal to a present tariff of 31.03 per cent on an American valuation, exclusive of overhead and freight, or, inclusive of overhead and freight, 25.29 per cent.

Under the Underwood Act of 1913 the tariff on quarry tiles was reduced so that the law now reads "so-called quarries or quarry tiles, 20 per centum ad valorem."

Under the present bill, as it now stands, the protection is only 3 cents per square foot, but not less than 20 per cent ad valorem, that portion of paragraph 202 of the bill reading, "so-called quarries or quarry tiles, red or brown in color, 3 cents per square foot, but not less than 20 per centum ad valorem."

The proposed tariff bill is 5.29 per cent less than the last Republican protective tariff law.

## CONCLUSION.

The manufacture of quarry tiles in the United States is practically a new business—an infant industry. In Wales, England, and other countries their manufacture has been going on more than a hundred years.

The purpose of this bill is twofold—revenue and protection—both equally important. To properly protect the tile industry for the many years to come that this law may be in existence it is necessary to give a rate at least equal to the last Republican law. So as to permit quarry-tile manufacturers to continue in business and properly compete with foreign producers, there should be a rate, in our opinion, of a specific duty of 5 cents per square foot, but not less than 25 per cent ad valorem.

The minimum protection of 5 cents per square foot is necessary because as foreign competition compels reduction in price of local manufacturers the import duty would also gradually be reduced unless this 5 cents per square foot stabilizer is added; otherwise, if there should be a huge supply of product on hand in Europe shipped

into this country, our local plants will be compelled to reduce the wholesale selling value in the United States, and as this value is reduced so will the amount of tariff and protection be reduced likewise; and it is, therefore, very important that a fixed amount of duty per square foot be established.

**STATEMENT OF W. A. REVIS, REPRESENTING WM. H. REVIS (INC.),  
NEW YORK CITY.**

Mr. REVIS. The tariff on quarries defines "quarries" as "red and brown." Gentlemen, here is a red quarry [exhibiting sample to the committee].

The same clay that will make a red quarry, burned harder will make a blue quarry; a different clay will make a buff quarry, and another clay will make a gray color. The colors, red, brown, buff, blue, and gray are made by the domestic quarry manufacturers in the United States, and also imported in the same colors. Why should the definition of "quarries" be merely red and brown? This tariff, gentlemen, is not a tariff on quarries, but a tariff on some quarries, namely, red and brown, and leaves other quarries to seek another classification. We urge, gentlemen, the words "red and brown" be stricken out of the present tariff.

Senator CURTIS. And make it apply to all.

**BRIEF OF W. A. REVIS, REPRESENTING WM. H. REVIS (INC.), NEW YORK CITY.**

The firm I represent has for many years imported red unglazed tiles, made in Wales and known as adamantine tiles. Their cost to-day at an Atlantic seaport is 26½ cents per square foot. They bear a duty of 5 cents per square foot. The similar and competitive domestic tiles are the so-called semivitreous unglazed, which sell for 41.4 cents per square foot, with a packing charge of 2½ cents, total 44 cents and a fraction. The duty on adamantines will therefore be 16½ cents, or an increase of 225 per cent. This brings their cost 43½ cents per square foot, and prohibits further importation.

**PORTLAND CEMENT.**

[Paragraph 203.]

**STATEMENT OF WILLIAM J. O'BRIEN, BALTIMORE, MD., REPRESENTING THE PORTLAND CEMENT INDUSTRY.**

The CHAIRMAN. Will you state your name to the committee?

Mr. O'BRIEN. William J. O'Brien.

The CHAIRMAN. Where do you live?

Mr. O'BRIEN. I live in Baltimore.

The CHAIRMAN. Are you in the cement business?

Mr. O'BRIEN. I represent 83 of the 88 cement companies in the United States.

The CHAIRMAN. What is your business?

Mr. O'BRIEN. I am an attorney.

The CHAIRMAN. Where are the cement people?

Mr. O'BRIEN. Some of them are here.

The CHAIRMAN. Do you speak for all of them?

Mr. O'BRIEN. I speak for 83 of the 88 companies in the United States.

The CHAIRMAN. Will you please go on, Mr. O'Brien.

Mr. O'BRIEN. Mr. Chairman, the request of the industry--that is, the companies that I represent--is that they receive the same tariff protection they did under the Payne-Aldrich bill, and that

was 8 cents per hundred pounds including the weight of the package, 7 cents per hundred pounds for other than Portland cement, and 28 per cent ad valorem. However, we attach practically no importance to the two latter figures, because there is very little of that cement imported into the country. It is principally the Portland cement.

Senator McCUMBER. Why should that not be specific? Do you know of any reason why it should not?

Mr. O'BRIEN. I do not see any reason why it should not be a specific duty. It is negligible at best. We are asking for the restoration of the Payne-Aldrich rates. They were cut down, as I have pointed out, in the bill that the committee is now considering.

Inasmuch as there are some figures which I desire to submit to the committee, I have taken the liberty of making a few notes, not a brief, and I think I can best cover the ground by just reading those.

Senator McCUMBER. Let us cover the other point first.

Mr. O'BRIEN. Yes, sir.

Senator McCUMBER. Your request is for the restoration of the Payne-Aldrich rates?

Mr. O'BRIEN. Which was 8 cents per 100 pounds on Portland cement.

Senator McCUMBER. Yes; but that was on the importing price, and not on the American value. Do you want 8 cents on the American valuation?

Mr. O'BRIEN. In answer to that I might say——

Senator McCUMBER (interposing). Or do you want its equivalent?

Mr. O'BRIEN. We want its equivalent, and we have not yet calculated what its equivalent would be, but the experts of the committee can do that.

Senator CALDER. What is the duty under the present law?

Mr. O'BRIEN. Cement is on the free list.

Senator SMOOT. Under the Payne-Aldrich bill it was 20 per cent.

Mr. O'BRIEN. Ad valorem, but 8 cents per hundred pounds on Portland cement.

Senator CALDER. Have you the figures indicating what the importations have been under the present law?

Mr. O'BRIEN. I have. I am going to give those to you in a moment.

I will give you first the size of the industry and some few figures which I think will prove interesting. The Portland cement industry in this country is a most important one. It operates 115 plants with a production in 1920 of 100,302,000 barrels. In the same year the shipments aggregated 96,329,000 barrels, and there was an over-production in the year 1920 approximating 4,000,000 barrels.

Senator CALDER. You mean the shipments throughout the country?

Mr. O'BRIEN. Throughout the country. I will divide that in a moment and show what the exports were.

The rated capacity of the plants totals about 149,000,000 barrels. The capital invested in the industry is substantially \$310,000,000, and there are employed 36,500 men in and about the mills. These men are paid \$61,500,000, an average yearly compensation of nearly \$1,700, or about \$5.60 a day, counting 300 working days to the year.

The plants in the industry are located in nearly every section of the country, several being on the Pacific coast, 31 near the Canadian border, 10 in the States bordering Mexico, and a large number adja-

cent to the Atlantic seaboard. There were imported into the United States in 1920, 502,785 barrels of the value of \$1,230,140, as is shown by Table No. 3 in the brief submitted to the Ways and Means Committee of the House of Representatives.

Senator CALDER. Have you a record indicating where that came from?

Mr. O'BRIEN. The major part of that came from Canada. I have not distributed it among all of the countries, because of that 502,785 barrels 499,479 came from the Canadian side.

Senator CALDER. Have you any figures indicating how much we sent into Canada?

Mr. O'BRIEN. I have; I will give you those in a moment.

In that year 381 barrels came from Mexico, and 505 barrels came from Germany.

Now, in 1920 we exported 2,985,810 barrels of the value of \$12,055,369, and of these exports 31,486 barrels of the value of \$125,834 went to Canada.

Senator CALDER. Where did the rest go?

Mr. O'BRIEN. The rest went principally to South America, practically all of it. Some little went to the West Indian Islands, the West Indies, but the rest went to South America. None of it went to Europe.

The year 1920, from the standpoint of production, was the largest in the history of the industry, production increasing 19,230,924 barrels over 1919. The shipments that year were the largest in the history of the industry. They increased only, however, 11,732,384 barrels over 1919, so we had an increase in production of 19,230,924 barrels and an increase in shipment of 11,732,384 barrels, showing an increase of production over shipments of 7,498,540 barrels. That was the condition that confronted the industry in the very largest year of its production and its shipment.

I might say briefly, as to the Canadian situation, that Canada imposes a tariff of 8 cents per hundred pounds on cement, which is equivalent to 30 cents and 4 mills a barrel. There was a 20 per cent ad valorem duty on sacks, 2 per cent sales tax, covering the cement and container, making in all a duty of 56 cents and 4 mills, in addition to which there is a dumping duty not to exceed 15 per cent.

There are 31 plants in the country, scattered along the northern border, which are in proximity more or less to the Canadian line. The capacity of these plants is far more than sufficient to take care of the territory that they serve, and consequently that territory is particularly vulnerable to that Canadian competition. I understand that a very large plant is being erected just across the lake from Detroit, which will have a large capacity, and they will be able to ship cement at a very low transportation rate right across the lake into Detroit, Toledo, Cleveland, Buffalo, and all that territory.

I might remark that the capital of the industry invested in Michigan is something over \$15,000,000, and the production is about 6,000,000 barrels a year.

Senator SMOOT. The importations in the past have not hurt you very much have they.

Mr. O'BRIEN. The importations from Canada, Senator, have to some extent affected the situation in Michigan and along that northern line, being last year approximately 500,000,000 barrels.

Senator CALDER. Your statement seems to me to be that you only imported about one-half of 1 per cent of total production and exported about 2 or 3 per cent.

Senator McCUMBER. You mean 500,000, do you not?

Senator SMOOT. You said 500,000,000 barrels.

Mr. O'BRIEN. I meant 500,000 barrels.

Senator CALDER. Your production was 100,000,000 barrels, and your imports were 500,000 barrels.

Mr. O'BRIEN. The exports in 1920 were approximately 3 per cent of the production.

Senator CALDER. While your imports were only one-half of 1 per cent.

Mr. O'BRIEN. Yes, sir; about one-half of 1 per cent.

Senator CALDER. Under the Fordney bill, as sent over to us, you get about 10 per cent on cost of production in the way of protection?

Mr. O'BRIEN. Approximately that.

Senator CALDER. Do you mean to ask us for more than that?

Mr. O'BRIEN. We are asking for 8 cents per 100 pounds.

Senator CALDER. And last year you only had about one-half of 1 per cent importations of your total production.

Mr. O'BRIEN. You are speaking of Canada?

Senator CALDER. Yes.

Mr. O'BRIEN. If that were to remain stable, then there would be no reason for asking that; but the Canadian imports are gradually increasing. For instance, if my memory serves me, in 1918 there were approximately 10,000 barrels coming in from Canada; in 1919 there were about 31,000 barrels; and in 1920 there were 500,000 barrels.

Senator McLEAN. That was probably consumed near the border, was it not?

Mr. O'BRIEN. That was consumed more or less near the border, but it affected the market in New York and Ohio and Michigan, and more particularly in the latter State.

Senator McLEAN. You produce it as cheaply as Canada does, do you not?

Mr. O'BRIEN. Not quite, for the reason that labor is cheaper in Canada. In northwestern Canada it is very much cheaper, and the California, Oregon, and Washington markets are subjected to the effects of the cheap labor in western Canada, which is Hindoo and principally Chinese.

Senator CALDER. You point out that your imports from Canada seemed much larger last year than formerly?

Mr. O'BRIEN. Very much larger.

Senator CALDER. Was that not attracted through the unusually high prices that you got?

Mr. O'BRIEN. That is quite possible.

Senator CALDER. And when you get back to what most of us think are normal prices will that not right itself?

Mr. O'BRIEN. It may and it may not, Senator, for this reason. The rated capacity of the present Canadian mills is very largely in

excess of their consumption, and consequently if they operate at anything like capacity they will have a very large surplus that they must get rid of somewhere. Now, they simply ship it across the border, because there is no protection and no reason why they should not do it.

Then I want to point out the fact that there is a very large cement mill projected, property all purchased and ready, or no doubt will be in a few months, to go into operation, which will have a large capacity, and which is located directly across the border, with no rail freight rates at all.

Senator CALDER. The fact remains with the unusual demand in this country and the high prices obtained, with the needs of the country, only one-half of 1 per cent was imported when imports were free.

Mr. O'BRIEN. That certainly applies so far as 1920 is concerned.

Senator CALDER. Now you are getting 10 per cent, and you ask us to increase it. We are giving you 5 cents a hundred pounds.

Senator McLEAN. That is \$1 per ton.

Mr. O'BRIEN. That is less than the Canadian duty and, of course, it is manifestly less than will afford an adequate protection against German cement, provided they should begin to ship into this market.

Now, I might say—my time is short—that in regard to this German cement, of course you gentlemen all know the cartel system. The Germans put for export a certain per cent of their production into the cartel and ship into countries where they desire to build up the trade, at any price at all.

Senator CALDER. Have you taken the trouble to inquire as to the imports in June, 1921?

Mr. O'BRIEN. Up to June, 1921?

Senator CALDER. The month of June.

Mr. O'BRIEN. I do not think I have those figures, but I can tell you the importations from the 1st of January to the 30th of June, including June.

Senator CALDER. What were they?

Mr. O'BRIEN. They were 683,342 barrels, and the imports to June 30 were 45,235 barrels.

Senator CALDER. For the first six months of this year?

Mr. O'BRIEN. Yes, sir.

Senator CALDER. For June the record here shows only 6,230 barrels.

Mr. O'BRIEN. That is quite possible, but these figures were taken from the Geological Survey for the period covering January 1 to June 30.

Senator CALDER. Imports?

Mr. O'BRIEN. Imports and exports.

Senator SMOOT. Do you want 7 cents for the bulk, the same as the Payne-Aldrich bill, instead of 4 cents as provided in this bill?

Mr. O'BRIEN. For the sake of balancing the schedule—

Senator SMOOT (interposing). I want to get at what you want. In paragraph 205 it refers to "white nonstaining Portland cement." Are you interested in that?

Mr. O'BRIEN. We are not interested in that.

There was one point I thought was quite essential that I would like to call your attention to. In the discussion that took place, as

I understand it, in the House, there seemed to be an impression that the cement industry in the United States had made enormous profits in the year 1920, and I want from the facts and from the figures as I have them to disabuse the minds of this committee of that impression.

The average factory price for the year 1920, taking the industry as a whole, as shown by the Geological Survey, was \$2.02. The cost of production in the year 1920, so far as we have been able to gather it, and we have made a very exhaustive, earnest, and consistent effort to do it, was \$2.019. Therefore, in so far as the manufacturer is concerned, the profit to the industry in 1920 was only 6 per cent on the invested capital, which is included in this item of cost of production.

It is true that cement, as you gentlemen know, sold at all kinds of prices throughout the United States in 1920; that is, to the consumer. I myself know in some of the cities where cement sold at \$8 a barrel and sometimes higher.

Senator CALDER. And I know in some cities where the manufacturer got some of the increase.

Mr. O'BRIEN. Well, Senator, I can not speak for the individual companies. That is, of course, manifestly impossible, but I do know that the industry as a whole received only that average factory price, and that was the average cost of production.

Senator McCUMBER. Do I understand the companies were able to make 6 per cent on their investment on about 1 mill profit per barrel?

Mr. O'BRIEN. You misunderstand me, Senator. In this item of cost of production 6 per cent on the invested capital was included. I have the items here going to make up that cost. I will not trouble you with them unless you would care to have them.

Senator SMOOT. Put them in the record.

Mr. O'BRIEN. I will do that. I would like to have the privilege of filing a brief.

The CHAIRMAN. You may file any brief you desire.

The CHAIRMAN. The witnesses will all have the opportunity to correct the record after it is transcribed and printed.

**BRIEF OF WILLIAM J. O'BRIEN, BALTIMORE, MD., REPRESENTING THE PORTLAND CEMENT INDUSTRY.**

Portland cement is produced from a mixture of clay and lime rock materials in such proportions that the various components will combine to form the desired complex silicates. This is the product commonly known as cement in the building trades. It is uniform in composition and properties and for this reason is used in all work where uniform hardness and compressive strength of the finished product are important factors.

Portland cement, generally mixed with sand gravel (concrete), is one of the most important and popular construction materials. It is claimed that no other single product, with the exception of iron and steel and possibly copper, has been of more service in the development of modern structural work. It is used ordinarily in the heaviest character of construction, such as dams, conduits, retaining walls, and flumes and, when reinforced with steel, in bridges and buildings of nearly every character. As a road-building material it is unsurpassed, and for durability it stands alone. In addition to the above uses it now, as the result of a campaign of education, finds its place on the farm, and for the building of silos, barns, culverts, aqueducts, water troughs, and the like it is thoroughly satisfactory.

Portland cement has gained in favor and use at the expense of its rivals. It has almost entirely replaced the wooden and, in many instances, the brick sidewalk and competes with iron and clay in the manufacture of sewer pipe.

The Portland cement industry has become a most important one, in that it operates 115 plants, with a production in 1920 of 100,302,000 barrels. In that year the shipments were 96,329,000 barrels, and there was an overproduction of 3,973,000 barrels. The rated capacity of the plants is 149,782,000 barrels. The capital invested is \$310,000,000. There are 36,500 men employed in the mills, who are paid \$61,500,000, an average yearly compensation of nearly \$1,700, or about \$5.60 a day (300 working days to the year).

The following table will show the gradual increase of production of Portland cement in the United States from 1900 to 1918, inclusive:

*Portland cement produced in the United States.*

Year.	Quantity (barrels).	Value.	Year.	Quantity (barrels).	Value.
1900.....	8,482,020	\$9,280,525	1911.....	78,528,637	\$96,248,817
1901.....	12,711,225	12,532,360	1912.....	82,438,096	67,016,928
1902.....	17,230,644	20,861,078	1913.....	92,097,131	92,557,617
1903.....	22,312,973	27,713,319	1914.....	88,230,170	81,789,368
1904.....	26,505,881	23,355,119	1915.....	85,914,907	73,886,820
1905.....	35,246,512	33,245,967	1916.....	91,521,198	100,947,881
1906.....	46,463,424	52,466,186	1917.....	92,814,202	125,670,430
1907.....	48,785,390	53,992,551	1918.....	71,081,663	113,446,334
1908.....	51,072,612	43,547,679	1919.....	80,769,378	.....
1909.....	61,991,431	62,858,354	1920.....	100,302,000	.....
1910.....	76,549,951	68,205,800			

The production and shipments for 1919 and 1920, together with the average factory price per barrel, are shown in the following table:

*Portland cement produced and shipped in the United States, 1919 and 1920, by districts.*

PRODUCTION.

District.	Active plants.		Quantity (barrels).		Percent- age of increase, 1920.	Stock (barrels).	
	1919	1920	1919	1920		1919	1920
Lehigh district (eastern Penn- sylvania and New Jersey).....	20	20	22,747,956	25,448,000	12	2,272,911	1,982,000
New York.....	8	9	4,383,579	5,940,000	36	711,504	494,000
Ohio and western Pennsylv- ania.....	8	8	6,599,820	7,454,000	13	317,438	775,000
Michigan and northwestern Indiana.....	12	13	5,047,395	5,303,000	5	264,404	639,000
Southern Indiana and Ken- tucky.....	3	3	2,490,497	3,213,000	29	99,626	252,000
Illinois and western Indiana..	6	6	9,088,081	13,190,000	45	302,724	1,087,000
Maryland, Virginia, and West Virginia.....	4	4	2,469,768	3,050,000	23	100,193	246,000
Tennessee, Alabama, and Georgia.....	4	5	2,744,646	2,764,000	1	37,235	227,000
Iowa, Missouri, and Minne- sota.....	10	10	10,038,625	12,396,000	23	366,193	1,140,000
Nebraska, Kansas, Okla- homa, and central Texas...	15	15	6,142,538	8,072,000	31	476,909	576,000
Colorado, Utah, Montana, and western Texas.....	8	8	2,811,843	3,765,000	34	221,119	229,000
California, Washington, and Oregon.....	13	14	6,201,630	9,707,000	58	652,241	646,000
Total.....	111	115	80,769,378	100,302,000	24	5,832,497	8,280,000

Portland cement produced and shipped in the United States, 1919 and 1920, by districts—  
Continued.

## SHIPMENTS.

District.	1919		1920			Average factory price per barrel.	
	Quantity (barrels).	Value.	Quantity (barrels).	Value.	Percentage of change in quantity.	1919	1920
Lehigh district (eastern Pennsylvania and New Jersey).....	23,601,660	\$38,511,273	24,984,000	\$47,735,000	+ 6	\$1.64	\$1.91
New York.....	4,441,250	7,700,406	6,049,000	11,971,000	+38	1.73	1.98
Ohio and western Pennsylvania.....	7,102,442	12,144,272	6,947,000	13,482,000	- 2	1.71	1.94
Michigan and northeastern Indiana.....	5,459,439	9,274,025	4,920,000	11,986,000	-10	1.70	2.44
Southern Indiana and Kentucky.....	2,640,656	4,405,939	3,083,000	6,339,000	+17	1.67	2.06
Illinois and western Indiana, Maryland, Virginia, and West Virginia.....	9,932,158	16,092,758	12,409,000	21,916,000	+25	1.62	1.77
Tennessee, Alabama, and Georgia.....	2,613,963	4,517,691	2,911,000	6,087,000	+11	1.73	2.09
Iowa, Missouri, and Minnesota.....	2,630,588	4,952,245	2,580,000	5,668,000	- 9	1.75	2.20
Nebraska, Kansas, Oklahoma, and central Texas....	11,440,645	19,314,646	11,693,000	22,423,000	+ 1	1.69	1.93
Colorado, Utah, Montana, and western Texas.....	6,292,741	11,583,736	7,981,000	16,161,000	+27	1.84	2.02
California, Washington, and Oregon.....	2,982,048	5,939,933	3,748,000	8,244,000	+26	1.99	2.20
Total.....	85,596,616	146,656,076	96,329,000	193,548,000	+13	1.71	2.01

The United States possesses practically inexhaustible supplies of clays, lime rock, and fuel, which are so distributed that domestic plants can efficiently serve all parts of the country. Keen competition within the domestic manufacturing industry has resulted in the construction of very large plants, where every labor-saving device can be profitably utilized. The Portland cement industry has probably attained a greater degree of concentration than obtains in the case of other building materials. The large amount of capital required to equip a cement plant, the uniform character of the product, and the advantage of the wider market have kept the number of cement producers low. There were only 113 producers of cement in 1916, as contrasted with over 3,000 brick and tile manufacturers, 4,000 stone quarries, and over 40,000 lumber mills. Under present operating conditions a cement plant, in order to be profitable, must be located close to two of the three necessary raw materials—clay, lime rock, and fuel. The Lehigh district of eastern Pennsylvania and western New Jersey is still the most important producing center. Here are located all necessary raw materials, and transportation facilities, both rail and water, are unexcelled. The Lehigh district formerly produced upward of 70 per cent of the domestic supply of cement, but although the actual production from this locality has increased, the percentage has decreased to less than 26 per cent of the total, due to developments elsewhere.

Portland cement plants are located in nearly every section of the country, several being on the Pacific coast, 31 near the Canadian border, 10 in the States bordering Mexico, and a large number adjacent to the Atlantic seaboard. The total capacity is considerably greater than the as yet developed demand in the United States.

There was imported in 1920 into the United States 502,785 barrels, of the value of \$1,230,140, as is shown in the following table:

*Imports of Portland cement, 1920, by months.*

Month.	Barrels.	Value.	Month.	Barrels.	Value.
January.....	25	\$113	August.....	55,516	\$162,315
February.....	116	713	September.....	63,200	150,419
March.....	6,319	13,795	October.....	75,119	201,156
April.....	67,680	120,617	November.....	32,314	114,130
May.....	75,617	168,188	December.....	39,983	88,527
June.....	66,978	136,914	Total, 12 months.....	502,885	1,230,140
July.....	30,018	70,255			

The countries from which Portland cement was imported into the United States during the years 1919 and 1920 are shown in the following table:

Country.	1919	1920	Country.	1919	1920
	<i>Barrels.</i>	<i>Barrels.</i>		<i>Barrels.</i>	<i>Barrels.</i>
Austria-Hungary.....	7,149		Mexico.....		381
Canada.....	1,443	499,479	Panama.....	4	
England.....		411	Poland and Danzig.....		1,885
France.....		18	Virgin Islands.....		108
Germany.....		505	Total.....	8,597	502,785
Japan.....	1				

The quantity of Portland cement exported in the years 1918, 1919, and 1920, and the value of same, is shown in the following table:

Exported to—	1918		1919		1920	
	Barrels.	Value.	Barrels.	Value.	Barrels.	Value.
Canada.....	10,305	\$32,813	12,415	\$42,969	31,486	\$125,834
Panama.....	207,993	492,877	117,445	288,678	118,014	354,478
Mexico.....	129,132	347,959	135,056	433,417	207,750	623,243
Cuba.....	613,804	1,676,299	581,671	1,675,022	912,658	3,036,916
Dominican Republic.....	83,628	238,117	48,273	186,087	146,687	527,363
Argentina.....	223,381	569,793	382,181	1,139,684	271,844	861,217
Brazil.....	253,919	591,469	379,883	1,757,723	501,413	1,555,124
Chile.....	127,456	358,116	52,700	188,303	97,609	314,977
Colombia.....	49,339	137,174	75,266	242,115	160,567	557,012
Peru.....	105,223	281,756	120,335	368,370	107,466	335,085
Other countries.....					430,276	1,564,160
Total.....	2,232,446	5,912,166	2,463,573	7,513,389	2,985,810	10,055,369

In 1921, to June 30, the exports were 683,342 barrels and the imports were 45,235 barrels.

Imports from Canada do not begin until later in the year. Last year they commenced in August. The cement is used principally in road building, and this year there was a very late start.

In 1920 we exported 2,985,810 barrels of Portland cement, of the value of \$10,055,369. Of these exports 31,486 barrels, of the value of \$125,834, went to Canada.

The year 1920, from the standpoint of production, was the largest known to the industry, production increasing 19,230,924 barrels over 1919. Shipments, also the largest in its history, increased, however, only 11,732,384 barrels over 1919, showing an increase in production over shipments of 7,498,540 barrels.

Exports for the year 1920 amounted to 2,985,810 barrels, which are included in the 96,329,000 barrels shipped during the year 1920. It is therefore plain that approximately 97 per cent of shipments were for consumption in domestic trade and only 3 per cent, or almost a negligible quantity, for export trade.

These figures reveal the startling condition which the industry faces now that shipments are falling off, for in the year of largest distribution the industry over-produced some 3,971,000 barrels.

There is very little building being done of a general character. The industry has had to depend largely upon road construction, with some municipal work. This is

practically all open-air work and will be over by November, after which the industry faces a period of stagnation until late spring.

## PRICES AND COST OF PRODUCTION IN 1920.

The average factory price per barrel in 1920 was \$2.01 (United States Geological Survey Press Bulletin No. 466). The average cost of production per barrel was \$2.02. This cost is made up as follows:

Rock.....	\$0.21
Silica sand.....	.0199
Gypsum.....	.0493
	<hr/>
Labor.....	.2792
Supplies.....	.1623
Fuel.....	.1277
Power, light, and water.....	.5362
	<hr/>
Total direct cost (per million barrels).....	1.4195
Mill overhead.....	.1022
Reserve, taxes, insurance, depreciation (depreciation, 6 cents per barrel)...	.0891
	<hr/>
Total bin cost.....	1.6108
Shipping expenses.....	.0854
Selling expenses.....	.0813
General and administration.....	.0863
	<hr/>
	1.8393
6 per cent on invested capital at rate of \$3 per barrel of output.....	.18
	<hr/>
Total cost.....	2.0193

In the above item, "Rock, 21 cents," is included the cost of labor in the quarry, which is a very large portion of that item. The item "Labor" given above is simply the labor in the mill and does not include labor in the quarry, nor laboratory, office, superintendence, etc.

The increase in the cost of coal in 1920 over that in 1919 was approximately \$300,000, or 30 cents a barrel on a million-barrel output. The proportion of coal in the above average cost of \$2.02 per barrel for 1920 was about \$0.8113, or in dollars on 1,000,000 barrels, \$811,300; in 1919 the cost of coal was \$0.5151, or on a million barrels \$515,400.

Figures from the Geological Survey indicate that the industry realized in 1920 a factory price for the 96,329,000 barrels distributed of \$2.01 per barrel; whereas in 1919 the factory price realized was \$1.71, a difference of practically 30 cents a barrel. It is therefore obvious that the manufacturer of cement disbursed all of the increase in price received from the sale of his product in payment of increased coal bills, and so far as the manufacturer is concerned he should not be accused of profiteering, since the net result of all price increases obtained in 1920 was immediately paid out for coal, and practically his margin of profit for 1920 was about the same as in 1919; in other words, the profit was that which was included in the cost of production, to wit, 6 per cent on invested capital.

It is true that the consumer of cement was charged a variety of prices, but it is safe to say that except in rare instances the manufacturer obtained no advantage from any excessive price paid.

The present average factory realization price is \$1.75. The present average cost of production is \$1.73 (including 6 per cent on invested capital).

Wages have been reduced from an average in 1920 of \$5.60 to an average of \$4.48.

## THE CANADIAN SITUATION.

For a number of years the Canadian Government has maintained a duty on cement imported into Canada amounting to—

8 cents per hundred pounds.....	per barrel..	Cents. 30.4
20 per cent ad valorem duty on sacks (4 sacks, 25 cents=\$1).....	do....	20.0
2 per cent sales tax (cement, \$2 per barrel; sacks, \$1 per barrel=\$3).....	do....	6.0
	<hr/>	
Total.....		56.4

There is also a "dumping duty" provided for as follows: "Imports into Canada invoiced at prices less than the fair market value of such articles when sold for consumption within the country whence exported to Canada are liable to a special or 'dumping duty' equal to the difference between the selling price to the Canadian purchaser and the fair market value for home consumption. Such additional duty is, however, in no case to exceed 15 per cent ad valorem."

The present value of the Canadian dollar is approximately 87½ cents in United States currency.

In 1918 there was exported to Canada 10,305 barrels of Portland cement, of the value of \$32,813, and in 1919, 12,415 barrels, of the value of \$42,969.

In 1919 there was imported from Canada 1,443 barrels of Portland cement, of the value of \$3,333, and in the first 10 months of 1920 there was imported 429,411 barrels, of the value of \$1,060,645. The entire importation for 1920 being 499,479 barrels.

It is quite evident that the imports of Portland cement from Canada are rapidly increasing, and it is also obvious that some forces are operating to curtail shipments from the States. Conceding that the American manufacturer is as alive and wide-awake as his Canadian competitor, we must assume that the Canadian duty on imports is the factor in this curtailment of business and that the Canadian industry is building up and expanding under this protection.

We are advised by manufacturers in the Northwest that the present Canadian tariff excludes them from the Alberta and British Columbia markets.

In addition to this protective tariff the American manufacturer is at a disadvantage as compared with his Canadian competitor in the factor of labor, which is cheaper in Canada. In the western Provinces Chinese labor is used to a considerable extent, and manufacturers in that district report that the wages of these Chinese laborers are from 40 to 60 per cent less than the wages paid to the laborers in the cement industry in the State of Washington.

There are 31 Portland cement plants scattered along our northern border, and there are 20 plants in proximity to the line in Canada. The capacity of the American plants is more than sufficient to take care of the needs of their territory, and consequently there is no necessity, from a market standpoint, for the importation of Canadian cement. The capacity of the Canadian mills is far greater than the consumption now is, or is likely to be, for some time to come. Consequently there is an ever-present inducement for these mills to dump cement across the border.

A large cement mill is about to be erected near Windsor, across the river from Detroit. There is no surrounding market in Canada to absorb the product of this mill, and its output will, therefore, be sold in the United States.

Freight rates from the Canadian mills to the waterfront are low, much lower than in the United States, and water transportation is cheap. The Canadian mills can, therefore, sell their product at a price lower than can the American producer, without loss, in all of the cities on the Great Lakes. The capital invested in the industry in Michigan is about \$15,000,000. There are 10 mills with an annual capacity of 5,080,000 barrels. These mills, however, never operate at more than 60 per cent of their capacity, the demand never having called for a greater production. Their market is particularly vulnerable to Canadian competition, due to a lower cost of manufacture and cheaper transportation. An advantage in freight rates to all of the towns in northern New York and New England makes it difficult for our manufacturers to meet their competition. In addition to the benefits enumerated, Canadian manufacturers enjoy special advantages in shipping facilities. Our manufacturers, especially for shipments within the United States, are obliged to use American bottoms, manned by American labor, the cost of operation of which is very much above the cost of operating foreign bottoms. The Canadian manufacturer has been permitted to make use of these cheap foreign facilities for access to our markets, and a protective tariff prevents our retaliating by using the same facilities for the shipment of cement into Canada.

In brief, the advantages enjoyed by Canadian manufacturers on the basis of 1 barrel of Portland cement are: (a) A duty of 30.4 cents; (b) an extra dumping duty (not to exceed 15 per cent); (c) a reduced labor cost amounting to one-third in central and eastern Canada, with a much greater advantage in western Canada, where Chinese labor is employed; (d) low freight and coastwise rates; (e) difference in exchange, 25 cents.

#### CONDITIONS ON THE MEXICAN BORDER.

The present duty on Portland cement imported into Mexico is 1 cent Mexican per gross kilo, payable in Mexican gold, or about 90 cents United States gold per barrel. A kilo is 2.2 pounds and a barrel of cement is approximately 180 kilcs, or 376 pounds.

The consul's fee is 3 per cent of the invoice. In addition to the above tax, the Mexican Government also collects 1 peso, Carranza money, for each Mexican gold dollar paid in duty. This is to recall the Carranza paper money. When this duty was put into effect the Carranza paper money was worth approximately one-half cent per peso (dollar), but now has risen to about 10 cents on the peso (dollar). There is also collected a municipal tax of 2 per cent of the duty at port of entry.

The custom-house broker charges a fee of from \$10 to \$15 per car, depending on the size of the car. He will charge in addition to his regular fee from \$25 to \$30 per car to cover fumigation, inspection, switching charges, transfer of load, stencographer's charge for making out bills of lading, and toll charges back and forth across the international line, which makes his total charge for a car, depending upon its capacity, from \$35 to \$40 per car.

There are eight mills in California and Texas in proximity to the Mexican border and two mills in Alabama which could easily be affected by Mexican shipments. The capacity of these mills is greater than the demand for cement in the territory they serve. We are informed that several of the Mexican mills have been rehabilitated and a new one recently constructed at Hidalgo-Nuevo Leon, which is favorably located to make shipments into Texas. We are advised that peon labor is employed in the manufacture of cement in all of the Mexican plants and that this labor is materially cheaper than in the States, due to its low standard of living. If the American manufacturer was forced to meet this competition, it would inevitably be reflected in the scale of living of American workmen employed in the border plants.

The Mexican manufacturer enjoys an advantage in freight rates, inasmuch as the rates from the Mexican mills to the border are relatively lower than the rates from the border to points in Mexico. There is also a decided advantage at present in the difference in exchange, the Mexican gold dollar being worth 50 cents and the Mexican silver dollar being worth 54 to 58 cents in United States money.

#### CALIFORNIA.

There are eight Portland cement mills in California, representing an investment of \$35,000,000, and in 1920 they produced 6,995,000 barrels of Portland cement. These mills have never operated to capacity and, therefore, are quite able to take care of any demand in their territory.

They are exposed to the competition of the Canadian mills, which in the western section of Canada employ Chinese labor and enjoy exceptionally low freight rates to the coast. As heretofore pointed out, shipping facilities favor Canadian shippers, who can make use of foreign bottoms with cheap labor and low operating cost. The production of cement in western Canada is rapidly increasing, and the danger of dumping cement in the ports of Washington, Oregon, and California is an imminent one.

Owing to the foreign exchange situation and the cheap ocean freights from Europe, cement being carried practically as ballast, it is likely that a considerable quantity of cement may be shipped here from Europe to be sold at whatever price it will bring. We are informed that one cargo of cement arrived at San Pedro a short time ago, and some time later the steamer *George Washington* arrived at San Pedro bringing 8,000 barrels of Swedish Portland cement to be sold on the market at any price obtainable. This affords an excellent example of dumping in this country by European manufacturers.

It is not at all unlikely that China and Japan may ship cement to the ports of our western coast. In the Hawaiian Islands to-day Japanese cement is being quoted at 90 cents per barrel less than Pacific coast brands, due to the difference in labor and freight rates.

#### SHIPMENTS FROM EUROPE.

A superficial consideration of the conditions in Europe to-day might lead one to think that there was little or no danger of European manufacturers being able to undersell our cement producers in their own markets or dump Portland cement in our ports. Upon a closer analysis of the situation, we find that practically none of the great cement-producing districts in Europe have suffered the ravages of war. Their plants are intact, their labor is cheap; ocean tonnage is abundant; rates are low—almost to the point of ballast—and exchange is greatly in their favor.

Prior to the war Belgium and Germany were selling Portland cement in South America and in the West Indies at 75 cents a barrel under American cements, and German cement was delivered at Galveston at 90 cents a barrel, including freight and duty. Therefore, it is not at all improbable that a considerable quantity of cement may be sent here in the near future from Europe.

When you consider the cost of production of cement in Germany in its relation to the selling price of said cement in the United States you will realize that owing to their peculiar cartel syndicate the cost of production may have but little relation to the selling price.

Under the cartel system manufacturers of cement in Germany allot to the cartel a certain portion of their product, approximately 20 per cent. This cement is for export only. It is charged to the cartel at cost, or oftentimes below cost, so the cartel is in a position to dispose of it at practically any price it may see fit. The reason the manufacturer is willing to do this is because it enables him to operate his plant at capacity, thereby obtaining as low a production cost as is possible. It enables him to retain his organization and to perfect it by continued operation. Therefore he is willing to allow approximately 20 per cent of his production to go to the cartel at a nominal cost, as he can make up any loss he may sustain thereby on the sale of the balance.

Heretofore for a number of years the German cartels have been operating largely in the South American markets, but owing to the universal depression there is practically no market in South America at this time; therefore, we may look for the entrance of German cement into our ports and markets.

Assuming that the German factory cost is equal to the American cost (and, of course, we know that it is very much lower, since in the matter of wages alone the American cement worker is paid \$1.48 a day as against about \$1 a day in Germany), the American manufacturer not having a cartel through which to distribute his exports, has to add his selling, general, and administration expenses, and interest on invested capital, amounting in a million-barrel factory to 31 cents a barrel. Hence it is apparent that a tariff which does not at least equalize this item gives no real protection to the manufacturer, which he needs to the extent of at least 8 cents a hundred pounds, or 32 cents a barrel, as provided in the Payne-Aldrich bill.

The following letter was recently received by the Portland Cement Association from Carl Brockstedt, of Hamburg:

"Being on the outlook for high-class firms in your country with which I could do business in my specialty, high-class German cement Portland, I am glad to receive the name and address of your honorable firm from the chamber of commerce of your city, and therefore I take the liberty to present myself to you as sole exporter of the products of several of the first syndicates of cement Portland of Germany.

"I beg to submit to my offer as follows, and I should be glad if we could do any business in my specialty.

"I offer you my high-class German cement Portland, ware of the syndicates of my country—conforme to the German normes for the favorable price of marks: 160 per barrel f. o. b. Hamburg, incl. all charges. The cement is embaled in strong barrels in the weight of 170 ko net and 180 ko gresse, gresse for net.

"Terms of payment: Placing of an irrevocable and divisible letter of credit at my banking corporation, Commerz-u. Privatbank, A. G. Hamburg, payment against shipping documents.

"Here inclosed kindly find the analysis, and with this same mail you will receive a sample of my cement, so that you can make your examination.

"As for the rest, I should be glad if you would be interested for my ware and if any business could be done."

If German and other European exporters were considering the sale of Portland cement in the United States, it would be logical for them to endeavor to make commercial connections, but not to ship cement into the United States until after the enactment of the tariff bill, as such shipments would be a strong argument for a high tariff and would be used by the United States manufacturers for such purpose.

#### SUMMARY.

There are 88 manufacturers of cement in the United States. Eighty-three of these manufacturers, whose aggregate product amounts to something like 95 per cent of the total production, are associated for educational and research purposes in the Portland Cement Association, which association is represented by the committee filing this brief. The members of the association have voted overwhelmingly in favor of a protective tariff on cement and have instructed this committee to petition the Finance Committee of the Senate for such a duty.

The Portland cement industry is a large one, employing as it does 36,500 American workmen. The industry is particularly vulnerable to foreign competition, and there is nothing to prevent under all the circumstances the extensive dumping of cement by foreign manufacturers in our Atlantic or Pacific ports or along our northern or southern borders. Your committee believes that the various companies comprising the industry, no matter where located, are entitled to be protected against foreign competi-

tion to the extent of being enabled to sell their own product at a fair and reasonable price in their own markets and thus be able to maintain a suitable standard of wages that will enable their workmen to live in the manner in which American workmen are entitled to live.

The industry is not requesting a high protective duty. It is not even asking for a tariff that would equalize the duty on imports into Canada, but it does request this committee to amend section 203 of H. R. 7456 so as to provide a duty on Roman, Portland, and other hydraulic cement of 8 cents per 100 pounds, including weight of barrel or package, and in bulk a duty of 7 cents per 100 pounds.

Paragraph 204 provides a duty of 5 cents per hundred pounds on limestone, crude or crushed, but not pulverized; and paragraph 207 provides a duty of \$1 per ton on clays, or earth unwrought or unmanufactured, including common blue clay, etc.

It would seem that if ordinary limestone, crude or crushed, was to be protected by a duty of 5 cents per hundred pounds and ordinary common blue clay was to be protected by a duty of \$1 per ton, Portland cement, requiring a great deal of labor in its manufacture and made almost entirely of limestone and clay, should carry a relatively higher duty than was provided in the House bill.

**STATEMENT OF HAL H. SMITH, DETROIT, MICH., REPRESENTING THE HURON PORTLAND CEMENT CO.**

The CHAIRMAN. Mr. Smith, you may state your full name to the committee.

Mr. SMITH. Hal H. Smith.

The CHAIRMAN. Where do you reside?

Mr. SMITH. In Detroit, representing the Huron Portland Cement Co.

The CHAIRMAN. What is your business?

Mr. SMITH. My business is manufacturing.

The CHAIRMAN. Do you speak on cement?

Mr. SMITH. I desire just for a moment to direct particular attention to the Canadian situation that has developed here.

The CHAIRMAN. We have had a little of that.

Mr. SMITH. I am speaking for the Michigan companies, into whose territory the entire 500,000 barrels, roughly speaking, of last year's importations came from Canada. Right across the Canadian border, in plain view from the windows of our offices, they are beginning the erection of a large cement plant and the construction of a steel plant near the town of Windsor, Ontario. They can move their cement across the Detroit River for 10 cents a barrel, which is about one-third of what we can move our cement from the town of Wyandotte; 12 miles below Detroit on the American side. Their labor cost is about 20 to 25 per cent less than our labor cost on the American side, judging from the variance between the labor costs of the Canadian plants as they stood last week at 25 cents for rough labor, which is the major part of the labor in cement plants, as compared with ours of 40 cents an hour.

Their raw material is cheaper. Our raw material is some distance from the plant, and Canadian raw material is cheaper. If we should move our cement into Canada, the distance to their large consuming center would be about 100 miles. Cement coming in from Canada is practically limited in a way for its immediate distribution to the large cities along the Canadian border, and this 500,000 barrels that came in last year came into the territory of Buffalo, Cleveland, and Detroit, being devoted largely to city contracts in those communities. Of course, the business in that territory is necessarily larger than in the agricultural territory, but it will roll back upon

the interior Michigan plants the production which they have been selling in the border cities.

Now, in the production of cement, our costs are somewhat higher than their average costs. Our labor cost is higher.

Senator SMOOR. What are you asking for?

Mr. SMITH. I am asking, as Mr. O'Brien did, for the Payne-Aldrich rate. There is some significance in this tariff bill in regard to the related articles of clay and limestone, which get a tariff of 5 cents per hundred. I am talking about clay and crushed limestone. Lime gets 10 cents. It costs twice as much to produce cement per barrel or ton as it does to produce either clay or limestone, and the plant investment would have to be five times as much. Yet the clay and the limestone sells in our territory for about \$1 a ton and gets \$1 a ton tariff, and lime is 10 cents or \$2 a ton and sells at \$12 in our territory. Judging by the comparison of those related articles, some of which are used in our production as raw materials, a tariff of one-half that rate upon the manufactured material is certainly out of line.

Of course, there are other variances in Canada which affect the situation, which are more or less temporary, like the rate of exchange.

The major point I desire to impress upon you is that the problem, so far as our industry is concerned, is a substantial one in Michigan. We have 12 plants with a production in 1920 of 5,000,000 barrels and a capacity of 7,000,000 barrels, an invested capital of \$16,000,000, employing 3,000 men, with a pay roll of \$4,500,000. The injection of this new competition with a more favorable relationship to our principal consuming centers, like Detroit, is the factor that we fear, and it is more immediate and more dangerous to us than anything that can be gleaned from the record of the Geological Survey as to the amount of importations.

Senator CALDER. The cement manufacturers of Michigan manufactured 5,000,000 barrels last year?

Mr. SMITH. Yes, sir.

Senator CALDER. How much of that was exported to Canada?

Mr. SMITH. Practically none. We might have moved a little from the head of the Lakes, but there was practically none.

Senator CALDER. And last year they did a large business?

Mr. SMITH. They did a large business last year.

Senator CALDER. Your manufacturers in Michigan belong to a central organization of cement manufacturers?

Mr. SMITH. Some of them do, not all of them. They belong to the Portland Cement Association, which is a national association.

Senator CALDER. Does your organization attempt to fix the prices?

Mr. SMITH. Not at all. The National Portland Association is an association that studies costs and methods of production.

Senator CALDER. They exchange sale prices with each other, do they not?

Mr. SMITH. No, there is no exchange of sale prices. There is an exchange of information as to methods of production, and the major purpose of the association, as I understand it, and as we employ it, is the development of advertising for the promotion of the use of cement.

Senator CALDER. Do you attempt to control the distribution of it in selling only to dealers?

Mr. SMITH. Not at all. So far as my own company is concerned, we sell 90 per cent of our product direct to the consumer. Maybe that is a little high. I would say 80 to 90 per cent.

Senator McLEAN. How do your prices now compare with a year ago?

Mr. SMITH. Prices a year ago in Michigan, speaking of the average prices, ranged from two and a half to three dollars. It never went over three. The price now is \$1.70 net.

Senator CALDER. Do you sell cement cheaper to a dealer than to a consumer?

Mr. SMITH. There has been at times a small discount as between the dealer and consumer.

Senator CALDER. It is the practice in the East to sell cheaper to the dealer than to the consumer, even if the consumer wished to buy the same quantity as the dealer.

Mr. SMITH. The dealers in our territory are limited largely to small dealers in the small towns. Our principal business is with contractors and with municipalities.

Senator DILLINGHAM. Will you repeat what you said about the relative cost of labor in your mill and the one across the river in Canada?

Mr. SMITH. We compared that upon the basis of our rough labor. The Canadian mills are now paying 25 cents an hour, according to the report secured last week from Toronto.

Senator DILLINGHAM. There is nothing but a river between you?

Mr. SMITH. A river and 100 miles or so.

Senator DILLINGHAM. How do you account for the difference in the cost of labor in that short distance?

Mr. SMITH. I think it has been deflated much more in Canada than it was in the United States. We were not able to force it down in Michigan. Michigan is perhaps a high-wage State, on account of the automobile industry, but the fact is that the unions are very much stronger in the United States than in Canada and they have an insistent propaganda in the cement industry and others in Canada at the present time to hold the manufacturing cost down so they can compete with us.

Senator DILLINGHAM. What was the cost of your labor previous to the war?

Mr. SMITH. Previous to the war? Now it is 40 cents, and it probably averaged at that time 22½ cents or 25 cents.

Senator DILLINGHAM. Has there been any reduction in your establishment of the price of labor since peace?

Mr. SMITH. Oh, yes. We paid as high as 55 and 60 cents during the war, and we are now down to 40. In other industries, like the automobile industry in Detroit, they paid their rough labor 60 and 75 and 80 cents. There has been a considerable deflation, but not as much as in Canada, judging from the reports of the manufacturers.

Senator SMOOT. Is that all?

Mr. SMITH. I think that is all.

## LIME.

[Paragraph 204.]

**STATEMENT OF WILLIAM E. HUMPHREY, WASHINGTON, D. C. REPRESENTING THE NATIONAL LIME ASSOCIATION AND THE LIME MANUFACTURERS OF THE PACIFIC COAST.**

Senator SMOOT. Give your full name to the stenographer.

Mr. HUMPHREY. My name is William E. Humphrey. I represent the National Lime Association and the lime manufacturers of the Pacific coast. I am here asking an increase in the rate over the House bill. I am asking that the rate be increased so that the Canadian manufacturer will have to pay the same rate to get into our markets that the American manufacturer has to pay to sell in the Canadian markets.

Senator SMOOT. On crude, or crushed but not pulverized—what do you want?

Mr. HUMPHREY. I have it here already written out [handing papers to Senator Smoot].

For the National Lime Association I want to ask the privilege of filing a brief.

Senator SMOOT. You have that privilege.

Mr. HUMPHREY. The time that I shall occupy to-day will be in relation to the situation in the Pacific Northwest entirely.

Senator WATSON. What paragraph of the bill is it in which you are interested, Mr. Humphrey?

Mr. HUMPHREY. Paragraph 204, page 27, of the bill.

I want briefly to call the attention of the committee to the situation in the Pacific Northwest.

Most of the lime that is manufactured in this country on the Pacific coast is manufactured on San Juan Island, which lies out near the Strait of Juan de Fuca. The principal foreign competitor is the Pacific Lime Co., situated at Blubber Bay, in British Columbia. Geographically, so far as reaching the market is concerned, there is practically no difference. The Canadian company is in as good a position to reach American markets as is the American company.

Up until about 1914 there was very little competition from the foreign manufacturer in the lime industry in our portion of the country. At that time or along about that time the Pacific Lime Co. established its plant at Blubber Bay. It went over across the line for two purposes: First, so it could use cheap foreign tonnage to get into American markets, and, secondly and principally, so it could use cheap Chinese labor to produce its material. By the use of these advantages they have practically destroyed the American lime industry in the State of Washington.

The difference in wages between the American and Chinese labor is great. The Chinese never receive more than 50 per cent, and in many instances not more than 33½ per cent as much as American labor performing the same work.

I have a table here that I have prepared and that I will insert with my remarks showing the wages paid by the British Columbia manufacturer and by the American manufacturer, by the hour and by the day, and you can see from this comparison that they pay from 30 to 60 per cent of the wages paid by the American producer.

I have here a letter from the president of the largest lime manufacturing plant on the Pacific coast, and he sums the situation up in a paragraph. I just received the letter the other day, and I will take the time of the committee to read one paragraph from it:

We know now, of course, what the House did with regard to lime. I am greatly disappointed that they gave us so low a rate of duty in the new bill. It is wholly inadequate and strikingly unfair. At the present market price on both sides of the line our lime would pay a duty to enter the Canadian markets of practically 65 cents per barrel. Under the new Fordney bill the rate of 10 cents per 100 pounds would mean 20 cents per barrel upon their lime coming into the United States from British Columbia. In other words, we are required to pay 65 cents per barrel under existing laws to enter the Canadian market, while our Congress is proposing to let them flood our markets with Chinese-made lime at a duty of 20 cents per barrel. This is so strikingly unjust and unfair that I can not properly characterize it. I sincerely hope you may be able to get a very important increase in the duty at the hands of the Senate committee. If they would give us a rate of duty which would be equivalent to that which we would have to pay to go into British Columbia, it would be more like it, although even that would not represent all the difference which exists. Their cost of manufacture is from 40 to 60 per cent less than ours. Their freight is considerably less than ours. In addition to both these advantages, the rate of exchange is now about 14 per cent. Such a situation is simply intolerable. I am reliably informed that the Chinese and Hindus are now working all over British Columbia at common labor at \$1 per day for 10 hours' work. It would require a duty of at least \$1 per barrel, or 50 cents per hundred pounds, to equalize the difference in wages alone. That same difference would apply to the cost of their barrels, etc.—

All our lime on the Pacific coast, I would say by way of interpolation, is shipped in barrels, and that is a very substantial part of the cost of production. They employ Chinese in the production of the barrels the same as they employ them in the lime manufacture—

and on top of that they would have the difference in freight rates by reason of the lower cost of operating British vessels, and they would have the 14 per cent or 15 per cent difference in exchange. I can not see how an American Congress, having in mind the justice of protecting any American product, would permit such inequity to go unchecked.

By the use of foreign tonnage they have invaded the markets of California and also Hawaii and taken them largely from our producers.

I desire to call the committee's especial attention to this, that while the amount of lime that comes into the country is comparatively small, owing to the fact that when you are some distance from the source of supply the freight rates are a factor in its cost, because the commodity is so bulky in proportion to its value, in years past, as near as I can get the figures, more than 50 per cent of all the lime that has been imported into this country has come into the Washington district. It practically all comes from this one company; and as a result to-day, while this company over in British Columbia sent something like 100,000 barrels of lime into our markets, our plants are running less than 10 per cent capacity. The Roach Harbor Lime Co., which has a capacity of 450,000 barrels, is producing only 30,000 barrels at the present time.

Senator SMOOT. The importations, I see, only amount to one-fifth of 1 per cent.

Mr. HUMPHREY. That is what I say. It practically all comes in at that one spot. About 200,000 barrels come into the United States out of a production of about 30,000,000, as I recall.

But I call your attention to the fact that it is all at one spot. It is like an Indian war. It may not affect the whole country, but it wipes

out the community in which it is centered. That is exactly what has happened in my State, so far as this lime industry is concerned.

Senator SIMMONS. Are the Chinese and Hindus employed to any considerable extent in other industries than the production of lime?

Mr. HUMPHREY. Yes, sir; in a good many industries. They are employed, for instance, in the lumber industry and in the shingle industry, with certain restrictions. There are certain Crown lands where they do not permit them to be employed. I could not undertake to give you the details, but I would not want it understood that they are employed without any restrictions. They are employed in the lumber and shingle industry very extensively, in the shingle industry particularly.

Senator WATSON. How many miles is it from where your lime industry in the State of Washington is located to where the one in Canada is located?

Mr. HUMPHREY. It is, by water, I think about 200 miles. The American plant is right at the line. The foreign one is on a bay, so by using foreign tonnage the Canadian lime has a distinct advantage in the markets of California and Hawaii.

Senator WATSON. How long has this competition been on between Canada and the United States?

Mr. HUMPHREY. Since the Underwood bill, in 1914. The Underwood bill only gave 5 per cent protection.

Senator DILLINGHAM. What protection does Canada charge?

Mr. HUMPHREY. I am glad you asked me that. I want to call your attention to it. On the lime itself it is 17½ per cent. On the container it is 17½ per cent. The container usually amounts to almost the same as the lime. The war tax is 7½, freight tax 2½ per cent, making a total of 45 per cent.

Senator WATSON. What effect has it had on the production in Washington?

Mr. HUMPHREY. It has reduced it. The Roach Harbor Co. has a capacity of 450,000 barrels. They are producing but 30,000 barrels. Our factories in the State of Washington are 80 per cent down and will be, because this company over in British Columbia is so protected that even if we had the power we could not cross over to fight them. They pile the lime up there and whenever the opportunity comes they dump it on our market until they break the market, and then they immediately raise the price.

This corporation of which I spoke, the Pacific Lime Co., sold a lot of their lime to one wholesaler in Seattle for 90 cents a barrel with specific instructions that he was to use it when necessary to break the market. He did not use it that way, so they claimed, so he got in trouble about it and they would not sell him any more lime.

The Pacific Lime Co. has also gone to the American producers and offered if they would pay them a certain amount to stay out of the market. They are simply commercial pirates. They practice every means known to crush out competition. They went over in British Columbia for the express purpose of capturing the Pacific coast markets in this country. Less than one-third of their production goes into the Canadian market. They saw their opportunity and went over there because they could get cheap Chinese labor and cheap foreign ships and for no other reason.

I can not understand why an American Congress, when they are so careful about restricting Chinese labor, which we all approve, will permit the product of Chinese labor to come over and drive our manufacturers out of the business. That is exactly what is happening.

Senator SMOOT. Canada does not employ Chinese labor, does she?  
Mr. HUMPHREY. British Columbia does. Practically all of the labor in the lime industry is done by Chinese.

Senator SIMMONS. This competition of which you speak would only affect the border States, would it not?

Mr. HUMPHREY. It would only affect the coast. They could not possibly get back into the interior.

What I have stated is what we have already experienced. We know exactly what has happened; 60,000 barrels went into San Francisco alone from this British Columbia company, and every barrel represented just that much wages taken away from Americans.

And the American consumer does not get his lime any cheaper. They make no pretense that they do that. As quickly as they break the market, as they have done in coal and shingles and everything else, they put up the price. Under the administration of Mr. Redfield the Department of Commerce sent an investigator out there, and he reported that he could not find any consumer that would say he had profited by this flood of British Columbia lime.

One other point I want to emphasize. It may be that they will claim that the British Columbia lime is of a higher grade. That is not true. That is simply advertising. It is not a fact. I say that without any reservation whatever, because the test made by the Government and by our agricultural colleges and the best chemists in the country all contradict that statement. The fact about it is that the lime produced both on San Juan Island and that produced by this British company are the highest grade of lime in the world. They are about equal in that respect.

Senator WATSON. What per cent do you think you ought to have?

Mr. HUMPHREY. I have given that to Senator Smoot. I did not know how to figure it myself, and I have had it figured for me. What we want is to have the same protection that the Canadian has against us. That is what we are asking for. I think we are asking only for what we ought to have when we demand that we be protected from that cheap Chinese labor and the advantage of that foreign tonnage. We want and expect that our Government will give the American manufacturer the same protection that the Canadian gives to our competitor in that country.

Senator SMOOT. Your brief will be filed?

(The statement submitted by the witness to Senator Smoot is as follows:)

MANUFACTURE OF LIME—COMPARISON OF CONDITIONS IN CANADA AND UNITED STATES.

1. *Disadvantages of American manufacture.*—Labor cost, 40 to 60 per cent; use of foreign ships by Canada, 15 per cent; exchange, 15 per cent.

2. *Labor.*—Wages paid<sup>1</sup> in British Columbia: Chinese coopers, \$4 for 10 hours, or 40 cents per hour; Chinese fireman and boiler stokers, \$3.85 per day; Chinese common workers in mines, \$2.82 per day; common Chinese workers, 25 cents per hour.

Wages paid in the United States: American coopers, \$8 to \$10 for 8 hours, or 87 cents to \$1.25 per hour; American firemen and boiler stokers, \$7 to \$9 per day; American

<sup>1</sup> Canadian manufacturers use Chinese labor almost exclusively. American manufacturer uses none.

common worker in mines, \$5 to \$7 per day; American common workers, 50 cents to 75 cents per hour.

3. *Tariff and taxes imposed on imports by Canada.*—Lime, 17½ per cent; container, 17½ per cent; war taxes, 7½ per cent; freight tax, 2½ per cent; total 45 per cent.

4. *Rate of duty in House bill.*—Limestone, 5 cents per hundred pounds; lime, 10 cents per hundred pounds, including weight of barrel or package; hydrated lime, 12 cents per hundred pounds, including weight of barrel or package.

5. *Duty required to equalize conditions between Canadian and American manufacturer.*—Lime in coopersage, 50 cents per hundred pounds gross weight; lime in bulk, 30 cents per hundred pounds; hydrated lime, 40 cents per hundred pounds gross weight; limestone, broken or crushed, in bulk, 15 cents per hundred pounds; ground limestone in bags, 7½ cents per hundred pounds; ground limestone in bulk, 5 cents per hundred pounds.

**BRIEF OF W. E. HUMPHREY, REPRESENTING THE LIME MANUFACTURERS OF THE PACIFIC COAST.**

If this Nation fails to give to the lime manufacturers of this country the same protection that the Canadian Government gives to the lime manufacturers in that country, then this Nation does not deserve the respect and confidence of the American citizen, and this is all that the American manufacturers of lime on the Pacific coast ask. They ask only that their Government place them on an equality with the Canadian manufacturer. If the American manufacturer was satisfied with less than this, if they demanded less than this, they would be less than American and unworthy of the traditions of their country. The House bill falls far short of giving any such protection to the American manufacturer.

This brief will be devoted to the conditions on the Pacific coast.

**CONDITIONS IN THE PACIFIC NORTHWEST.**

Most of the lime manufactured on the Pacific coast is produced on the San Juan Islands in the State of Washington. These islands border on the Straits of Juan de Fuca, that forms a portion of the Canadian border. The largest competing foreign company is the Pacific Lime Co., on Blubbers Bay, British Columbia. So far as physical conditions are concerned for reaching American markets, the British Columbia company is on practically equal terms with the American producer.

**ADVANTAGES OF THE FOREIGN MANUFACTURER.**

The foreign manufacturer has three distinct advantages over the American producer in contolling American markets:

1. The foreign manufacturer uses foreign cheap ships, with cheap Chinese crews, to carry this foreign lime to American markets. American manufacturers are forbidden by law to use these foreign ships, and yet the American people have squandered billions in an attempt to get an American merchant marine.

2. To-day the American manufacturer is handicapped by the difference in exchange, amounting to approximately 15 per cent.

3. Greatest of all, the Canadian manufacturer employs almost exclusively Chinese labor and pays for such labor less than half than the American manufacturer, immediately across the international boundary line, pays for identically the same work.

**RESULT OF THESE ADVANTAGES TO THE FOREIGNER.**

The lime industry on the Pacific coast since the present tariff law has gone into effect has been almost destroyed. This industry is to-day running less than 10 per cent capacity. The Roache Harbor Lime Co., the largest plant on the Pacific coast, with a capacity of 450,000 barrels annually, is producing about 30,000 barrels per year. This company, situated on one of the beautiful San Juan Islands, had for years supported one of the most prosperous communities in the Nation, giving employment to some 500 men and maintaining some 1,500 people, but these people have seen their work and their wages taken from them and given to the Chinese just across the border, so near that they could almost hear the fires in the foreign furnaces. This happy community has been almost completely wiped out of existence by this pestilence of cheap Chinese labor. The entire industry on the Pacific coast is doomed unless Congress gives relief in the coming tariff bill from the Canadian manufacturer that employs almost exclusively Chinese labor.

## THE PRESENT TARIFF.

The present tariff is 5 per cent on lime. Limestone is free. The provision of the House bill in reference to lime is as follows:

"Limestone (not suitable for use as monumental or building stone), crude, or crushed but not pulverized, 5 cents per 100 pounds; lime, not specially provided for, 10 cents per 100 pounds, including weight of barrel or package; hydrated lime, 12 cents per 100 pounds, including weight of barrel or package."

*Tariff and taxes imposed on imports by Canada.*

	Per cent.
Lime.....	17½
Container.....	17½
War taxes.....	7½
Freight tax.....	2½
<b>Total.....</b>	<b>45</b>

## DUTY REQUIRED TO EQUALIZE CONDITIONS BETWEEN CANADIAN AND AMERICAN MANUFACTURER.

Lime, in cooperage, 50 cents per hundred pounds gross weight; lime, in bulk, 30 cents per hundred pounds gross weight; hydrated lime, 40 cents per hundred pounds gross weight; limestone, broken or crushed, in bulk, 15 cents per hundred pounds; ground limestone, in bags, 7½ cents per hundred pounds; ground limestone, in bulk, 5 cents per hundred pounds.

If the above rate was given, the American manufacturer would only receive the same rate of protection now received by the Canadian manufacturer. This would still leave the Canadian manufacturer the advantages of which I have spoken, of foreign cheap ships, of exchange, and of cheap Chinese labor.

## DIFFERENCE IN WAGES PAID IN CANADA AND UNITED STATES.

It is impossible to get with detailed exactness the wages paid by the British Columbia lime manufacturers. They naturally do everything possible to prevent this information from reaching their American competitors. It is certain, however, that the Chinese workmen is not paid one-half as much as the American workmen performing the same labor. It is also certain that the labor cost of production in British Columbia of a barrel of lime is less than one-half what it is in the United States. It is an insult to common sense for the Pacific Lime Co. to attempt to deny, as they have done, that Chinese labor is no cheaper than white labor. If not, why does this company employ the Chinese? They certainly do not prefer Chinese labor for patriotic or humanitarian reasons. It must be remembered that all lime on the Pacific coast is shipped in barrels. The cost of the barrel is a very large part of the cost of production. The work of producing the barrel in the woods and in the shop is done almost exclusively by Chinese labor. Common Chinese labor is now employed throughout British Columbia at \$1 per day for 10 hours' work. The following table is approximately correct, showing the difference in wages paid by the British Columbia and the American lime manufacturers:

*Wages paid.<sup>1</sup>*

## In British Columbia:

- Chinese coopers, \$4. 10 hours, 40 cents per hour.
- Chinese firemen and boiler stockers, \$3.85 per day.
- Chinese common workers in mines, \$2.82 per day.
- Common Chinese workers. \$0.25 per hour.

## In the United States:

- American coopers, \$8 to \$10, 8 hours; 87 cents to \$1.25 per hour.
- American firemen and boiler stockers, \$7 to \$9 per day.
- American common workers in mines, \$5 to \$7 per day.
- American workers, \$0.50 to \$0.75 per hour.

<sup>1</sup>Canadian manufacturer uses Chinese labor almost exclusively. American manufacturer uses none.

## ACTIONS OF THE FOREIGN COMPANY.

The Pacific Lime Co., at Blubbers Bay, is the main competitor of the American manufacturer on the Pacific coast. This company claims that it is entirely owned by Americans. If so, it would be distinctly to the credit of the company to conceal the fact rather than to parade it. This company went to British Columbia, not to supply British Columbia markets, but to capture the Pacific coast markets of the United States. Everything necessary could be secured in the United States except cheap labor and cheap ships. This company located in British Columbia solely because there it could employ cheap Chinese labor and cheap foreign ships in supplying American markets. This company has resorted to dumping in order to break the market; it has offered to stay out of the American market if the American manufacturer would pay it an agreed tribute; it has published misleading and false advertising; in fact, it has resorted to every form of known commercial piracy. It has been twice fined for attempting to evade the duty on lime shipped into this country. During the war the lime manufacturers of the Pacific coast, both in British Columbia and the United States, formed an association for the common good. This British Columbia company withdrew from this association in great indignation because, as representing the American manufacturers of the Pacific coast, I asked of the American Congress an increase in the tariff on lime. This same foreign company had the unmatched impudence to send a representative to appear before the Ways and Means Committee of the American Congress, asking that their foreign interests be protected. Whether they will parallel this intolerable insolence by appearing before this committee in asking consideration of the country whose flag they have left and to which they pay no taxes, for the sole purpose of employing cheap Chinese labor to compete with American labor, remains to be seen.

## PURITY OF PRODUCT.

This foreign company makes no pretense that its products sell to the American consumer at less than American lime. It claims that it gets into the American markets by the superiority of its products. It is absolutely untrue that their product is better than the American product. This can be stated without any reservation whatever. It is demonstrated by the chemical analysis of the Bureau of Standards and by the Agricultural College of the State of Washington, and by eminent private chemists. This company gets into the American markets, not because of the superiority of its product, but by dumping, by misleading advertising, and by other methods of commercial piracy already mentioned.

## SMALL AMOUNT IMPORTED.

It is strenuously urged by this foreign company, invading American markets with its cheap Chinese-produced products, and its sympathizers, that the amount of importation is small. This is true, but the amount of injury is not small. The effect is concentrated at the border. Owing to the bulk of lime compared with its value, freight rates furnish an absolute protection when it is to be sent any great distance by rail. But in the Pacific Northwest the contact is direct and deadly where they can use cheap foreign ships to reach our market. The amount imported is about 200,000 barrels annually. More than one-half of all the importations come into the market of the lime producers of the State of Washington. It means to them destruction.

Suppose that the amount imported on the Pacific coast does not amount to more than 100,000 barrels annually. This amount is constantly increasing, and whether small or large, it means just that much work and that much wages taken from American labor and given to Chinese labor across the line and working under another flag. No one familiar with the situation will honestly contend for a moment that the importation of this foreign product in any way benefits the American consumer. What a howl would go up if some manufacturer on the Pacific coast, if the law permitted, should place Chinese in his factory and because of this cheap labor begin to drive out of the market his competitors. Every publicity lover in Congress would be exhausting his patriotic vocabulary about it. But we permit a company claiming to be owned by American capital to go into British Columbia and do the same thing in a more iniquitous fashion and look upon it with perfect complacency. True, the amount of importation is small. So was Custer's little force small compared with the entire Army, but its extermination was the extreme calamity that could befall it. The lime industry on the Pacific coast is not large, but that does not take from it the right to live. This industry is under the flag. If it were large and the same conditions existed and Congress refused immediate relief, the party that did it could not survive. Because it is weak is no justification for the extermination of this

industry for the benefit of a foreign corporation that employs cheap Chinese labor and that owes no allegiance or obligation to this country.

## FINALLY.

We do not permit Chinese to come into this country as laborers. This policy meets the universal approval of the American people, but if the Chinese laborers were to come here and perform their work, we would at least sell them something while they were working; they would at least spend some of their wages in this country. Why, then, should we permit the far greater economic infamy by permitting a foreign corporation just at our border to employ cheap Chinese labor and send the result of that labor into the American markets, taking that much work and that much wages from American labor?

I refer the committee for further discussion of this subject to the hearing before the Ways and Means Committee on the pending House bill, the statement of the Seattle Chamber of Commerce, Schedule B, page 312, and to the exhaustive and convincing statement of John S. McMillin, Schedule B, page 412.

**KEENE'S CEMENT.**

[Paragraph 205.]

**STATEMENT OF W. A. REVIS, REPRESENTING WM. H. REVIS (INC.),  
NEW YORK CITY.**

Mr. REVIS. Senator Penrose, I ask for a repetition on behalf of myself and on behalf of Mr. Cousins—myself an importer and Mr. Cousins the user of my cement.

The CHAIRMAN. You are an importer of cement, are you?

Mr. REVIS. Yes, sir.

The CHAIRMAN. Where do you reside?

Mr. REVIS. 140 West Forty-second Street, New York City.

The CHAIRMAN. Proceed.

Mr. REVIS. The proposed tariff on Keene cement is on the different grades, six in number, from \$1.77 per ton to \$4.68 per ton. The proposed duty increases the rate from \$5 a ton to \$14 a ton on the different grades, an increase averaging 200 per cent. The Payne-Aldrich bill was from \$3.50 to \$10 on the same grades of cement, or the rate is an increase over the former Payne-Aldrich bill of 50 per cent.

The CHAIRMAN. Let me add that every one of these papers will be carefully examined, if not by the committee—and I take it many of the committee will examine them—by the large number of Government experts here attached to the work of the committee. So that you need not be afraid your statements will not be thoroughly studied. Proceed, Mr. Revis.

Mr. REVIS. The cost of our imported Keene cements laid down in the most advantageous place in America is equal to the manufacturer's price of the domestic, which naturally includes his profit. Going inland, or going to other ports than New York City, the most favorable for freight rates, increases the balance against the importer. When we go to Chicago, the freight rate is \$6.40 a ton, and the adverse balance is double that.

Also the expenses of the importer and the profits of the importer, which according to the instructions to the appraiser would be at least 16 per cent, must be added to the adverse balance against the imported cement.

Gentlemen, the domestic cement, in our opinion, needs no protection, and a higher tariff of the present will mean a cessation of imports and brings the Federal Government no revenue.

Senator SMOOT. You are speaking only of Keene cement?

Mr. REVIS. Yes, sir.

Senator CURTIS. From where do you get your Keene cement?

Mr. REVIS. From England.

The CHAIRMAN. What percentage of the imported article is used in this country?

Mr. REVIS. A comparatively small percentage and that for a special purpose. Mr. Cousins will answer that question thoroughly.

Senator CURTIS. It is used principally in the larger cities?

Mr. REVIS. I take it; yes, sir.

Senator CURTIS. It is utterly impossible for us to transport the Keene cement we produce in our country to the eastern cities and meet the cement imported from England and Sicily.

Mr. REVIS. It is more than possible. The selling price of your cement is about the same as the cost of the imported.

Senator CURTIS. The cement you import is still produced by prison labor in Sicily?

Mr. REVIS. My cement is produced in England. I know of no Keene cement coming from Sicily. Our cement was never produced by prison labor.

Senator SMOOT. You made the statement that the rates in this bill were higher than in the Payne-Aldrich bill?

Mr. REVIS. Yes, sir.

Senator SMOOT. The rates do not show it; that is all I want to say.

Mr. REVIS. I beg to differ, Senator.

Senator SMOOT. You can follow this as I read it and see if we differ, and we might as well have it:

Keene cement, valued at \$10 a ton or less, \$3.50 per ton—

This is the ordinary value—

Keene cement or other, of which gypsum is the component material of chief value, valued above \$10 and not above \$15, \$5 a ton.

The proposed rate is "\$14 a ton or less, \$3.50." So that is a decrease?

Mr. REVIS. That is the American valuation.

Senator SMOOT. Specific duties have nothing to do with American valuation. American valuation does not figure on specific duties at all. So there is not an ad valorem duty, and the statement you have made you must admit now is wrong.

Mr. REVIS. The cost, gentlemen, of the domestic is about the same in the home market as the cost of the foreign in this market, and there is no difference—

Senator CURTIS (interposing). Tell me what it costs per ton to lay Keene cement down in New York?

Mr. REVIS. Something like \$9.02; that is the freight alone.

Senator CURTIS. What I asked you was, what the total cost is?

Mr. REVIS. From \$27.32 to \$56.43.

Senator CURTIS. What is it selling at?

Mr. REVIS. It is selling at from about \$40 to \$80 a ton.

Senator CURTIS. Do you know what the freight is from Kansas to New York on Keene cement?

Mr. REVIS. \$9.30 per ton.

## BRIEF OF W. A. BEVIS, REPRESENTING WM. H. BEVIS (INC.), NEW YORK CITY.

In our statement on the proposed tariff for Keene's cement we will confine ourselves to figures to show that it is very excessive—to the practical extinction of importations. We give you the amount of duty per ton on each grade of our cement derived from the present tariff, and compare same with the amount of proposed duty, and show the proposed duty to be higher than the former Payne-Aldrich tariff, after which it seems to be modeled:

Grade.	Present rate.	Proposed rate.	Rate in Payne-Aldrich Act.
No. 2.....	\$1.77	\$3.00	\$3.50
No. 1.....	1.83	5.00	3.50
Coarse.....	2.43	5.00	3.50
Fine.....	3.60	10.00	5.70
Medium superfine.....	4.36	14.00	10.00
Extra superfine.....	4.63	14.00	10.00

The proposed duty is therefore about 200 per cent higher than the present, and is 50 per cent higher than imposed by the tariff bill of 1901. When the committee discussed the tariff law, which is now in force, it abandoned a specific and graduated scale of duty for an ad valorem duty. It also reduced the duties to one-fourth of the amounts required by that scale.

Importations have rapidly declined since 1913, and a return to still harsher requirements than then prevailed seems, in our opinion, unnecessary.

If there is a need of a higher tariff for revenue at the present time, the costs of these goods and their packing have a little more than doubled since 1913, and therefore the revenue derived from each ton of imported cement is to-day twice as much as it was when the present tariff was enacted.

Comparative costs of imported and domestic Keene's cement show that for protection the domestic cement needs no duty whatsoever. We give you below the home market price of the principal brands of imported Keene's cement, plus necessary expenses in laying same down at the port of New York, which is the nearest and cheapest market in the United States, with the wholesale price, which includes the manufacturer's profit in the same market:

Grade.	Imported cost per short ton.	Expenses to New York.	Total.	Domestic grade.	Wholesale in New York per short ton.	Less bags returned, \$3.
No. 2.....	\$17.75	\$9.57	\$27.32			
No. 1.....	18.83		28.40	Regular.....	\$27.70	\$24.70
Coarse.....	24.08		33.65			
Fine.....	36.01		43.58	Fine.....	30.97	27.97
Medium superfine.....	43.60		53.17	Superfine..	33.20	30.20
Extra superfine.....	46.36		56.43			

These figures show that with the exception of the fine grade, which costs 50 per cent more, the costs of imported Keene's at the home market, plus the expenses of transporting same to New York, without duty, is practically the wholesale price of the domestic cement in the same market. For ports other than New York additional costs by freight charges of from \$1.77 to \$7.19 per ton of 2,000 pounds must be added. For inland markets freight charges still further handicap the importer. For instance, the freight to Chicago costs \$6.70 per ton, and since the longer freight haul of the imported cement means a shorter haul from the domestic factory for their product, the adverse balance against imported cement is double the freight charges every mile inland.

According to the above figures the domestic Keene's cement needs no protection. The cost to the importer is never less, and generally much greater than the wholesale price of the domestic cement, at any place in the United States. Before the importer can do any business, there must be added to make a comparative wholesale price a "reasonable addition for profits and general expenses," which for purposes of appraisal according to your rules would be "not less than 16 per cent."

On a proper basis of comparison, therefore, the cost of imported Keene's cement is at least 16 per cent higher than those of the domestic article under the most favorable conditions of comparison.

The fact is that the cheaper grades of the imported cement have not been able to survive present conditions, and their importation has about ceased. It is only the better and more expensive grades that can be brought into this country, and that because of qualities which make them marketable in spite of the high cost. They are now imported in small quantities only, and any such duty as the amounts proposed will doubtless mean their extinction as imports also.

We submit, therefore, that on the basis of cost the domestic Keene's cement needs no protection, and that a higher tariff than the present will mean a cessation of imports, and bring the Federal Government no revenue.

The inference was made when I was before your committee that Sicilian labor was used in connection with the making of imported Keene's cement. Cafferata & Co. is an English concern, composed of native-born Englishmen. All of the English Keene's cement is made from gypsum quarried or mined in England and is manufactured by English union labor. Sicilian or any foreign labor is not and to our knowledge never has been used in the manufacture of English Keene's cement, which is the only kind imported in recent years.

**STATEMENT OF H. A. COUSINS, REPRESENTING H. A. COUSINS (INC.), ARTIFICIAL MARBLE OR SCAGLIOLA, NEW YORK CITY.**

The CHAIRMAN. Will you state your full name to the committee?

Mr. COUSINS. Henry A. Cousins.

The CHAIRMAN. Where do you reside, Mr. Cousins?

Mr. COUSINS. Five hundred and twenty four West Twenty-fifth Street, New York City.

The CHAIRMAN. What is your business?

Mr. COUSINS. Manufacturer of scagliola or artificial marble.

The CHAIRMAN. Will you state briefly your views on this question?

Mr. COUSINS. The cement known as Keene cement, the imported kind, is used exclusively for the manufacture of artificial marble. We have not found up to the present that any domestic cement has been able to fill our requirements.

Senator CURTIS. Have you ever tried the Kansas cement?

Mr. COUSINS. Yes, sir.

Senator CURTIS. It has been admitted in the last hearings that the Kansas cement answered the purpose.

Mr. COUSINS. No; scagliola or artificial marble can be made from plaster; it can be made from many materials; but good quality material can only be made at the present from the English cement. That cement has qualities and characteristics which none others have been able to equal, either in this country or in other countries in Europe. I have traveled extensively in an endeavor to find it.

Senator CURTIS. What States have you obtained Keene cement from and tried it out?

Mr. COUSINS. Generally speaking, the manufacturers of domestic Keene's cement come to me as an expert—I might say I have had 46 years' experience in this—for information and points on which to improve their Keene's. I have made many tests and researches.

Senator CURTIS. I do not doubt that. I am asking what States in the Union you have used Keene's cements from?

Mr. COUSINS. Principally from Kansas.

Senator CURTIS. Have you had any from Louisiana or Georgia?

Mr. COUSINS. No; I could not say as to the sources of gypsum, but the Keene cement I have used has been made at Peoria, Ill., where

there was one concern; and another concern some years ago started in Long Island City.

Senator CURTIS. Go ahead with your statement.

Mr. COUSINS. I would say that the scagliola business is an industry which is an important aid to modern building methods, and it is one, moreover, that does not compete with any American product. The price of imported Keene cement has doubled since the war, which fact, with the cost of labor, threatens the absolute extinction of this industry.

Since the introduction of the artificial marble business in this country, about 33 years ago, we have conferred with and cooperated with many of the American manufacturers in an endeavor to obtain a cement which would fill our requirements, but in spite of the expenditure of much time and capital no concern has yet succeeded in putting on the market a cement capable of superseding this for our purposes. We are as dependent upon the imported cement as we ever were.

It must be plain to every one that we would not pay the high price if we could get something that would give us steady supply and a good article. That is another drawback to the use of the imported, that the shipments are very erratic and irregular. We have not, for instance, had a shipment within the last nearly six months to this country.

It should be understood that while there is good Keene cement made in this country, it is made for a plastering purpose, and is used practically exclusively for that. It is favored more than other kinds, more than the English kinds by plasterers, but it does not fill the requirements for artificial marble.

Senator SMOOT. You are not objecting to this protection on artificial marble, are you?

Mr. COUSINS. There is no protection on artificial marble. We do no importing except that we are the indirect importers; we do not import directly.

Senator SMOOT. It is not put on the free list, is it?

Mr. COUSINS. It is not mentioned, I believe, in the tariff.

Senator SMOOT. It falls in the basket clause.

The CHAIRMAN. Is there any imported?

Mr. COUSINS. No.

The CHAIRMAN. I mean, any artificial marble?

Mr. COUSINS. None.

The CHAIRMAN. That comes in competition with the home product?

Mr. COUSINS. Absolutely none.

The CHAIRMAN. You build it up wherever the requirement is?

Mr. COUSINS. We build it up wherever the requirement is.

I would say, again, that the amount of Keene cement imported into this country is so small that it does not seem to warrant the application of so drastic rates.

Senator CURTIS. There was a good deal of it imported under the Payne-Aldrich bill, was there not?

Mr. COUSINS. Not a great quantity compared to the home production.

Senator CURTIS. Is it not a fact that before the Payne-Aldrich bill was passed you could import Keene's cement and lay it down in New York at \$15 a ton, and you sold your Keene's cement at \$35 a ton?

Mr. COUSINS. You must understand, Senator, I have never been interested in the importation or sale of Keene cement of any kind. I am a buyer.

Senator CURTIS. I am telling you what occurred, that is all.

Mr. COUSINS. The Keene cement that you mentioned was of the lower grades of English cement, which were also at that time used for plastering purposes; since then the increase in cost has shut them out of the market.

Senator SMOOT. The amount of importations does not show they are shut out at all; for instance, 1919, Roman, Portland, and hydraulic—

Mr. COUSINS (interposing). This is not a hydraulic cement.

Senator SMOOT. Then I would have to deduct that from the others to find out exactly what they were. I could not tell exactly, but the importations of all these cements have increased greatly.

Mr. COUSINS. That may be, but not the Keene, as you will find, Senator.

Senator SMOOT. All of them. The hydraulic cement, Portland, and Roman have increased from a value in 1919 of \$51,063 up to \$964,807 in 1921.

Mr. COUSINS. That is entirely different.

Senator SMOOT. But take all of the others, which includes Keene cement, and that has increased; all the others are about the same in 1919 as 1921.

Mr. COUSINS. I think you will find since 1913 the average importations have been about 500 tons—the total importations into this country.

Senator SMOOT. The tons are not given, but the values are—\$524,709 in 1919 and \$523,376 in 1920.

Mr. COUSINS. I may say, moreover, before we dismiss the subject of the cheaper grades of English cement, that I have never bought those grades, because they are not useful for my purpose. I buy only the more expensive grades, what is known as the coarse and super and extra super. Those sell very high as compared with the domestic. The material that it is made up into—this kind of a thing [exhibiting sample to the committee].

It is possible to produce samples looking as good or better out of plain gypsum or imported cement, but in practical work it is impossible to carry on business and give satisfaction with the domestic. I wish it were otherwise.

**BRIEF OF H. A. COUSINS, REPRESENTING H. A. COUSINS (INC.), ARTIFICIAL MARBLE OR SCAGLIOLA, NEW YORK CITY.**

I appear before your committee as the representative of the users of imported Keene's cement; that is, as representative of the artificial marble manufacturers, an industry which depends absolutely on this material. An industry, moreover, which is an important aid in modern American building methods and one which does not compete with any American product.

The price of imported Keene's cement has more than doubled since before the war, which fact, with the even greater advance in cost of labor, threatens the absolute extinction of the industry. We are therefore alarmed by the prospect of a still further increase in the cost of this material on which we must depend for the manufacture of artificial marble of good quality.

Since the introduction of the artificial marble business in this country, about 32 years ago, we have conferred with and cooperated with many American manufacturers in an endeavor to obtain a cement which would fill our requirements, but in spite

of the expenditure of much time and capital, no concern has yet succeeded in putting on the market a cement capable of superseding the English for our purposes; we are as dependent on the imported cement as we ever were.

It must be patent to everyone that we would not pay the high price demanded for the imported if we could get an American cement which would fill our requirements at a lower cost, as besides higher cost we are subject to a very uncertain supply. For instance, not a shipment of foreign Keene's has been made to this country during the last six months.

It should be understood that while American Keene's is excellent for plastering purposes, is generally favored by plasterers, and is largely used by my concern for special plastering, it does not fill our requirements for artificial marble.

English Keene's, on the other hand, is not so highly favored for plastering, even if its high cost were not taken into consideration. It has, however, many qualities or characteristics which are necessary for the production of first-class artificial marble. We therefore consider any barrier to its importation as a blow to an industry which has become a necessity to American building methods and to the specially skilled men who are dependent on it.

We can not, as would be the case with any of the staple trades, raise the price of our product in proportion to the rise in cost of materials to us, as the cost of our product is already much higher than domestic marble, which is the only material with which we might be expected to compete, and the price we are obliged to charge is nearly equal to that of the imported marbles.

The selling price of imported cement is so high as compared with the domestic that there is no competition on that point. The imported retains a market solely on account of its valuable qualities not obtainable in the American.

Practically the entire importation of Keene's cement of the finest grades is used in the manufacture of artificial marble, and more of it could be used for the same purpose if obtainable.

The small amount of Keene's cement imported into this country—some 500 tons a year—does not warrant the application of so drastic a rate.

There is no domestic Keene's cement having the qualities required for the production of high-class artificial marble.

The English Keene's cement has special qualities which make it essential for the manufacture of artificial marble or scagliola.

Confusion seems to exist in the minds of certain Senators regarding the peculiar qualities of Keene's cement and its differentiation from hydraulic and other cements, with which it was mentioned in a question by a Senator intended to show that Keene's cement imports had increased during recent years. This is absolutely erroneous as regards Keene's cement, which must not be classed as a hydraulic cement, and which was not subject to the general increase quoted.

The quantity of imports of Cafferata's Keene's cement, which is the principal of two brands regularly imported, is as follows for the years 1913 to 1920:

	Tons.		Tons.
1913.....	1,260½	1917.....	344½
1914.....	737½	1918.....	108
1915.....	403½	1919.....	77
1916.....	495	1920.....	157

## GYPSUM.

[Paragraph 205.]

### STATEMENT OF WILLIAM M. CHADBOURNE, NEW YORK, N. Y., REPRESENTING IMPORTERS OF RAW GYPSUM.

Mr. CHADBOURNE. Gentlemen of the committee, I appear for the following: Connecticut Adamant Plaster Co., New Haven, Conn.; Rock Plaster Corporation, New York City; J. B. King & Co., New York City; Newark Plaster Co., Newark, N. J.; Higginson Manufacturing Co., Newburgh, N. Y.; New Red Beach Plaster Co., Boston, Mass.; Charles Hart, trustee for Keystone Plaster Co. of Chester, Pa. Mr. Neyle Colquitt, who represents Mr. Priddy, an importer of raw gypsum for agricultural purposes, has allowed me his time.

Senator SIMMONS. What is the paragraph in which you are interested?

Mr. CHADBOURNE. Paragraph 205. What we want is that raw gypsum be permitted to come in free of duty. We have no objection at all to the levying of such duty as the committee shall see fit upon manufactured gypsum. The Fordney bill places a duty on raw gypsum of 25 cents a ton, a specific duty.

Senator WATSON. What is it now—free?

Mr. CHADBOURNE. It is 10 per cent ad valorem, which amounts to about 15 cents a ton, under the Underwood bill. Gypsum, as you may know, is used in the making of cement, and particularly for plaster, gypsum blocks, and as a fertilizer. In short, it is used for building materials and for agriculture.

Senator SIMMONS. They use it extensively in growing peanuts.

Mr. CHADBOURNE. Precisely, Senator, and it is used extensively in New England as a fertilizer.

About 3,000,000 tons, or somewhat over that, of raw gypsum are used per year in the United States. About 300,000 tons are imported. That imported raw gypsum comes almost wholly from Nova Scotia and New Brunswick, from mines owned or controlled by American capital.

Gypsum is an article which is not of very great value in proportion to its bulk, and, accordingly, it must come from near-by sources. A very large part of the gypsum consumed on the Atlantic seaboard comes in the raw shape from Nova Scotia to these mills that I have described, and is there made up into the manufactured product. About nine-tenths of the value of the manufactured product is the result of the labor applied to it by American workmen in American mills.

It seems to me that the situation with respect to raw gypsum is very much like that with respect to fuel oil. As you will recall, President Harding sent a special message to the House asking that fuel oil for New England and the Atlantic seaboard which had to come by sea from the nearest market, namely, Mexico, be placed on the free list.

This question of the duty on gypsum becomes particularly important to the great States of the Northeast—New England, New York, Pennsylvania, New Jersey. You have your problem here in Washington because of the housing situation. The housing situation is a very serious one, as Senator Calder's committee has reported. I may say that a much larger percentage of plaster goes into dwelling houses than goes into the large commercial buildings.

So it seems to us that this committee should recognize the need of keeping the cost of new building construction down as low as possible.

The other day in the new revenue bill they provided that loans by building and loan associations, where the income return was not over \$500—which would mean loans of not over \$10,000—should be exempt from taxation, for the very purpose of encouraging new building construction.

There is one other phase of this duty that I want to call especial attention to, and that is that it is a very wasteful duty to collect. The duty is 25 cents a ton. That means an inspector and a weigher must go to the mill, perhaps from New York to Newburgh, where the gypsum is landed from barges or from schooners. They spend time

going there and they spend time there and they spend time coming back. I doubt very much if of the gross duty of 25 cents collected the Treasury is netted much more than a very small fraction, or not much over half when it comes into the Treasury.

In addition to that there is this further point-----

Senator SMOOT. Who gave you that information, Mr. Chadbourne? I think that is exaggerated greatly.

Mr. CHADBOURNE. Senator, that is something that of course is very difficult to get accurate figures on, but if you have a barge-----

Senator SMOOT. Well, just let it pass. The invoice price is taken on those things.

Mr. CHADBOURNE. There has to be a good deal of time spent in weighing a cargo of gypsum. It may be at some distance from the place where these men are located.

Senator SIMMONS. Does it come in in bulk?

Mr. CHADBOURNE. Oh, yes. This gypsum is broken up, just as it is quarried in Nova Scotia, and is worth about \$1.50 a ton. It comes down in barges and schooners.

There is another feature of this matter that is of even greater importance, and that is the added cost to the importer by reason of having to weigh this very cheap material. His barge or his schooner must wait until they can get an inspector, which may be a day or two. This all comes out of the man who wants to put up a house. It is put on the consumer. The schooner must lie there or the barge must lie there until an inspector and a weighman can be obtained. This consumes a day or a day and a half or two days. In the meantime, he is paying the wages of his men, and the expense of holding the boat. There is also double handling. He has got to put it on the scales, weigh it, and take it off the scales. As a result, there is a considerable extra charge, so that you can not tell how much is added to the cost to the consumer in order to give a comparatively small sum to the Government.

The opposition to this raw gypsum going upon the free list comes from but a single producer in this country. None of the other producers except this one object to it. The objector is a gentleman in Virginia, in the western part of the State, who produces, as near as I can learn, about 50,000 tons a year. He comes here and objects to this. His company seems to be prosperous. The reports of the department show that all of these gypsum companies are prosperous. There is going to be a great demand for gypsum for building purposes. In order to increase his profits he is willing to penalize the great States of the Northeast, the great industrial communities which need housing badly and where lack of housing is producing a great deal of social unrest and bolshevism because people are crowded into houses where there is no room for them and where we are doing everything we can to increase the housing accommodations.

In short, this duty, if it is imposed, will come out of the two classes of the community who least should be called upon to bear it at this time. It will come out of the farmer and it will come out of the rent payer and will have a direct effect upon what they must pay for their living accommodations and for what they raise.

In closing I want to call the attention of the committee to one thing in the matter of definition. In the Payne-Aldrich bill and in the Underwood bill, and, so far as I can learn, in all the previous tariff

bills, the distinction that has been drawn is that crude gypsum is distinguished from calcined gypsum—that is, it was immaterial whether the gypsum was run through a crusher before it was dumped into the boat for easy handling, or whether it was taken in great blocks. But in some way, I do not know how, in the Fordney bill the distinction was drawn between crude gypsum and ground or calcined gypsum.

Senator SMOOT. That is exactly the wording in the Payne-Aldrich bill.

Mr. CHADBOURNE. I stand corrected. I was informed that the distinction was between crude and calcined—

Senator SMOOT. The wording is just exactly the same in the Payne-Aldrich bill as it is in this, and the rates were 30 cents on crude, \$1.75 a ton on ground or calcined.

Mr. CHADBOURNE. I may say that the rates have been coming down progressively. In the Dingley bill they were 50 cents a ton. It was recognized that this great section of the United States must draw its gypsum products from outside the United States. It seems to us that free raw gypsum is a recognition of the principle of cheap raw materials for New England, New York, Pennsylvania, New Jersey, and these other States.

Let me say that the amount involved so far as revenue goes is considerable—I think, about \$44,000 was collected in 1920. I do not know how much more it has added to the cost of the article to the consumer because of these incidental expenses in handling, which I am informed are considerable.

Senator SMOOT. Is that on a basis of 10 per cent?

Mr. CHADBOURNE. On a basis of 10 per cent ad valorem; yes, sir. On the basis of 25 cents per ton it would be seventy to seventy-five thousand dollars.

Senator WATSON. What do you suggest?

Mr. CHADBOURNE. Our suggestion would be free raw or ground gypsum, and \$1.40 a ton, or any sum you wish to put on it, upon the manufactured or calcined gypsum.

Senator WATSON. Plaster rock or gypsum, crude?

Mr. CHADBOURNE. Free.

Senator WATSON. And for calcined?

Mr. CHADBOURNE. \$1.40 a ton. I would strike out the word "ground," because that does not mean manufactured. It costs a few cents to run this through a rock crusher.

Senator SMOOT. It has been administered in that way in the past, and we have never had any trouble at all. Just as soon as a change is made somebody is going to carry it on to the courts.

Mr. CHADBOURNE. Except, Senator Smoot, if you will pardon me, it does add considerable to the cost of handling to ship raw gypsum in great blocks, and if it is more economical to be able to use great scoops by running the raw gypsum through the crusher before it is dumped into the barge or the schooner—

Senator WATSON. What do you say about the rest of it—or are you interested in the rest of it?

Mr. CHADBOURNE. You can make it \$2.80 a ton if you choose.

Senator WATSON. You are not interested in Portland cement?

Mr. CHADBOURNE. No, sir; I have a brief prepared, and I would like to submit a short supplemental brief.

Senator SMOOT. You will have that privilege.

Mr. CHADBOURNE. Here is the brief of Mr. Neyle Colquitt.

Senator SMOOT. You may put that into the record.

#### BRIEF OF WILLIAM M. CHADBOURNE, NEW YORK CITY.

(On behalf of Connecticut Adamant Plaster Co., New Haven, Conn.; Rock Plaster Corporation, New York City; J. B. King & Co., New York City; Newark Plaster Co., Newark, N. J.; Higginson Manufacturing Co., Newburgh, N. Y.; New Red Beach Plaster Co., Boston, Mass.; Keystone Plaster Co. of Chester, Pa.)

#### USES OF GYPSUM.

Raw or crude gypsum is used in the manufacture of Portland cement (which requires about 4 per cent of raw gypsum), as a fertilizer, and in the various manufactures of plaster, consisting of wall plaster, plaster of Paris, plaster-board, fireproof tiles for partitions, floors, and roofs. At least 75 per cent of the crude gypsum is used for building purposes. The amount of plaster used in modern building is enormous. Thus a structure like the new Cunard Building will consume from 5,000 to 6,000 tons.

#### AMOUNT AND SOURCE OF RAW GYPSUM CONSUMED IN THE UNITED STATES.

The normal annual consumption of raw gypsum in the United States is between 2,500,000 and 3,000,000 tons. Of this amount about 10 per cent is imported.

Eighty to 85 per cent of the raw gypsum produced in the United States is mined west of the Alleghenys and does not reach the Atlantic seaboard in any quantity. East of the Alleghenys in the United States are two sources of supply—one in western New York, about 50 miles east of Buffalo, and two small plants in western Virginia. The Virginia plants together produce between 100,000 and 150,000 tons a year, and their production is consumed locally and in the south Atlantic seaboard States.

The great northeastern industrial region of New England, New York, Pennsylvania, New Jersey, Delaware, and Maryland are wholly dependent for their supply upon western New York and Nova Scotia.

About two-thirds of the supply of raw gypsum for the northeast industrial region comes from western New York and about one-third from Nova Scotia.

The quarries in Nova Scotia are owned by American capital. The only work done in Nova Scotia is to mine the raw material and to dump it into the vessels which transport it. When the raw material reaches this country it is converted into the finished product in American mills. The mills in the northeastern industrial region of the United States are located as follows: New Haven, Conn., Connecticut Adamant Plaster Co.; New York City, Rock Plaster Corporation, J. B. King & Co.; Newburgh, N. Y., Higginson Manufacturing Co.; Newark, N. J., Newark Plaster Co.

#### THE HOUSING SITUATION.

Upon a conservative estimate at least 75 per cent of the raw gypsum consumed in the United States goes into building. The importance of encouraging the construction of dwellings by reducing in every possible way the cost of construction is everywhere recognized. Congestion such as that which now occurs in New York City and the other centers of the northeastern industrial region, where two and three families are frequently crowded into houses and tenements designed for one family, has already created serious social discontent and is the most dangerous breeder of Bolshevism in this country.

The Ways and Means Committee of the House of Representatives has recognized the importance of encouraging housing through reducing the duties on building materials. It is understood that the committee for this very reason proposes in the emergency tariff bill to be presented to the special session of Congress to put no duty on unworked lumber. The same argument will apply with equal force to the duty on raw gypsum. To this may be added the additional argument that while the imported lumber may by its competition injure the American lumber business to some extent, the admission of imported raw gypsum will, as is later pointed out, have no appreciable effect upon the American gypsum industry.

#### PRESENT TARIFF AND PAYNE-ALDRICH TARIFF ON RAW GYPSUM.

Under the tariff of 1913, at present in effect (sec. 74 of Schedule B), the tariff on gypsum is 10 per cent ad valorem. As the value of the raw gypsum is about \$1.50 a ton, this makes the duty about 15 cents a ton.

Under the Payne-Aldrich tariff bill the duty was a specific one of 30 cents a ton.

**CHEAP IMPORTED RAW GYPSUM IS ESSENTIAL TO THE EXISTENCE OF AN IMPORTANT AMERICAN INDUSTRY.**

The great bulk of raw gypsum imported from Nova Scotia is manufactured in the United States into various forms of plaster. This gives employment to a large number of American workmen who are directly dependent for their livelihood upon cheap imported raw gypsum. Nine-tenths of the value of the plaster manufactured from the imported raw gypsum is the result of the work of American labor employed in American factories; that is to say, the plaster in its manufactured form has 10 times the value of the raw gypsum rock in its quarried state. From this it follows that a duty upon the imported raw gypsum seriously interferes with an important domestic industry employing large numbers of American workmen. It would be most unfortunate if at this time Congress should do anything which would tend to increase unemployment in this country.

**THE ATTITUDE OF AMERICAN PRODUCERS TOWARD PUTTING RAW GYPSUM ON THE FREE LIST.**

The American importers of raw gypsum from Nova Scotia took up last year with the American producers the matter of placing raw gypsum on the free list. No objection to such a course was raised by any of the American producers with the exception of a small company in Virginia with an annual production of about 50,000 tons a year--the Southern Gypsum Co., of North Holston, Va. Consequently when the recent hearings were had before the Ways and Means Committee there was no opposition to the request of the gypsum manufacturers of New York, Connecticut, and New Jersey that gypsum be put on the free list, except from the Southern Gypsum Co., represented by Mr. West.

The reason why there is no opposition from the other producers of raw gypsum in this country is that the demand for raw gypsum occasioned by the demand for building materials will in the next few years absorb all of the raw gypsum that can be produced in this country as well as that which can be imported. Accordingly the American gypsum producers, with the exception of the Southern Gypsum Co., have taken a patriotic stand in support of the movement to reduce the cost of building materials by not opposing the application of the New York, Connecticut, and New Jersey manufacturers to have raw gypsum put on the free list.

It should further be noted that the opposition of the Southern Gypsum Co. to the putting of gypsum on the free list arises from fear of competition in the manufacture of gypsum used as a fertilizer and not from the competition of raw gypsum to be used for building purposes. None of the raw gypsum imported from Nova Scotia which is shipped to Norfolk, Va., or the southern ports is used for building purposes. What the Southern Gypsum Co. is really objecting to is that the small quantity of about 10,000 tons of raw gypsum is annually shipped to Norfolk, Va., from Nova Scotia to be used for fertilizing purposes. Accordingly, the Southern Gypsum Co. is really seeking legislation which will increase the burdens of the farmers, who are already prostrate economically.

**NO OBJECTION TO TARIFF ON MANUFACTURED GYPSUM.**

We desire to emphasize the point that all we ask for are free raw materials; that is, free raw gypsum. Manufactured gypsum (calcined plaster, plaster of Paris) should bear a duty sufficient to protect the American workman, and we advocate the imposition of duties sufficiently heavy to accomplish this purpose.

**TO SUMMARIZE.**

To reduce the cost of building materials, it is essential to put imported raw gypsum on the free list. The producers of 98 per cent of the raw gypsum mined in this country are willing that this be done, and they have indicated their willingness by not appearing at the hearings of the Ways and Means Committee in opposition to the request. One Virginia company producing 2 per cent of the normal annual production of raw gypsum in this country appears and objects and asks that the duty be raised from that of 15 cents a ton (10 per cent ad valorem under the present tariff) beyond the duty of 30 cents a ton proposed by the Payne-Aldrich bill to 50 cents a ton (see p. 345, printed minutes of Ways and Means Committee, Bulletin No. 4 of hearings, Schedule B). Since the hearings the Southern Gypsum Co. is, we are advised, demanding that the duty be raised to \$1 a ton or more than three times the Payne-Aldrich bill and nearly seven times the present duty.

This attitude, we submit, is selfish in the extreme and fails completely to take into consideration the pressing requirements of the country as a whole. The crying need of the great industrial communities of New England, New York, and New Jersey for additional housing should not be sacrificed at the behest alone of a small southern producer in Virginia whose production as compared with the production of raw gypsum in the United States is infinitesimal, particularly when its objection is wholly based upon the importation into Norfolk each year of 10,000 tons of raw gypsum to be used for fertilizer purposes.

#### SUPPLEMENTAL BRIEF.

Leave was granted to file this supplemental brief upon two points not covered in our main brief, but taken up in the oral argument. These two points are:

- (a) The duty upon raw gypsum is a wasteful duty to collect.
- (b) As a matter of classification the distinction should be between uncalcined and calcined gypsum.

#### THE DUTY UPON RAW GYPSUM IS A WASTEFUL DUTY TO COLLECT.

Raw gypsum is a product of small value in comparison to its bulk and weight, being worth at the present time about \$1.50 a ton. In order to collect the duty a proportionately heavy expense is imposed upon both the Government and the importer and ultimately comes out of the consumer.

Raw gypsum is brought from Nova Scotia and New Brunswick in steamers, schooners, and barges of from 500 to 3,500 tons' capacity. Upon arrival at destination the steamers, barges, and schooners must be held without unloading until the Government inspector and weigher arrives. The points at which the raw gypsum is unloaded are generally at a distance from the offices of the Government officials, and considerable time is frequently consumed in going back and forth. Owing to press of other matters it sometimes happens that it is impossible to secure the immediate attendance of the weigher and inspector, causing the steamers, schooners, and barges to lie idle for a time, thus involving additional expense.

The necessity of weighing this cheap and bulky material is also an expensive process for the companies. The raw gypsum must be taken from the vessels and placed on the scales, and after the weighing process has been completed must be taken off the scales and dumped into bins or other receptacles.

Thus, it will be seen that a substantial part of the duty collected is expended by the Government in the process of collection, as contrasted with the more economical collection of duty on more costly articles. Moreover, the extra cost of handling entailed by the weighing and the expense of the delays incident thereto are both added to the cost of the material to the consumer. Accordingly, the net duty recovered by the Government is but a fraction of the extra cost to the consumer entailed because any duty at all is levied.

It should also be noted that in the process of manufacture there is a 16 per cent reduction in weight, owing to the driving off of that amount of water. Of course, the duty has been paid on this water.

The sums raised through the tariff on raw gypsum are comparatively small. For the years 1915 to 1920, inclusive, the amounts of raw gypsum imported and the duties collected are as follows:

Year.	Raw gypsum imported.	Gross duty collected.	Year.	Raw gypsum imported.	Gross duty collected.
	Tons.			Tons.	
1915.....	264,104	\$31,630.80	1918.....	152,934	\$17,695.90
1916.....	313,251	37,230.80	1919.....	76,954	9,251.80
1917.....	242,723	27,693.20	1920.....	297,407	40,000.00

<sup>1</sup> About.

Under section 205 of the Fordney bill the revenue received would, upon an assumed annual importation of about 300,000 tons, approximate \$75,000 a year.

In view of the small amount of duty collected and the expense to the consumer of collecting it, raw gypsum, we submit, should be placed on the free list.

## AS TO THE CLASSIFICATION.

Section 205 of the Fordney bill levies a duty of 25 cents per ton on plaster rock or gypsum, crude, and \$1.40 per ton if ground or calcined. The language is as follows: "Plaster rock or gypsum, crude, 25 cents per ton; if ground or calcined, \$1.40 per ton."

Under the tariff act of 1913, Schedule B, section 74, a duty of 10 per cent ad valorem was levied on "Plaster rock or gypsum, crude, ground or calcined."

We urge that the language above quoted from the Fordney bill be changed to read as follows: "Gypsum, calcined, \$1.40 per ton."

And we urge that a new paragraph be introduced in the free list to be worded as follows: "Plaster rock or gypsum, crude, ground."

The reason we urge this change is this: In order to load the vessels and handle crude gypsum most effectively, it is found desirable to break it into small pieces, as by grinding, thus making it possible to use mechanical devices instead of hand labor in loading and unloading.

The only possible use to which raw ground gypsum can be put is that of a fertilizer. For all other uses raw gypsum must first be manufactured (calcined). In building construction manufactured (calcined) gypsum plays an important part in such products as wall plaster, casting plaster, plaster boards, partition blocks, roof tile, floors, etc.

Accordingly, this merely mechanical subdivision of raw gypsum by grinding is carried out (in the case of raw gypsum destined to be manufactured) purely to make its handling more economical and thus reduce its price to a finished article. It should not shift the gypsum so treated from the raw material category.

**BRIEF OF NEYLE COLQUITT, REPRESENTING CHARLES W. PRIDDY & CO.,  
NORFOLK, VA.**

The Southern Tariff Association, purporting to represent some 58 of the many thousands of industries in the South, has filed with your committee a schedule of tariff rates which they desire on various commodities, including within which is the request for a tariff of \$1 per ton upon crude gypsum, or land plaster. This is more than six times the present duty and more than three times the duty under the Payne-Aldrich tariff bill.

We would respectfully direct the attention of your committee to the fact that the Southern Gypsum Co., of North Holston, Va., is the only producer of crude gypsum, which is a member of this association.

And that the said Southern Gypsum Co. is the only producer of crude gypsum which has asked for any tariff at all upon crude gypsum.

Further, that the Southern Gypsum Co. does not produce more than 2 per cent of the crude gypsum produced in the United States.

And, further, that the remaining 98 per cent of the trade has made no request for any tariff whatever upon crude gypsum.

Further, that the present tariff on gypsum amounts to about 15 cents per ton.

That land plaster, or crude gypsum, is used for fertilizer and for building material.

That any advance in the tariff on gypsum will cause a consequent advance in the price of crude gypsum within the United States as a fertilizer and as a building material, which expense must be borne by the farmer, laborer, and builder.

That crude gypsum is used in its native state as a fertilizer, particularly for peanuts and frequently it is spread without mixing with any other material.

As some 400 pounds are used to the acre, it now costs the farmer about 3 cents additional as a result of the tariff for each acre; under the rate suggested by the Southern Gypsum Co., it would cost the farmer about 20 cents additional per acre.

As shown by the statistics prepared by the Department of Commerce, the importation of gypsum is not more than 10 per cent of the production within the United States.

Moreover, the gypsum is brought in in its crude state from Nova Scotia by American vessels and American crews.

We submit that there are but eight producers of crude gypsum east of the Allegheny Mountains (85 per cent of the raw gypsum produced in the United States is mined west of the Alleghenies and does not reach the Atlantic seaboard in any quantity), and that only one of these producers is asking for tariff, and we suggest that an analysis of the letters thus received will show that they come from one locality and not from the producers themselves.

We submit that the request for a tariff amounts in its last analysis to a request that Congress penalize the farmer and home builder to the extent of \$400,000 per year

in order to protect one producer on the 3,000 to 4,000 tons of plaster which he sells for agricultural purposes in the eastern part of Virginia and North Carolina.

We submit that the opposition of this one company to the putting of gypsum on the free list arises from fear of competition in the manufacture of gypsum used as a fertilizer, and not from the competition of raw gypsum, to be used for building purposes. None of the raw gypsum imported from Nova Scotia which is shipped to southern ports is used for building purposes.

That this plaster rock is at the present time the only fertilizing ingredient imported into this country that is subject to any duty.

The statistics of the Treasury Department show that there were imported last year 297,407 tons of crude gypsum, valued at \$445,500, upon which an import duty of \$44,550 was paid.

We respectfully submit that agriculture and house building are sorely in need of encouragement and that any tax now levied on land plaster means an additional burden to the farmer and the house builder.

### PUMICE STONE.

[Paragraph 206.]

#### STATEMENT OF F. L. GOETZ, VICE PRESIDENT JAMES H. RHODES & CO.

Mr. GOETZ. My subject is paragraph 206, revision of 1921, pumice stone, unmanufactured, valued at \$15 or less per ton, two-tenths of 1 cent per pound; valued at more than \$15 per ton, three-tenths of 1 cent per pound; wholly or partly manufactured, four-tenths of 1 cent per pound; manufactures of pumice stone or of which pumice stone is the component material of chief value, not specially provided for, 26 per cent ad valorem.

Congress, by amendment afterwards, increased the rate of wholly or partly manufactured to fifty-five one-hundredths of 1 cent per pound.

Unmanufactured pumice stone is our raw material. We import it from Italy and grind it into powdered pumice stone of various degrees of coarseness by means of American labor and American milling machinery.

We respectfully petition for a tariff not to exceed 65 cents per ton on unmanufactured pumice stone, which is practically the rate of duty paid at present, since under the act of 1913 unmanufactured pumice stone pays 5 per cent ad valorem and the value in Italy has been \$13.50 per ton for the past year.

Any increase in the duty on the unmanufactured grinding rock would serve only to increase the price to the consumer, because there is no pumice stone produced in the United States or elsewhere that can replace the Italian pumice stone, as evidenced by the many letters submitted by important users to the Ways and Means Committee, some of which letters were printed in the published hearings of the Ways and Means Committee.

Senator SMOOT. As I understand it, you want 65 cents a ton, no matter what the value of it is?

Mr. GOETZ. Yes, sir.

Senator McLEAN. How much is it worth a ton?

Mr. GOETZ. In 1913 it was worth only \$7.50 a ton.

We do not ask for free raw materials. If the duty is changed to a specific duty of 65 cents per ton, the Government will then obtain a revenue of 73 per cent over that obtained in 1913, in consequence of the value having been \$7.50 per ton in 1913.

Under the Payne bill the rates were as follows: Unmanufactured, valued at less than \$15 per ton, 30 per cent ad valorem (30 per cent of the value then of \$7.50 per ton was \$2.25); valued at \$15 per ton or more,  $\frac{1}{4}$  cent per pound; wholly or partly manufactured, three-eighths of 1 cent per pound, or \$7.50 per ton.

Under the Payne bill, ad valorem duties were, of course, assessed on the basis of the value in the country of export.

The following illustrates the rate of duty paid at present on unmanufactured and manufactured pumice stone under the act of 1913 compared with the proposed rates under the revision of 1921, and also shows the percentage of increase (per ton):

Unmanufactured (per ton), 1913, 65 cents equals 5 per cent ad valorem; 1921, \$6 equals 45 per cent ad valorem; \$5.35 increase, or \$23 per cent.

Manufactured (per ton), 1913, \$5; 1921, \$11; increase, \$6, or 120 per cent.

It will be noted from the foregoing illustration that under the revision of 1921 a rate of \$6 per ton is shown, the reason being that the cheapest unmanufactured pumice stone that comes into this country is grinding rock, and with a present cost of \$13.50 per ton, f. o. b. Lipari, Italy, it will be readily seen that the American valuation will exceed \$15 per ton, thereby causing the crude grinding rock to take a rate of three-tenths of 1 cent per pound. No pumice stone which comes into this country will be eligible for classification under the two-tenths of 1 cent per pound rate.

In any event you may be sure that the Italian exporter will increase his price on unmanufactured pumice sufficiently to cause the American grinder to pay the three-tenths of 1 cent rate and the Italian exporter will thereby reduce the differential between the landed cost of the raw material and the goods manufactured in Italy, to the detriment of the American grinder of pumice stone and to the advantage of the Italian grinder of pumice stone.

We call attention to the percentage of increase in the duty on raw material as compared with the percentage of increase in the duty on pumice stone ground in Italy by Italian labor and machinery. Comment seems scarcely necessary.

The amount of unmanufactured pumice stone imported during the period between October 1, 1919, and October 1, 1920, was 10,961 tons. We should say that fully 95 per cent of the unmanufactured was grinding rock.

Senator REED. How much did you say?

Mr. GOETZ. 10,961 tons.

Senator WATSON. When?

Mr. GOETZ. During the period October 1, 1919, to October 1, 1920.

There is some pumice stone that is unmanufactured that comes in and that is resold again in the state in which it is imported, but it is a very small proportion of the amount of importation of unmanufactured pumice stone.

Therefore the amount of pumice stone that is imported is rather limited, and at any rate of duty it would not be a source of great revenue to the country. While we do not ask for free raw materials, we think that 65 cents a ton, which represents 73 per cent over what the Government obtained in revenue in 1913, is fair to the Government and will not work a hardship on the consumer of pumice stone.

Senator WATSON. You are Mr. Goetz?

Mr. GOETZ. Yes.

Senator SIMMONS. How do you spell your name?

Mr. GOETZ. G-o-o-t-z.

Senator WATSON. Just what is it you do? I did not quite understand.

Mr. GOETZ. We import pumice stone as it is dug from the mines in Italy. It is packed in bags and shipped over to our plant. We crush the stuff, dry it, grind it, and run it through silk into 15 different degrees of coarseness, and then ship to industries that use pumice stone as an abrasive in polishing and rubbing and finishing.

Senator WATSON. You import the raw material and manufacture a finished product which is used in other industries?

Mr. GOETZ. Yes, sir.

Senator WATSON. Where is your plant located?

Mr. GOETZ. At the Bush Terminal, Brooklyn.

Senator WATSON. Are there any plants of like nature in the United States?

Mr. GOETZ. There are four besides ourselves.

Senator WATSON. They import also?

Mr. GOETZ. They do exactly what we do.

Senator WATSON. Is all the unmanufactured pumice stone that comes to the United States from Italy?

Mr. GOETZ. Yes. Italy is the world's supply. Pumice stone is produced in California. Brand & Stevens, who produce that pumice stone, appeared before the Ways and Means Committee and attempted to have the tariff increased about 3,000 per cent; that is, to have it advanced from 65 cents to \$20 a ton. The subject is very fully covered in the form of information they supplied and the information we supplied, and Mr. Garlow, of Meade, Kans., who is a very large producer of pumice stone and who, in 1908, was our opponent, and whose theory was that we should keep out Italian pumice stone, has since realized that the American pumice stone is not competitive to the Italian pumice stone. The trade that uses Italian pumice stone can not and will not use American pumice stone.

I refer to the brief of Mr. Garlow, president of the National Silica & Pumice Co. and representing the largest production of American pumice. His appearance before your committee in 1908 was based upon a theory similar to that of Brand & Stevens. After 10 years of actual producing experience in the pumice business, Mr. Garlow now states in his brief that protection for American pumice is entirely unnecessary. This shows the difference between the experience of Mr. Garlow and the theory of Brand & Stevens.

Senator REED. What page is that on?

Senator WATSON. Has he bought into your industry?

Mr. GOETZ. Absolutely not.

Reference is made to it in Schedule B, page 481.

At that time Mr. Garlow represented the Cudahy Packing Co. They now use pumice stone in their product known as Dutch Cleanser. It is suitable for that, but it is not suitable for industries who make a finished product.

Senator WATSON. The Tariff Commission says it is for ordinary requirements a satisfactory substitute for ground Italian pumice. That is not so, is it?

Mr. GOETZ. That is not so, so far as the finishing industry is concerned.

Senator WATSON. When it says "ordinary requirements," it means industry, does it not?

Mr. GOETZ. It might mean hand soaps and Dutch Cleanser, but it is not used on technical work and for things like pianos, silverware, artificial teeth, plate glass, celluloid, and such things.

Senator REED. Don't you think that this American pumice stone ought to be protected against pauper stone?

Mr. GOETZ. Ought to be protected against what?

Senator WATSON. Pauper stone.

Mr. GOETZ. Pauper stone?

Senator WATSON. Yes. P-a-u-p-e-r stone.

Mr. GOETZ. Oh!

I think this, that if the industries in the United States require a certain raw material to do their work, and if that raw material is obtainable only in one country of the world, we should not deny American manufacturers that raw material, especially while that raw material is available to the American manufacturers' competitors, the foreign manufacturers. That policy would enable the foreign manufacturers of silverware, pianos, plate glass, celluloid, and metals of all kinds, etc., to produce a superior article at a lower cost than the American manufacturers.

Senator REED. I wanted to get your point of view.

Senator McCUMBER. Is there anything further you wish to state?

Mr. GOETZ. Simply this: Mr. Laughlin, representing Brand & Stevens, a California producer, is in the room at present, and in his testimony he will have the advantage of having heard my testimony. What opportunity am I to have to make rebuttal to his testimony?

Senator McCUMBER. We will have to decide that later. If something new comes up during his testimony, you may make application to be heard again. I think that will be taken care of.

Mr. GOETZ. Thank you very much.

**STATEMENT OF ROBERT LAUGHLIN, PROFESSIONAL MINING ENGINEER, BUFFALO, N. Y.**

Mr. LAUGHLIN. I am speaking on paragraph 206 about pumice stone.

Senator DILLINGHAM. Do we have your name?

Mr. LAUGHLIN. My name is Robert Laughlin, and I am a professional mining engineer; residence, Buffalo, N. Y.; representing Brand & Stevens, of Pasadena, Calif., and New York, and W. Agar, of San Francisco, Calif.

Senator SMOOT. Can you state briefly just what you want?

Mr. LAUGHLIN. Yes, sir; we are asking for a tariff of 1 cent a pound, plus the present tariffs as incorporated in the Fordney bill, except for crude or unmanufactured pumice stone; we would like that part increased from 0.2 cent a pound to 1 cent a pound.

Senator WATSON. Are you an importer?

Mr. LAUGHLIN. No, sir; I am a miner.

Senator WATSON. Where are your mines located?

Mr. LAUGHLIN. In California. I might say, Senator Watson, that formerly the people I represented had mines in California, Utah, Arizona, Nevada, and Oregon. The mines left to-day are in California, as the rest ceased to operate.

Senator SMOOT. Wholly or partly manufactured, what do you want on that?

Mr. LAUGHLIN. One cent a pound, plus the rates incorporated in the present tariffs proposed by the House.

Senator SMOOT. One cent extra?

Mr. LAUGHLIN. Yes, sir; our arguments are advanced along the same general lines as those on magnesite, zinc, tungsten, etc.

Senator SMOOT. Finished products, you want 1 cent extra on that, too, do you?

Mr. LAUGHLIN. That is 26 ad valorem; we want 1 cent plus 26 to protect American manufacturers.

Senator WATSON. Why did those other mines cease to operate?

Mr. LAUGHLIN. They could not sell profitably.

Senator WATSON. Was it foreign competition that did it?

Mr. LAUGHLIN. Foreign competition did it.

Senator SIMMONS. When did they cease to operate?

Mr. LAUGHLIN. I haven't the exact date, Senator Simmons, but it was subsequent to the armistice.

Senator SIMMONS. Was there any great increase in the imports as compared with the prewar imports after the armistice?

Mr. LAUGHLIN. There has been an increase. Our normal consumption is between ten and eleven thousand tons. I think the last fiscal year showed 10,960 tons.

Senator SIMMONS. I want you to tell us about the increase in importations. You said that the increase in importations had run some of the mines out of business. I want to know when this began and what the amount of the increase was.

Mr. LAUGHLIN. I can not give you the figures on that, Senator.

Senator SIMMONS. Are the imports any greater now than they were before the war?

Mr. LAUGHLIN. Senator, my figures are divided here between the different classifications. It would take some time to get at the total.

Senator SIMMONS. What is the total?

Mr. LAUGHLIN. What is the total?

Senator SIMMONS. I have it for 1920. The quantity of imports in 1920 was 10,379 tons. The value was \$123,778. I am trying to find out what it was before the war. You say that the increase in imports has destroyed your industry. In 1918 the imports were 3,900; in 1917, 7,205.

Senator WATSON. Are you giving the value or the tons, Senator Simmons?

Senator SIMMONS. I am giving the quantity—the tons. In 1916 it amounted to 8,850 tons.

Senator WATSON. Is this unmanufactured pumice stone?

Senator SIMMONS. Unmanufactured; yes.

So that in 1916, as is shown here, it amounted to 8,850. In 1920, as I have said, it was 10,379. That does not seem to be a very great increase during that period. When did these mills close down?

Senator WATSON. I notice here in the tariff report that in 1913 the imports of wholly or partially manufactured pumice stone amounted to 3,845,000 pounds; in 1917, to 7,796,000 pounds; and in 1918, to 3,238,000 pounds. The partially manufactured imports may have had something to do with that.

Senator SIMMONS. This was unmanufactured that I was speaking of. I would like you to tell us when these mills closed down.

Mr. LAUGHLIN. They are not mills, Senator Simmons, except that the mill is coincident to refining stone as it comes out of the mines.

Senator SIMMONS. I understand that the mines closed down and that the mills connected with the mines closed down at the same time. When did that happen?

Mr. LAUGHLIN. The last mine closed down in, approximately, November, or possibly January, 1920.

Senator SIMMONS. January, 1920?

Mr. LAUGHLIN. Around that time. I am not sure as to the exact date.

Senator SIMMONS. You think that was because of the increase in imports?

Mr. LAUGHLIN. Absolutely; yes, sir.

Senator SIMMONS. What is the production in this country? I am asking that question because the amount of imports seemed to be very small.

Mr. LAUGHLIN. I would like to make a distinction there, Senator, if I may.

Senator SIMMONS. They did not seem to increase so much, according to this, since 1915. In 1915 the imports were about 2,000 tons less than in 1920.

Mr. LAUGHLIN. Our system of statistics classifies in one class deposits which are not the natural pumice deposits but pumisite, which is produced in Nebraska, Kansas, and in the Dakotas. That is lumped by the Department of Commerce and given out in the pumice stone statistics when it does not properly belong in the pumice stone statistics. Pumisite is used as a cleaner, and is mined with a steam shovel at a cost of about \$1.50 per ton.

Senator SIMMONS. You are not able to give those figures, are you?

Mr. LAUGHLIN. I can not separate the lump from the other.

Senator SIMMONS. Can you approximate it?

Mr. LAUGHLIN. Our big production is probably not over five or six thousand or now would not be over four thousand tons a year. That is about what it would be.

Senator SIMMONS. So that your imports have been a little bit more, possibly?

Mr. LAUGHLIN. They have been doubled. There are certain imported grades that we do not produce in this country. During the submarine campaign those imports were largely stopped and American stone substituted. The point I am trying to make, Senator, is this, that the imported stone that comes from Italy is laid down at the Atlantic seaboard c. i. f. at a price less than our transcontinental freight haul.

Senator SIMMONS. Where are your plants located?

Mr. LAUGHLIN. On the Pacific coast.

Senator SIMMONS. Did you say on the Pacific coast?

Mr. LAUGHLIN. Yes.

Senator SIMMONS. What does it cost to transport a ton from the mine to the Atlantic seaboard?

Mr. LAUGHLIN. Approximately \$25 a ton.

Senator SIMMONS. \$25 a ton?

Mr. LAUGHLIN. Yes, sir.

Senator SIMMONS. And you want a tariff, as I understand it, that will cover that difference in transportation; that is, comparing the ocean transportation with the rail transportation?

Mr. LAUGHLIN. That is what we are asking for; yes, sir.

Senator SIMMONS. Then you think it would be fair and just to allow the people in the territory east of the Mississippi to pay the railroad cost of \$25 a ton? What do you think about the consumers?

Mr. LAUGHLIN. There are not 25 tons used during the course of a year on the whole Pacific seaboard. The plants and the consumption are east of the Mississippi River.

Senator SIMMONS. What is the ocean rate?

Mr. LAUGHLIN. We have not checked it for a number of years. The last time we checked it up it was——

Senator SIMMONS. What is the ocean transportation from Italy?

Mr. LAUGHLIN. Oh, from Italy?

Senator SIMMONS. Yes. Didn't you say that it comes from Italy?

Mr. LAUGHLIN. All, I believe.

Senator SIMMONS. Well, I was asking for the ocean transportation rate from Italy to the Atlantic seaboard.

Mr. LAUGHLIN. I do not know what it is at present. I would have to translate that from shillings. I imagine, however, that it is about \$6 or \$7 a ton.

Senator SIMMONS. You think the people living on the eastern seaboard should be compelled to pay \$25 a ton freight as against \$6 or \$7 in order to stimulate your industry? That is your proposition, is it?

Mr. LAUGHLIN. Yes.

Senator SIMMONS. How many people are employed in your mine?

Mr. LAUGHLIN. At the present time, do you mean?

Senator SIMMONS. Yes, sir.

Mr. LAUGHLIN. About five.

Senator SIMMONS. How many are employed in the entire mining industry there?

Mr. LAUGHLIN. I would say about five people.

Senator SIMMONS. Only five people?

Mr. LAUGHLIN. At the present time; yes.

Senator SIMMONS. I am talking about labor.

Mr. LAUGHLIN. That is all our mines have had for a year and a half.

Senator McLEAN. Senator Simmons, they are closed.

Senator SIMMONS. How many were employed when the mines were in operation?

Mr. LAUGHLIN. I should say that each mine would run about 40 or 50 men to a unit.

Senator SIMMONS. That would amount to how much?

Mr. LAUGHLIN. Not over 300 for our production.

Senator SIMMONS. Is your industry expanding?

Mr. LAUGHLIN. Has it expanded?

Senator SIMMONS. Would it expand?

Mr. LAUGHLIN. We do not think it would expand to a production of over 4,000 or 5,000 tons a year, except as the eastern consumption expanded.

Senator SIMMONS. There are only 300 people employed, you say, and the users are on the Atlantic seaboard. In order to maintain these plants you want them to pay the difference between the ocean rate of \$6 and the transcontinental rail rate of \$25?

Mr. LAUGHLIN. Senator, we are asking for a freight rate that will allow us to sell pumice stone—

Senator SIMMONS (interposing). But we are not dealing with freight rates.

Mr. LAUGHLIN. I mean a differential that will give us the opportunity to compete.

Senator SIMMONS. That is what I think you want.

Mr. LAUGHLIN. We want a differential so that we can meet the Italian stone in fair competition.

Senator SMOOT. Have you a brief that you desire to file?

Mr. LAUGHLIN. I have, Senator.

Senator SMOOT. Is there anything else you wish to say?

Mr. LAUGHLIN. I would like to develop this reply.

Senator SMOOT. You want to equalize the freight rates?

Mr. LAUGHLIN. The Senator has intimated, if I understand him, that we are asking the American consumer to pay the difference between the freight rate we are compelled to pay and the freight rate that has been increased and doubled and raised 25 per cent by the Interstate Commerce Commission—

Senator SIMMONS. What would be the effect?

Mr. LAUGHLIN. I am trying to illustrate the fact that the American consumer does not pay that difference.

Senator McLEAN. What is the cost by water?

Mr. LAUGHLIN. By the time we pay dock charges, tolls, and other charges, our railroad freight figures up about the same as the Panama Canal rates.

Senator WATSON. Where is the largest consumption?

Mr. LAUGHLIN. On the Atlantic seaboard.

Senator WATSON. And the production is in the far West?

Mr. LAUGHLIN. The production is in the volcanic regions.

Senator WATSON. Suppose the imports were entirely shut off, could you supply the home demand?

Mr. LAUGHLIN. We did during the war.

Senator WATSON. You supplied the home demand, did you?

Mr. LAUGHLIN. We supplied all the demand that was made.

Senator WATSON. Did the demand decrease during the war?

Mr. LAUGHLIN. It increased very rapidly during the submarine campaign. At the end of the war it dropped off.

Senator WATSON. There was a time when there were no imports from abroad, was there not?

Mr. LAUGHLIN. There was a time when the imports of pumice were prohibited on account of shipping conditions, but there was some stone that came in.

Senator WATSON. During that time, notwithstanding that it increased, you supplied the demand?

Mr. LAUGHLIN. Yes; we did.

Senator SIMMONS. That does not conform to the statistics that I have just read, which were for the period during the war. During the war period there was more imported than was produced in this country. The embargo did not work; there was no embargo as to that. It came in in larger quantities during the war than it had been coming in before the war. The witness said a while ago that they did not think they could expand production in this country over 5,000 tons.

Mr. LAUGHLIN. I said under present economic conditions; at least that is what I intended to say.

Senator SIMMONS. To what extent could you expand under different economic conditions?

Mr. LAUGHLIN. I have no idea.

Senator SIMMONS. You were able to supply the demand before the war, were you?

Mr. LAUGHLIN. No, sir.

Senator SIMMONS. You did supply it during the war?

Mr. LAUGHLIN. To a large extent we did.

Senator SIMMONS. If the mills were running on full time, you would not be able to supply the domestic demand, because in 1920 10,000 tons came in. In 1917 over 8,000 tons came in.

Mr. LAUGHLIN. In 1917 there was a much larger demand on account of war orders. The very fact that under the tariff act of 1909 the western miner could not compete with the Italian stone is evidence that we could not compete under the proposed act.

Senator SIMMONS. You are not producing now more than 3,000 tons?

Mr. LAUGHLIN. We are not producing a ton a year now.

Senator SIMMONS. If the mills were running, you could produce that?

Mr. LAUGHLIN. Yes.

Senator SIMMONS. You said a while ago that you could not expand over 5,000 tons.

Mr. LAUGHLIN. Yes.

Senator SIMMONS. Then you changed it and said under present economic conditions. If you were protected, how much could you expand?

Mr. LAUGHLIN. I do not know.

There is another point I would like to call attention to. It has been insinuated that the tax, or, rather, that the duty, that we would like to have on this small amount will ultimately be a tax on the consumer. We have asked for a duty which will allow us to compete with the seaboard at approximately a cost of 2 cents a pound.

Senator SIMMONS. That is \$40 a ton?

Mr. LAUGHLIN. And out of that we will pay \$25 for freight rates and tax.

Senator SIMMONS. \$25 for the freight rates. That would be \$65 altogether?

Mr. LAUGHLIN. That would be \$40 altogether, or \$15 a ton to us at the mine.

Senator SIMMONS. I am talking about the consumer. You would add 2 cents to the cost of production. Of course you would also add the freight to the coast.

Mr. LAUGHLIN. I mean 2 cents a pound out of which the freight is prepaid to the Atlantic seaboard by us.

Senator SMOOT. Briefly state what you want.

Mr. LAUGHLIN. Here is a sample that I bought yesterday from a druggist. It is an ounce and three-quarters of manufactured pumice stone. I paid for it at the rate of \$1.20 a pound, as against a production cost of 3 cents.

Senator SMOOT. There is not much of it used in that way.

Mr. LAUGHLIN. These are the only samples I was able to buy. Here is a sample of the ground pumice stone. I paid for that at the rate of 80 cents a pound, which proves that the consumer does not profit by giving the Italian stone a monopoly.

Senator SIMMONS. What do you sell pumice stone for?

Mr. LAUGHLIN. On continuous production we could market it at the mine for between \$12 and \$15 a ton. The Italian stone has been largely produced by convict labor. That was so in the past. I do not know whether it is true now. We pay our lowest man \$4 a day and feed.

**BRIEF OF ROBERT LAUGHLIN, REPRESENTING BRAND & STEVENS, NEW YORK CITY.**

In the interests and on behalf of the pumice-stone miners and producers of the United States we respectfully solicit your careful consideration on the following argument concerning paragraph 206 of bill H. R. 7456, which states—

"Pumice stone, unmanufactured, valued at \$15 or less per ton, two-tenths of 1 cent per pound; valued at more than \$15 per ton three-tenths of 1 cent per pound; wholly or partly manufactured, four-tenths of a cent per pound; manufactures of pumice stone or of which pumice stone is the component material of chief value, not specially provided for, 26 per centum ad valorem."

During the hearings held by the Ways and Means Committee of the House on the tariff revision, we, together with the producers of magnesite, graphite, tungsten, etc., appealed for an adequate increase in tariff and were given a generous amount of time both because of the infancy of our industry and because of its intimate relation with war-time activities. Mr. Fordney, chairman and spokesman of the Committee on Ways and Means, recognized our need for such protection. On page 9 of his report to accompany H. R. 7456 he states:

"In the schedule, as elsewhere in the bill, special consideration has been given to products of new industry fostered by the recent war. The following articles in the earthenware schedule fall in this category: Magnesite brick, pumice stone, graphite, chemical porcelain, chemical glassware, and optical glass. The committee has recommended rates which it believes will continue the manufacture of these articles in the United States."

Our first effort will be to show that the proposed tariff is not adequate to cover the differential between the foreign shipped product and the American.

On page 386 "Tariff information, 1921, hearings before the Committee on Ways and Means, House of Representatives, Schedule B, Earths, earthenware, glassware, January 11, 1921," will appear copies of original affidavits to the Ways and Means Committee, which were furnished to show the average cost of unmanufactured pumice stone to the American producer delivered at the market. This cost is an average of \$39.945 per ton. Of this cost the freight and cartage item alone is \$22.20 per ton including 3 per cent war tax.

The only person appearing in opposition to an increase in tariff on pumice stone was Mr. Frank L. Goetz, representing James H. Rhodes & Co., who furnished the committee with figures covering the costs to American importers of foreign stone. (P. 44, hearings before the Committee on Ways and Means, Schedule B, Earths, earthenware, glassware, Jan. 11, 1921.)

These costs are as follows:

Ocean freight.....	\$7.00
Raw material.....	13.50
Duty.....	.65
Total.....	21.15

The proposed duty in paragraph 206, of two-tenths of 1 cent a pound would increase the above figure for foreign stone landed on our seaboard, duty paid, to \$25.50 a ton, or only \$3.50 more than the amount we pay the railroads for our transcontinental haul. From these figures it will be seen that if the proposed tariff is not increased the American producer can not possibly survive, and that unless he be given a tariff which, in normal times and under a normal rate of exchange, will allow him to meet European competition, he will be compelled to completely abandon the domestic market to foreign sources.

We presume that this is not the desire of the committee who undertook the revision of the tariff nor of the controlling political party who in their platform of 1920 stated:

"But the Republican Party reaffirms its belief in the protective principle, and pledged itself to a revision of the tariff as soon as conditions shall make it necessary for the preservation of the home market for American labor, agriculture, and of industry."

The fact that the proposed tariff is inadequate can be seen with great certainty by comparing the present schedule with schedule B, paragraph 89, of the act of 1909, which is as follows:

"Pumice stone, wholly or partially manufactured, three-eighths of 1 cent per pound; unmanufactured, valued at \$15 or less per ton, 30 per cent ad valorem, valued at more than \$15 per ton, one-fourth of 1 cent per pound, manufactures of pumice stone or of which pumice stone is the component material of chief value, 35 per cent ad valorem."

This schedule is considerably higher than the one now proposed, and yet in 1909 there was no American-produced pumice stone, nor was domestic pumice stone produced in commercial quantities until the demands of war, and the cessation of foreign imports as a result of the submarine campaign, made it necessary for the American consumer to look for a domestic supply.

In 1909 the general costs of mining operations in America were slightly over one-half of what they are to-day, and yet at that time, and with a tariff considerably higher than the one now proposed, the enormous natural deposits of American pumice stone remained undeveloped while the American market continued to be supplied by Italian stone produced by convict labor. With all solemnity we make this charge, that the interests who would welcome a minimum tariff on this commodity have been indirectly exploiting in our home markets the product of Italian convict labor to the detriment of American labor, and that if this exploitation is continued there will be in this branch of mining activity no "preservation of the home market for American labor \* \* \* and industry." We therefore humbly petition your committee to make the following changes in paragraph 206, on page 37, of H. R. 7456:

Line 13, strike out the words after "ton," and before the figure "1," i. e., "two-tenths."

Line 14, strike out the words after "ton" and in front of figure "1," i. e., "three-tenths," and insert the words "one and one-tenth." Strike out the word "cent" after "1" and insert the plural, "cents."

Line 15, insert after the word "manufactured," the words "one and."

Line 18, after the word "for" insert the words "1 cent per pound and."

It is assumed that in considering the justice of the request made above, your committee will raise the following points:

(1) An increase in the tariff will probably increase the cost to the ultimate consumer, thus bringing about a further advance in the price of one of the staple commodities at a time when the efforts of the Nation are being directed to a reduction in prices, and to a general retrenchment.

Our answer to this is:

It has been shown in the testimony before the Ways and Means Committee that the American manufacturer, exclusive of his carrying and selling charges, produced the finished or marketable product at a cost of approximately 1 $\frac{1}{2}$  cents per pound. The selling price at the time these figures were compiled was from 3 $\frac{1}{2}$  to 5 cents per pound in wholesale quantities, and from 7 to 10 cents a pound in retail quantities. Recent market quotations taken from the Oil, Paint, and Drug Reporter are as follows:

Pumice stone: Original packages, 5 to 6 cents per pound; selected lump, in barrels, 7 to 10 cents per pound; powdered, pure, 5 to 8 cents per pound.

We submit this as evidence that the consumer enjoys no advantage from the comparatively cheap price of the imported stone, and that the increase in the tariff will mean simply a reduction in the importer's margin of profit which is over 200 per cent.

(2) An increased tariff will greatly curtail if not eliminate the importations of pumice stone, and this would mean a corresponding loss of revenue to the Government.

Answer: Government statistics show that a large amount of imported stone comes in under the heading of "Manufactured or partially manufactured." This grade of stone, together with certain other grades not found in America, will continue to be imported irrespective of any duty which might be placed, because the uses to which

pumice stone is put are of such a nature that the cost of this material is an infinitesimal part of the manufacturing processes. Two examples might be cited:

(a) Pumice stone is an abrasive used in rubbing metals, paints, etc. An automobile which sells for \$5,000 or \$6,000 receives about six or eight coats of paint and varnish. Before each coat the previous coat is "dressed" or "rubbed down" with powdered pumice stone, and the amount of stone used in such an operation is approximately 1 pound. It will be seen from this that a fluctuation of 1 cent or so a pound in the price of the stone will have absolutely no bearing on the ultimate product.

(b) A modern high-powered naval or coast-defense gun costing tens of thousands of dollars is built with the same accuracy and attention to detail as a chronometer. The "dressing" and "rubbing down" of these guns and of their projectiles is conducted with micrometer exactness, and yet the amount of pumice stone used in this operation is so small that even with an increased tariff and assuming that the ultimate consumer has to bear the entire burden of this increase, the cost of this gun would not be increased by over \$1.50 at the maximum.

From the fiscal year of 1914 to 1918, inclusive, the United States received only \$17,975 duty from unmanufactured stone, but received during the same time \$78,072 duty on stone listed as "Manufactured or partially manufactured." This manufactured or partially manufactured stone totaled, as far as available governmental records show, 48,149,593 pounds, or an average of about 5,830,000 pounds in a year. A duty on this of 1 cent a pound would have given the Government an annual revenue of over \$58,000 as against the \$15,000 annual revenue which they now receive.

Affidavits furnished to the Ways and Means Committee showed the average freight rate for the American transcontinental haul to be slightly over \$20 per ton. Since these affidavits were furnished these rates have been increased 20 per cent, so that the present rate is approximately \$25. From an annual shipment of 5,000 tons, therefore, the Government would derive through the 3 per cent war tax on bills of lading \$3,750, which is in excess of the amount they received on an average from the duty on imported unmanufactured stone during the fiscal years of 1914 to 1918, inclusive.

The question might be raised as to why "transcontinental" haul is cited as an example, as it would be expected that a considerable portion of American-produced stone would be distributed at intermediate points.

The answer is that American mines produce only crude or unmanufactured stone. This stone is worked up by mills which were originally situated on the Atlantic seaboard in the situation most accessible to the European product, and for this reason the great part of the American stone comes to these mills and after manufacture is then reexported to western points.

The student of political economy, as applied to international trade, is going to inquire into the effects of what an increased tariff would have upon our economic relations with Italy, from which country all of our importations of pumice stone are derived. The basis of this inquiry would be expected to cover (a) balance of trade, (b) Italy's debt to United States, and (c) rate of exchange between Italy and the United States.

Balance of trade: During the five years preceding the late European war, 1909 to 1913, inclusive, the United States exports to Italy exceeded the imports by an average of \$13,095,400 yearly. Of this amount \$507,400 represents the average annual value of foreign exports from the United States to Italy, making the average annual excess of our domestic exports \$12,588,000.

During this same period Italy's average annual imports into the United States of commodities which were duty free were \$17,659,382, while her average imports of dutiable goods were \$30,866,000. (Reference, Statistical Abstract of United States, 1918, p. 386.)

Now, if we take our average annual imports of pumice stone over the same period, we find it amounts to only \$3,516, or less than two-tenths of 1 per cent of the total value of Italian imports.

The above figures are given covering the period between and including 1909 and 1913, because it is believed advisable to separate the European war period when normal conditions were very much unstabilized.

Between 1914 and 1918, inclusive, the United States exports to Italy exceeded the imports by an average of \$224,321,071 yearly. Of this amount \$14,510,916 represents the average annual value of foreign exports from the United States to Italy, making the net excess of our domestic exports \$222,369,612.

During this same period Italy's average annual imports into the United States of commodities which were duty free were \$14,510,961, while the average annual imports of dutiable goods were \$34,529,594. This shows that in spite of the enormous demands made upon all her resources as a result of the war, Italy was able to increase her average annual imports of dutiable goods into the United States by over three and one-half million dollars. (Reference, Statistical Abstract, United States.)

The average annual imports of pumice into the United States over the same period is \$100,160, or about two-tenths of 1 per cent of the total value of Italian imports.

While this fraction of a per cent is relatively so small as to be negligible, it is more than probable that a duty of 1 cent per pound would not seriously curtail the importations of any but the cheaper grades of pumice as pointed out above. The trade recognizes numerous grades of this commodity, only two of which have been successfully produced here in America. Some of these grades were sold to American importers for as much as 9 cents per pound, and were retailed at prices up to 50 cents per pound, depending upon quantity and quality. The lack of production of these grades by domestic properties will cause the American consumer to continue to look abroad for his further supplies.

Italy's debt to United States: On page 636, table 369, Statistical Abstract, United States, 1918, Italy's debt to the United States is given as \$1,385,000,000. The interest on this, if we assume a rate of 4 per cent, amounts to \$55,400,000 annually. The declared value of all unmanufactured pumice imported into the United States during the last 10 years averages a little less than \$54,000 per year. Even if we were to assume that these imports were all profit to the producers, and that the entire amount was applied to above mentioned interest, it would take the entire receipts of this pumice stone commerce for a period of over 1,000 years to pay one year's interest on the Italian loan.

Rate of exchange between Italy and United States: Recently the Lackawanna National Bank quoted Italian lire at \$5.66 per 100, or \$0.0566 each. Assuming an average stable value of the lire of \$0.193, this means a drop in the purchasing power of 70.6735 per cent. If uncertain and uncalculable factors are disregarded, such as the present political situation, strikes, local boundary disputes, etc., all of which have a certain undeterminable influence, a calculation can be made as to what effect a curtailment of pumice shipments would have on the rate of exchange. This calculation is naturally based on the trade balance.

In the year ending June, 1918, we exported to Italy a total of \$477,898,744 worth of all kinds of merchandise, importing during the same period \$30,014,349 worth of merchandise both free and dutiable, leaving Italy with a trade balance of \$447,884,395. (Reference, Statistical Abstract of United States, 1918, p. 386.)

According to the figures of the customs house Italy shipped into America during the fiscal year of 1918, \$38,466 worth of unmanufactured stone. If this entire amount were deducted from her total exports to the United States, her trade balance would be \$447,847,929.

The problem is, therefore, if a trade balance of \$447,884,395 decreases the purchasing power of a lire in America by 70.6735 per cent, by what per cent will a trade balance of \$447,847,929 decrease it?

Carrying the calculation out to 4 decimal places, the answer is found to be 70.6793 per cent, or in other words the purchasing power of the lire would be decreased by a further fifty-eight ten thousandths of 1 per cent. Under the normal value of 19.3 per cent for the lire, this would be equivalent to about eleven one thousandths of a mill, an extremely infinitesimal fraction when compared with the ordinary fluctuations of exchange.

## CHINA CLAY OR KAOLIN.

[Paragraph 207.]

### STATEMENT OF JOHN RICHARDSON, REPRESENTING JOHN RICHARDSON CO. AND OTHERS.

Mr. RICHARDSON. My name is John Richardson, of Boston.

The CHAIRMAN. And what is your business?

Mr. RICHARDSON. Importer of china clay or kaolin, paragraph 207.

The CHAIRMAN. Will you submit your views to the committee, if you please?

Mr. RICHARDSON. I represent not only the John Richardson Co., but also the English China Clay Sales Corporation, Paper Makers' Chemical Co., John W. Higman Co., Hammill & Gillespie, Morey & Co., George Knowles & Son, A. Mejncke, and L. A. Salomon & Bro., all importers of English china clay.

We recommend, sir, that the duty as stated in the Underwood tariff of \$1.25 per ton be not increased.

China clay or kaolin is a raw material which is produced in Cornwall, England, and also a material called by the same name, but of different properties is produced in the United States—in Georgia, North Carolina, South Carolina, Virginia, Pennsylvania, and to a less extent in other parts.

The total consumption in the United States amounts to between 350,000 and 450,000 tons per annum. Of this amount, roughly, 60 per cent has in the past come from England, and the balance, 40 per cent, has been produced in the United States.

The CHAIRMAN. What is the monetary value of that aggregation?

Mr. RICHARDSON. Of the total?

The CHAIRMAN. Yes; roughly.

Mr. RICHARDSON. The value in money of the total consumption, roughly, amounts to somewhere about \$6,000,000 delivered. It is difficult, of course, to give any averages on a subject of this kind, owing to the conditions we are passing through now.

The CHAIRMAN. I only want to get a very rough idea of the magnitude of the industry.

Mr. RICHARDSON. At the hearing before this committee on Saturday, Mr. Edgar, the largest producer of domestic clay in this country, testified, and in response to a question as to his reasons for demanding an increase in the tariff of \$6 per ton, answered that those reasons were contained in his brief, and outside of that the main point he had in mind was the difference in freight rate between the rate paid by the domestic producers to a point of consumption in Maine, and he took as the place of the domestic producer the State of Georgia, where some of his mines are located, which amounts to \$9.06 a ton, and he then compared that to a 10-shilling rate for ocean freight, which he stated was paid by the importer of the clay.

The statement that the rate of the ocean freight was 10 shillings was also contained in the brief of the domestic producers on page 518, in the hearings before the Ways and Means Committee. The rate has not been 10 shillings throughout this year; it has been 15 shillings. Presumably it is as low as this owing to present lack of ocean tonnage. Mr. Edgar's statement does not take into account, either, the fact that the importer of china clay has to pay the inland freight as well as the ocean freight when it comes to this country.

In order to develop this rate question and to try to arrive at some fair comparison for the purpose of coming to a decision as to what duty should be placed on this article, I have made some rough estimates of the quantities consumed at various points, and a fair average of rates for imported clay and domestic clay to those points.

The rates on the imported clay, of course, include both the ocean rate and the inland rate. The rate on the domestic clay I have given here is only a fair average, and it is taken from Georgia points, which are farther distant from points of consumption than some of the other points, where domestic clay is produced. We start in and find that Maine consumes about 50,000 tons a year.

Senator WALSH. In the paper mills, principally?

Mr. RICHARDSON. In the paper mills principally. I should have said in that connection that this clay is consumed largely by paper mills, particularly high-grade book paper mills. Probably 70 per cent of all the foreign and domestic clay consumed here goes into

paper production, and a large part of the balance is used for pottery, and a small amount is used as a filler in cotton cloth, linoleum, and other substances. But the paper and pottery makers are the main users.

The paper mills of Maine alone consume about 50,000 tons a year. The domestic rate from Georgia is roughly \$9—I believe \$9.06, to be exact—the import rate, including both ocean rates of 15 shillings, and I am not now including the rail rate on the other side, but including the ocean rate of 15 shillings, and the inland rate to the mill will amount roughly to \$5.50.

The Massachusetts paper mills consume roughly 50,000 tons a year. The rate from Georgia is about \$9, and the foreign rate, including the inland rate, about \$5.50.

The New York and New Jersey consumption is about 50,000 tons. The rate from Georgia is about \$8.65, and the foreign ocean rate and the inland rate is about \$8.

Senator DILLINGHAM. Is talc used in connection with this clay in paper making, or separately from it?

Mr. RICHARDSON. No, sir; it has been used to some extent, but it does not work out for the purposes for which this material is used. It is practically a noncompetitive article as regards clay.

Senator DILLINGHAM. Is it used for a different purpose from the clay?

Mr. RICHARDSON. I am not a paper manufacturer, and I can not say, but I know we do not come in active competition with it.

Pennsylvania, Delaware, and Maryland consume about 50,000 tons. The rate from Georgia is about \$7 and \$8 for foreign.

Virginia and West Virginia consume about 35,000. The rate from Georgia is about \$7 and the foreign rate about \$8.

Michigan—out at Kalamazoo they have a very large paper center—60,000 tons. The rate from Georgia is \$7.55 and \$10 foreign.

Ohio consumes about 60,000, again a large point of consumption; the domestic rate is \$8 and the foreign rate \$10.

Wisconsin, which was not referred to at all in the brief of the American producers, uses practically entirely domestic clay, and the domestic rate is \$9 and the foreign rate \$12.

In conclusion, on the subject of these rates, I would say that at some points the domestic producer has the advantage on rates; at some points the importer has the advantage. But it is to be borne in mind that there is now a duty of \$1.25 on this article, and it is to be further borne in mind in this connection that in the brief of the domestic producers filed before the Ways and Means Committee, in their table of statistics, they state that to compete with foreign clays at Boston, Mass., would mean to the domestic producer a loss of \$5.22 a ton. (See brief, domestic producers, hearings before House Ways and Means Committee, Pt. I, p. 514.)

It just happened, aside from this tariff matter, that we have tried to sell Bird & Sons at Walpole, Mass., near Boston.

Senator WALSH. They are leading paper makers?

Mr. RICHARDSON. They are makers of low-grade roofing and other papers. Bird & Sons wrote us on January 20 of this year that they could not use the foreign clay when compared to the domestic clay, which is entirely satisfactory, and they could obtain it at less prices.

A copy of that letter appears in the Ways and Means Committee report at page 524.

Gentlemen, it seems to me that the domestic producer, in order to justify his request for an increase in this tariff, has got to show that protection is needed, and that, first, actual competition exists between his clay and the imported article; and, second, that he can not compete under present circumstances.

As to the existence of actual competition, Mr. Edgar in his testimony on Saturday admitted to your committee that the foreign coating clay used for coating papers could not be duplicated in the United States; that the manufacturers of high-grade coated paper, in order to compete with other markets, must have the English clay. That probably amounts to about one-fourth of the supply of English clay that is brought in each year. Probably one-half of the supply of English clay that is brought in each year consists of what is known as high-grade filler and high-grade potting clay. There is no clay in the United States that will compete with those clays.

The low-grade filling clay which is used for paper manufacturing, and is imported from England, amounts to perhaps one-fourth of the total imports, and that low-grade filler is the only clay with which the American clay is in competition.

There are various grades of American clay, and only the best American paper clay competes with this low-grade English filler, which narrows the situation down so that the actual competition existing between American and English clays is in fact very small.

In regard to the ability of the American producer to compete, I have already shown that to certain points the American producer has the advantage on freight rates, while to certain other points the importer has the advantage.

And, gentlemen, I believe that it has been established in the last 10 years that a tariff on clay plays almost no part in the competition. It was halved in 1913—cut from \$2.50 to \$1.25. The American business, according to the testimony of Mr. Edgar, at page 501 in the Ways and Means Committee report, has steadily increased since that time; and, furthermore, their prices have practically doubled. They have had very prosperous times under the lowered duty.

I just want to read to you a little line from the Tariff Information Surveys, prepared for the House—and I would say in this connection that the American producer took his brief as regards general information practically verbatim from the Tariff Information Surveys. But he omitted the conclusions in the surveys, and I want to read one or two to you. At page 16 of Tariff Information Surveys, on paragraph 76, act of 1913 [reading]:

There is no substitute for English clay in the better classes of paper, and the fact that American paper manufacturers continue to pay duty for the English clay to such a large extent confirms this statement.

The possible and probable injury to the market of domestic clay is limited to the use of English clays; in the main, to low-grade papers.

That is as I explained to you.

The lowest grade of English clay costs but little more than the best domestic paper clays, but the size of the total output, the values involved, and the amount of labor in our paper clay pits are insignificant as compared with the importance of the whole finished paper industry of the United States.

**And, again, under Tariff Considerations, page 17:**

It would appear from the foregoing that the tariff plays little part in the competitive strength of foreign kaolin in the United States market.

I believe that is absolutely true.

Mr. Edgar testified on Saturday morning that he was going to shut down unless he got some relief. The domestic producers testified before the Ways and Means Committee that their business had fallen off 60 per cent this year. I have here the figures for the total exports from the United Kingdom for the first six months of 1920 and of 1921, according to the China Clay Review for July, 1921.

For 1920 the total exports for the first 6 months were 211,633 tons; in 1921, they were 87,096; that is the total not only for the United States but also for all foreign markets. Probably the United States brought in some 60 per cent of that, and it is clear from those figures that we have imported in the first 6 months of 1921 not over 40 per cent of what was imported in same period last year. It is my belief that our business has fallen off about 70 per cent, and the domestic producers say theirs has fallen off 60 per cent.

They say that the placing of this tariff on china clay is going to do them good, but the truth is that the paper makers are not doing any business. Their mills are down, and they have been down, and they are consuming very little china clay at present. We are all in the same box. A high tariff would not start them up.

At page 506 of the tariff hearings on Schedule B, paragraph 76, before the House Ways and Means Committee, Mr. Hayne, the president of the American China Clay or Kaolin Association, testified that under any circumstances in the world there would be 200,000 tons a year of English clay coming into this country. And he said if you put the duty at \$10 a ton, the clay would still come in.

Gentlemen, the average importations from 1910 to 1919 amounted to about 220,000 tons; and the biggest year known of, except 1920, of which we have not got the figures yet, was 268,000 or 270,000 tons, somewhere in there.

It would appear again from Mr. Hayne's statement that the two articles are noncompetitive, and that it is a matter of profit and not protection that concerns the domestic producer.

In regard to the size of the industries, Mr. Hayne testified before the House Ways and Means Committee, page 505, that there were from 7,000 to 10,000 men employed in the domestic clay industry; and, further, that the wages were from \$2.50 to \$10 per day. I have taken those figures at 200 working days, 10,000 men at \$2.50 per man, which would be a total yearly wage of \$5,000,000. According to the estimate of the Tariff Survey, page 17, the total value of the domestic output for the year 1919 was estimated at \$1,648,000, a record high value.

The total value of the domestic was \$1,648,000, and Mr. Hayne's testimony is that they paid not less than \$5,000,000 for labor.

I believe that there are not over 1,500 men employed in the whole domestic clay industry, and I have various figures from the Tariff Information Survey and the Geological Survey reports that indicate that.

Mr. Hayne further testified that the labor costs in England were at least 60 per cent under the domestic costs.

The Cornish Guardian and Clay Chronicle of December 31, 1920, states:

Clay workers demand increase over 1 shilling 6 pence per hour paid them.

A shilling and 6 pence, at the rate of exchange of \$3.70 or \$3.75, makes 27 cents an hour, or practically the same as the \$2.50 a day paid in America.

I want to point out that the Government is a large buyer of paper that contains imported clay, and it is going to contain imported clay under any circumstances because the paper manufacturers have testified they can not manufacture in competition with other countries without using the imported clay.

Senator McLEAN. What percentage of the cost of the paper that the Government uses, for instance, is represented by the clay?

Mr. RICHARDSON. I could not say, sir. I want also to refer to the brief and supplemental brief filed by John Richardson Co. with the House Ways and Means Committee, which are printed at pages 484 and 519 of the Tariff Information, 1921, Hearings before Committee on Ways and Means, Part I, and a brief and supplemental brief filed by the English China Clays Sales Corporation and Hammill & Gillespie and printed at pages 493 to 496.

Senator WALSH. Have you talked over this matter with the manufacturers of paper?

Mr. RICHARDSON. We have talked the matter over with the manufacturers of paper at great length.

Senator WALSH. What is their attitude?

Mr. RICHARDSON. They are opposed to any increase of the duty.

Senator WALSH. Are they represented here?

Mr. RICHARDSON. No, sir. We have represented them. We have been in very close touch with them, and we have always taken up the matter of clay duty ourselves in all the hearings. They testified, however, before the War Industries Board in 1918, that they absolutely had to have the English clay in their business, and that they would have to have it whatever the price was, and, of course, with them it is a question of competition with Scandinavia, Germany, and other countries.

#### BRIEF OF JOHN RICHARDSON CO., BOSTON, MASS.

We desire to supplement our statement made before your committee on August 22, 1921, in which we recommended that the duty on china clay or kaolin (H. R. 7456, par. 207) be not increased over the rate of \$1.25 per ton carried in the Underwood bill, Schedule B, paragraph 76. We desire particularly to refer to the brief filed with your committee on August 20, 1921, by Mr. Edgar on behalf of the producers of domestic clay.

The brief of the American producers states that "the great quantities of foreign goods coming in now at prices 50 per cent below our cost is slowly but surely bringing on one of the most disastrous panics we have ever known."

If this statement refers to imported china clay it is erroneous. During the first six months of 1921 less than 40 per cent of the quantity of china clay or kaolin was imported into this country than was imported in the first six months of 1920 (see The China Clay Trade Review, published in London, July, 1921, p. 66); nor has any china clay been imported at prices 50 per cent below the cost of the American producer. Mr. Edgar testified that "our cost of production and labor varies all the way from \$7 to \$10 per ton." (Tariff Information, 1921, pt. 1, Schedule B, p. 503.) The lowest grade of English clay imported for paper and pottery has at no time during 1921 sold for less than \$9 per ton f. o. b. English port, to which must be added ocean freight duty and inland freight from Atlantic seaport. Higher grades sell for about \$13.50 f. o. b. English port.

It is stated in the brief that "we can not pay a \$6.18 freight per ton to Maryland, a \$9 freight per ton to New England, or an \$11 freight rate to Northern New York while English clay comes to our ports for \$1.82 per long ton or \$1.62 per short ton, the way our freight is figured and our clay is sold."

English clay does not come to our ports for \$1.82 per long ton, but with the present low rates of ocean freight and exchange at \$3.70, the ocean freight alone is \$2.77 per long ton, to which 3 shillings a ton, or about 55 cents for freight to English seaport, and inland freight in the United States, must be added. Here, as in other parts of the brief, the statement of the American producers naming certain points of consumption is misleading. Kindly refer in this connection to testimony of John Richardson before your committee.

It is stated in the brief that "we can not bleach our clays: We have to ship them with as little preparation as possible to meet foreign competition."

A large part of the American production (after mining with steam shovels) is washed and dried. The English residual clay is mined by a hydraulic process, then washed and dried. The quantity of imported English clay, if any, which receives any further bleaching treatment is so small as to be insignificant, probably less than 1 per cent.

It is stated in the brief that "they have presented as evidence a few letters from the comparatively few mills that use only English clay or are prejudiced in favor of it, but they are very few when compared with the many mills using all domestic clay or a mixture of both."

Letters have been presented from the Oxford Paper Co., S. D. Warren Co., West Virginia Pulp & Paper Co. (Tariff Information, pp. 522-524, inclusive), Crocker, Burbank & Co., Fitchburg Paper Co., Whittemore Manufacturing Co., and the Bryant Paper Co. (Tariff Information, pp. 494, 495), which include the largest book manufacturers in the United States, if not in the world, and together make up a most substantial part of our total output. Several of these mills use domestic paper clays to varying extents as filler in conjunction with the imported clay.

It is stated in the brief that "they are filling many mills in this country with clay to be paid for when used and with it a guaranty against advance or decline in price."

This statement can not be substantiated, although it is probably true with regard to a few small lots. Clay is a cheap, bulky article. Storage means loss. Importers are not bankers and do not sell their clay as indicated.

It is stated in the brief that "we have fought organized competition, you see here to-day, until we have almost—not quite—divided with them the clay tonnage of the country, where they once had all. The Ways and Means Committee spelled ruin for us when they allowed us only \$2.50 per ton duty with which to combat foreign clay at prewar prices with our costs in transportation alone advanced 58½ per cent."

At the hearings before the Ways and Means Committee on January 8 and 9, 1913, Tariff Schedules, Schedule B, p. 528, Mr. Peter W. Morgan, on behalf of the American Clay Producers' Association, requested that the duty of \$2.50 be not removed. He stated in his brief, which was subscribed to by the principal domestic manufacturers, that "if the duty of \$2.50 is removed and it should appear that our prices have to be reduced to meet the reduction in cost, we should inevitably have to go out of business, there being no such margin of profit as would permit us to operate."

The duty was reduced at that time to \$1.25 per ton. Despite this fact the American producer has, according to the statement before your committee, "almost—not quite—divided with them the clay tonnage," and his prices have practically doubled. Nor is the domestic producer called upon "to combat foreign clay at prewar prices with our costs in transportation alone advanced 58½ per cent." English clay to-day, despite the low exchange, costs f. o. b. English port about two and one-half times its prewar cost. The ocean freight is higher. The inland freight in the United States is also higher.

We submit that the domestic producer has entirely failed to show adequate reasons for further protection than the \$1.25 accorded by the Underwood bill. We recommend that the duty be not increased.

#### BRIEF OF THE ENGLISH CHINA CLAYS SALES CORPORATION AND HAMMILL & GILLESPIE, NEW YORK CITY.

The present duty on china clay or kaolin is \$1.25 per ton as per Underwood tariff, Schedule B, paragraph 78.

The duty proposed under H. R. 7456, paragraph 207, is \$2.50 per ton, or an advance of 100 per cent above the present tariff.

We respectfully request that the present duty of \$1.25 per ton be not advanced.

At the present rate of exchange and ocean freights the cheapest or common grade of English china clay that is imported for paper making can not be marketed at less

than \$12.50 to \$14 per ton ex ship Atlantic seaboard, and to this price must be added the inland railway freight to consumer's mill. This inland freight to points in central freight traffic territory is as high and to some points even higher than on domestic clay shipped from southern mines to consuming mills. As soon as sterling exchange advances prices on English clay automatically advance, so that at normal exchange basis the prices would range from \$16.50 upward.

Domestic crude clay prior to the war sold at \$3.75 to \$4.25 f. o. b. mine and domestic washed clay at \$4.75 to \$5.50 per ton f. o. b. mine. The present prices on domestic clay range from \$6 to \$7.50 f. o. b. mine on crude clay and \$8 to \$10 for washed clay. These prices do not include domestic pulverized clays, which are quoted at \$12 to \$20 f. o. b. mine and have no competition, as there is no pulverized clay imported.

According to figures furnished by one of the domestic clay producers the present cost of production with present high labor and coal is \$4.50 to \$5 for crude clay and \$6 to \$6.50 for washed clay.

To produce a ton of English clay requires more than double the amount of labor and laborers than is required in the domestic mines and the cost per ton for labor in the English clay works is therefore correspondingly higher than the cost per ton in the American mines.

At the present time the English ordinary day laborer in the clay industry is receiving 1s. 6d. per hour for a 7-hour day, that is, 63s. for a 42-hour week (about \$15.30 in American currency). Pieceworkers, such as loaders and dry men are paid on a different scale and their wages are much higher than those of the day laborers, running from £4 to £5 per week (\$19.50 to \$24.25 in American currency) according to the tonnage handled. Labor cost represents about 50 per cent of the total cost of production, but the coal bill is also a heavy one, as English clays are obliged to go through a drying process in kilns fed by coal fuel for which only the best Welsh coal is suitable. The cost of this coal is extremely high at the present time. Compared with 1914 the increase in wages alone has been 150 per cent and the increase in the cost of coal for the English producer has been even greater.

The United States Government is a large buyer of machine-finished book paper, supercalendered book paper and surface-coated papers. The paper manufacturers of these grades of paper are the largest consumers of English china clay and the proposed increase in the present duty of 100 per cent (from \$1.25 to \$2.50 per ton) would increase the cost of production of these grades of paper and work an unwarranted hardship on the paper manufacturer in view of the declining prices on the finished paper.

China clay is a raw material necessary for the manufacture of high-grade papers, and any duty imposed increases the price and cost of paper production—largely used by the Government and throughout the country for educational purposes.

Domestic clays can not replace English china clays in the production of high-grade paper, pottery, and chinaware.

Clay is admitted free of duty into Canada and gives the Canadian paper manufacturer an advantage over the American paper producer in the world's export trade.

We therefore ask the committee to give this matter their consideration and request that duty on china clay be not advanced.

We respectfully refer committee's attention to Tariff Information of 1921; Hearings before the House Committee on Ways and Means, Part I, page 493, original brief, and page 496, supplementary brief, filed by us.

#### BRIEF OF PAPER MANUFACTURERS.

##### STATEMENT OF FACTS.

In 1908 and in 1913 the John Richardson Co. was represented at the hearings before the Ways and Means Committee and requested the removal of the duty on china clay or kaolin. In 1908 the petition was dismissed and the duty of \$2.50 per ton remained in force. By the tariff act of 1913, paragraph 76, the duty was reduced to \$1.25 per ton, at which amount it now stands.

This brief recommends that there be no increase of the duty on china clay or kaolin.

##### EXPLANATION OF TERMS.

The terms "china clay" and "kaolin" are synonymous. China clay, or kaolin, is a raw material chiefly used in the manufacture of paper and pottery. In this brief the term "china clay" will be used except with reference to North Carolina clay, which is customarily called "kaolin."

China clay is decomposed granite. It is found in large quantities in Cornwall, England. A material differing in important respects in quality, but called by the same name, is found in the United States, principally in Georgia, South Carolina, and Pennsylvania. In both countries the term "china clay," or "kaolin," is applied to materials of varying qualities and commercial values.

About 90 per cent of all the clay imported into the United States is English china clay.

#### IN ITS NATURAL STATE.

China clay is either residual or sedimentary.

*Residual clays.*—Beds of china clay occurring at or close to the place of original decomposition are known as residual clays. These clays in their natural state are mixed with a large quantity of feldspar, mica, and sand.

In the United States, so far as is known, there is practically no residual clay except in North Carolina. All English clays are residual.

*Sedimentary clays.*—In the erosion of the earth's surface, residual clay is washed down into lakes and seas. On its journey most of the feldspar, mica, and sand are dropped out and other impurities are added. It is deposited in the form of a sediment, and is known as sedimentary clay. Except for the North Carolina clay the china clay in the United States is largely sedimentary.

#### HOW MINED.

The methods used to mine the English residual clay differ fundamentally from the methods used in mining the sedimentary clay of the United States.

*The English method.*—A stream of water under high pressure is directed from a hose against the side or slope of the bed, washing down clay, feldspar, mica, and sand. With each ton of clay that is washed down there are about 2 tons of sand and other materials. The heavier materials are settled out of the clay stream at the bottom of the pit, shoveled into cars and hauled to the waste pile. The clay stream is pumped to the surface and run at decreasing rates of speed through drags, thus dropping out the finer impurities. The clay stream then runs to settling pits, most of the water is run off, and just enough left to convey the clay to the tanks from which it is trucked to the dries. After the drying process the clay is thrown into sheds ready for shipment.

*The American method.*—The clay is dug out of the face of the bank with hand tools or steam shovel.

In many instances after being assorted for color and dried in an open shed, the clay is ready for shipment. In other cases it is ground or pulverized and in some cases is washed with good results (South Carolina Geological Survey, Bulletin No. 1, Series IV, 1904, p. 62).

The American method of breaking clay out of a deposit by hand tools or steam shovel is as unsuited to the conditions confronting the English miner as is the English process of extracting clay by means of a clay stream to the American miner.

#### ANALYSES.

We here present a table of an average test of English clay and of a test of clay from two mines in South Carolina and one in North Carolina:

	Medium English China clay.	Paper clay, South Carolina. <sup>1</sup>	Paper clay, South Carolina. <sup>1</sup>	North Carolina kaolin. <sup>2</sup>
Silica.....	45.62	45.02	44.23	45.70
Alumina.....	38.98	38.98	38.92	40.61
Ferric oxide.....	.81	.77	2.31	1.39
Lime.....	.69			.45
Magnesia.....	.10	.07	1r.	.09
Moisture.....				.35
Ignition or total water.....	12.30	13.58	12.90	8.98
Alkalies.....	.50			2.82
Titanic oxide.....		.85	1.21	
Zinc.....		.03	.12	
Potash.....		.26	.30	
Soda.....		.55	.26	
Total.....	163.00	100.11	100.25	100.39

<sup>1</sup> South Carolina Geological Survey.

<sup>2</sup> North Carolina Geological Survey.

## AS TO TEST BY ANALYSIS.

"There are, however, many physical properties which the ultimate analysis does not explain, because they are dependent largely on the mineralogical composition." (North Carolina Geological Survey, Bulletin No. 13, by Heinrich Ries, 1897, p. 30.)

Two clays may show practically the same chemical analysis and one be enough whiter than the other to make it commercially valuable where the other could not find a market. The accompanying exhibits show clearly that there is a difference, for practical purposes, between English and American clay.

Exhibits A and B are samples of the deposits of English and American clay in a dry state.

Exhibit C shows 10 grains of ordinary English clay in a certain quantity of distilled water. Exhibit D shows 10 grains of high-grade domestic paper clay in the same condition. On shaking these bottles it is apparent that the English clay is held in suspension to a far greater degree than the domestic. This goes to show, first, that the English clay is finer in grain than the domestic; second, that it has less grit or free silica.

Exhibits E and F, samples of English and domestic paper clay, respectively, further shows that the domestic clay is harder, shorter, leaner, more yellow in color. The sample of English clay is better color, and is termed by the miners fat, long or greasy (Rudolph Wagner, Ph.D., professor of chemical technology at the University of Wurzburg), and possesses a higher degree of plasticity than domestic. A clay of good color and high plasticity is desirable for paper making.

## USES.

By far the largest use of china clay is for paper-making. Forty years ago paper was made chiefly from rags and old paper. The manufacturer did not need china clay to give his paper a finish. Ground wood and sulphite, owing to their lower cost, now replace rags in most paper. China clay is used to fill and finish paper made from wood. Without clay the surface is harsh and not readily printable. China clay is now an absolute necessity for much of the paper made.

In wall paper and low-grade book paper, china clay is used as a filler. In high-grade book and magazine paper china clay is used both as a filler and as a finisher or coater. The superior grades of English clay alone satisfy the manufacturer of high-grade coated papers. (See statement by paper manufacturers before War Industries Board, Mar. 27, 1918, Appendix A.)

The second largest use of china clay is for the manufacture of pottery. The potter requires a clay that will burn white and will not crack or craze. English clays, owing to their uniformity and to their lack of tendency to crack or craze when burned, have been found to be more satisfactory for potting. Prof. Bleininger, United States Bureau of Standards, Pittsburgh office, has said: "The use of American clays in the production of white ware pottery is technically possible, but it is claimed by the potters that these clays can not be supplied in large enough quantity and of the required degree of uniformity to justify the shutting out entirely of the English clays. In our experience, irregularity in the quality of (American) clays has been met with frequently. The clay would differ quite decidedly in quality with different carloads, although supplied by one firm."

In both countries, as a general rule, clays in certain pits are more suitable for pottery than for paper and vice versa. The North Carolina clays, mentioned as being about the only known residual clays in the United States, are used almost exclusively for pottery.

Clay is also used (1) as a stiffener mixed with size for cloth and other textile fabrics; (2) for the manufacture of sulphate of alum; (3) in the manufacture of ultra marine; (4) as an absorbent and stiffener in the manufacture of linoleum. For all these purposes English clay is considered superior.

## QUANTITIES.

The number of tons of English china clay imported into the United States and of domestic production of paper and pottery clays in each of the years 1909 to 1919 were as follows:

*English imports of china clay and domestic production of paper and pottery clays.*

Year. <sup>1</sup>	English imports.	Domestic production.		Year. <sup>1</sup>	English imports.	Domestic production.	
		Paper clay.	Potting clay.			Paper clay.	Potting clay.
	<i>Long tons.</i>	<i>Short tons.</i>	<i>Short tons.</i>		<i>Long tons.</i>	<i>Short tons.</i>	<i>Short tons.</i>
1909.....	191,492.98	81,585	31,227	1915.....	230,384.00	113,033	28,031
1910.....	231,234.45	85,949	34,221	1916.....	228,836.00	155,434	47,723
1911.....	228,598.42	99,265	27,400	1917.....	208,729.00	174,449	31,885
1912.....	237,365.78	119,657	25,852	1918.....	192,705.00	141,725	37,969
1913.....	263,838.14	126,377	28,834	1919.....	158,260.00	148,000	39,000
1914.....	241,935.99	116,328	34,191	1920 <sup>2</sup> .....	300,000.00	.....	.....

<sup>1</sup> English imports based on fiscal year. Domestic production based on calendar year.

<sup>2</sup> Calendar year.

<sup>3</sup> Estimated.

The decrease of importations for the years 1918 and 1919 was caused by shortage of available ocean tonnage due to the allocation of tonnage for other purposes by the European Governments.

In the year 1920 such allocation was discontinued, with the result that the importation of English clay for the calendar year exceeded 300,000 tons. We are unable to obtain figures as to the production of domestic clays for 1920.

## RELATIVE COSTS.

In each country there is a wide divergence between the cost of individual clays. Not only is the cost of the domestic kaolin, or potting clay, different from the cost of domestic paper clay, but also there are differences based on quality between the kaolins and paper clays coming from different pits. So, too, the prices of English filler clay and coating clay vary widely, the coating clay in many cases bringing a price half as much again as that brought by the filler clay.

However, certain average comparisons are possible. For the year 1918 the average cost at the mine of domestic paper clay was \$7.54 per ton, while for the same year the foreign imported value of English china clay f. o. b. English port was \$6.77. (U. S. Geol. Surv., Mineral Resources, 1919, Pt. 2.) To the cost of English clay at the English seaport must be added about 17s. for ocean freight and \$1.25 for duty, which makes the cost at Atlantic port \$15.13 per ton.

Since the compilation of the foregoing figures by the Government, the price of English clay f. o. b. seaport in England in English money has materially increased. This increase has been accompanied by a decrease in the value of the pound sterling. At the end of 1920 with exchange at \$3.50 English coating clay at the American seaport cost about \$20 to \$21 and a low-grade English filler clay about \$15.

The price of domestic paper clay rose between 1918 and the first half of 1920. Recent reductions in the price of this clay have brought the mine cost to between \$9 and \$10.

As exchange approaches normal the cost of English clay will be increased. On a basis of \$4.86 to the pound sterling and present English prices, the cost of filler clay at Atlantic seaport would be about \$20, and of English coating clay at Atlantic seaport about \$27 to \$28 per ton.

## COMPETITION.

American clays do not compete with the best English clays used for best book and finished paper. The statement of the large paper manufacturers made before the War Industries Board, March 27, 1918, a copy of which is set forth in Appendix A of this brief, bears conclusive testimony to this fact.

Manufacturers of high-grade pottery are practically unanimously of the opinion that English clay is essential for good results. They find that American kaolin with its different qualities can be mixed with English potting clays to good advantage.

## SIZE OF DOMESTIC CLAY, PAPER, AND POTTING INDUSTRIES.

Although we have found no recent figures for the number of men employed and the amount of investment in domestic paper clay and kaolin, it is certain that the industry is relatively small as compared to the paper and potting industries.

We believe that considerably less than 1,000 men are employed in the domestic paper and potting clay industry. The paper industry, the chief user of china clay, is one of the largest industries of this country, both from the point of view of capital

invested and labor employed. Add to this the potting industry of the United States, which is by no means inconsiderable in both respects, and the relative importance of the domestic clay industry is seen to be comparatively insignificant.

## SUMMARY.

The duty on English china clay is now \$1.25 per ton. We urge strongly that this duty should not be increased.

English china clay is essentially a different material than the American product called by the same name. It is a residual clay. American clay is largely sedimentary. English clay is mined by water process. American clay is dug out of the pit. Although in analysis English and American clays do not differ widely, analyses do not show their relative values for commercial purposes. Their essential differences are brought out by the exhibits presented herewith.

In the main, uses of English and American clays differ widely. Owing to their different properties American clays can not be substituted for English without damage to the product, be it paper or pottery.

Despite the shortage of ocean tonnage during the war and the great resultant opportunity for increase of domestic production, manufacturers of both paper and pottery have continued throughout to demand English clay. The importation of over 300,000 tons in 1920 is ample evidence of this demand. English clay costs more, and yet must still be used by both paper makers and potters.

The clays, in fact, are largely non-competitive. An additional duty would be of small or doubtful value to the relatively small American clay industry. It would inevitably cause an enhancement of the price of the products of the great American paper and pottery industries, which we believe must continue to use English clay.

## APPENDIX A.

We earnestly hope that after careful consideration of the reasons given below, it will be found possible to allow shipments of English china clay to continue as heretofore.

(1) Domestic clays are not suitable as a complete substitute for English clay in book and printing papers. In the lower grades of book and printing paper a considerable percentage of American clay may be safely used. In the higher grades, however, the quality of the paper would be so seriously affected that the American clay can not safely be used, and absolutely can not be used in coated papers.

(2) We do not believe that the development of southern clays is sufficient to provide for the needs of this country, without regard to car shortage, embargoes or labor difficulties.

(3) The combined amount of domestic and foreign clays produced is required by the paper industry, without regard to other industries.

(4) For the last year or more the railroad situation has resulted in largely reduced shipments from the South, and during the last few months the situation has become much more critical.

(5) Under normal conditions, cars are a long time in transit to all points, and this is particularly true of New England.

(6) A very considerable percentage of English clay is used in the mills located close to the Atlantic seaboard.

(7) A large percentage of English clays have been brought into this country practically as ballast.

(8) We can see but one argument for stopping the importation of English china clay, namely, to conserve shipping. As an answer to this, we would say that since the European war, steamers have been furnished for such service under permits by the English shipping board.

(9) If English clay shipments are not permitted to be brought to the United States over an extended period, we predict a closing down during such period of the mills producing coated papers, as domestic clay positively can not be substituted to provide a satisfactory product, and the demands for such papers would cease. It should be borne in mind that coating machines can not be converted or utilized in any other form for the manufacture of paper, and that a large number of employees will be thrown out of work, resulting in hardship not only to them but to their employers.

(10) If the importation of English clay is stopped entirely, it will mean that the paper makers of America will have less than 40 per cent of the clay they now use, and as clay is used mainly for two purposes, first, to give the finish necessary for the requirements of the printer, and secondly, to decrease the cost of the product, this will

result in a hardship particularly on the consumers of periodicals and other book papers, as these classes of paper require the finish and softness which can be obtained only by the use of a considerable percentage of clay.

NOTE.—War Industry Board decided against proposed embargo.

**STATEMENT OF MILTON A. EDGAR, REPRESENTING THE AMERICAN CLAY PRODUCERS' ASSOCIATION.**

Senator SMOOT. Give your full name for the record.

Mr. EDGAR. Milton A. Edgar; residence, Metuchen, N. J. I represent as president the American Clay Producers' Association, with mines in New Jersey, Pennsylvania, North and South Carolina, Georgia, and Florida. I also represent as an individual, outside of my official capacity, Edgar Brothers' Co., of Metuchen, N. J., with mines in Georgia and New Jersey, of which I am president, and the Edgar Kaolin Co., of Edgar, Fla., and Metuchen, N. J.

Senator WATSON. In what are you interested?

Mr. EDGAR. I am interested in paragraph 207, clay and kaolin.

We have prepared a brief which is just what it states on its face—the brief of the American Clay Producers' Association, supplementing brief of the association filed with the Ways and Means Committee of the House and again presented for the consideration of the Senate Finance Committee, and to which reference is made in our brief.

I would say for the allied companies that I represent as an individual to-day that we have over a half million dollars invested in the business of mining and refining and preparing these clays suitable for the use of our manufacturers in this country. I would also state that I have been in this business for 50 years, and I think I know something of the wants of the consumers. During the war they were very wonderful fellows. They said they would do everything for us when the war was over because we treated them right while the war lasted. The facts are all set forth in this brief, and I will not take the time of the committee any further. If there are any questions that you desire to ask I will endeavor to answer them. I also have some marked copies of the report of the hearings of the Ways and Means Committee, with special references for the convenience of the committee—

Senator McLEAN. Do you want the rates changed somewhat?

Mr. EDGAR. We are asking for an increase in the rates. What we want and why we are asking for it is embodied in this brief, and I will not take up your time to explain it.

Senator SMOOT. Senator Watson, do you desire to ask some questions?

Senator WATSON. I do not know whether I do or not until I look this up. What is the present rate?

Mr. EDGAR. The present rate is \$1.25. The rate in the bill is \$2.50.

Senator WATSON. The rate provided in the Fordney bill is \$2.50?

Senator DILLINGHAM. Why do you want that increased?

Mr. EDGAR. Our brief will tell you all about it, gentlemen.

Senator DILLINGHAM. Can you not tell about it, briefly?

Mr. EDGAR. In our presentation to the House committee we asked for a \$6 tariff rate from the points of production to the points of consumption. East of Pittsburgh and Buffalo the rates run \$9 a ton; in some cases a little more and in some a little less. The English freight rate to-day is \$2 a ton. It is about 10 shillings, or \$2.50, a

ton. It is almost a ballast rate. The contention is made by the importers that our clay is not adapted for high-grade book-paper purposes. Our reputation rests on Webster's definition of the word "fact"—a thing done. We did it for years. Some of the highest grade book-paper makers of the country tell me personally that they get a better result than they do from the English clay. We admit in our brief that for coating purposes paper makers prefer the English clay, and we have no objection to that. We also show in our brief the rate of increase both to the potters and to the paper manufacturers in their finished product through the duty.

I would state that our Florida clays are exclusively used for pottery purposes, and I would refer you to any potter in this country as to the character of the Edgar clays. There is not a man in the country that does not know us.

Senator SIMMONS. What are the chief factors which enter into your request, the difference in water rates and in rail rates? Your competitor brings in his product by water?

Mr. EDGAR. Our competitor brings his product in by water. We are confronted by a condition and not a theory. The fact is we have three large plants in Georgia equipped to run 24 hours a day. We are running to-day two plants at 10 hours a day, three days in the week; and unless we get some chance of redress in the near future I will go down there on the 1st of October and be compelled to shut up every plant we have.

Senator SIMMONS. That is not the phase of this matter that I am speaking of.

Mr. EDGAR. That is a phase of the result, and that ought to interest American Senators.

Senator SIMMONS. I am simply asking you a question for information.

Mr. EDGAR. I see.

Senator SIMMONS. I understood you to say a little while ago that you want this high rate of protection because of the great difference in the freight rates by rail in this country and by water from Great Britain.

Mr. EDGAR. It is largely that; but all the reasons in detail, Senator—

Senator SIMMONS. I am only going to ask you questions about the freight-rate business.

Mr. EDGAR. I am glad to answer any questions that I can answer.

Senator SIMMONS. I recognize that you stated that that was not the only element that entered into it, but that was one of the important elements—the difference in the freight rates?

Mr. EDGAR. That is one of the large items. Of course, we emphasized that because it was a large item.

Senator SIMMONS. What I wish to ask you is this: You are asking this committee to make a rate in a permanent tariff?

Mr. EDGAR. Yes.

Senator SIMMONS. We hope very much that we may in the future have very much lower rates in this country than we have now. We all feel that the freight rates are exorbitantly high. On the other hand, right now it is recognized that the water rates, the ocean rates, are very low, abnormally low.

Mr. EDGAR. Not any lower than they were prior to the war.

Senator SIMMONS. They are considered very low for this day.

Mr. EDGAR. Yes.

Senator SIMMONS. We have not got back yet to the prewar level of prices.

Mr. EDGAR. Either in labor or product.

Senator SIMMONS. But it seems very low for these times. It is hoped, especially by those who are interested in the American merchant marine—

Mr. EDGAR. You mean the Shipping Board?

Senator SIMMONS. Yes. It is hoped that the ocean rate will go up and that the rail rates will come down. If we fix a rate of duty here based upon these freight differentials and embody it in a permanent tariff, and these differentials are changed in the course of a short time, that rate would probably be an unfair rate, would it not?

Mr. EDGAR. I would reply to the Senator that during the last 30 years I have never seen the time when British goods were not landed in Boston as ballast. I used to be in the fire-brick and architectural terra-cotta manufacturing business. They would land fire brick in Boston without any freight except the absolute cost of putting it in and taking it out. That has always been the case. There are so many more goods going from this country over there, as a rule, than there are coming from there here that they are always glad to get, at least so far as my experience goes—and I have been at it for 50 years—to get anything they can as return freight. They will take it at any price for the sake of dumping it on our markets.

Senator SIMMONS. Do you mean to tell the committee now that this product is brought in from England as ballast to-day?

Mr. EDGAR. We call it that.

Senator SIMMONS. It does not interest us so much to know what has been done in the far distant past as what is being done now.

Mr. EDGAR. I will leave it to the gentlemen of the committee to draw their own inferences as to whether 10 shillings a ton is a cheap rate. At one time in my life I had the good fortune to be collector of customs, and I had considerable experience. I happened to be one of the employees that our late President, Grover Cleveland, removed because of offensive partisanship. But that did not hinder me from watching the particular features that apply to those things. The fact that the freight rate now from our mines to points of consumption is around \$9 and that the English freight rate is 10 shillings seems to me to be—

Senator SIMMONS. What was your freight rate before the war?

Mr. EDGAR. I have no data before me, but you can get that. I think you will have lots of figures as to that.

Senator SIMMONS. I think the committee would like very much to have it. As one member of the committee I would like to know what your freight rate was before the war. If we are going to fix this duty upon the basis of protecting you against the difference in the freight rates on your product and those of your competitor I would like to know what the freight rate was in normal times in this country.

Mr. EDGAR. You will find in the importers' statement in the reports of the House hearings that it was stated that English clay sold for \$15 and ours sold for \$9 or \$10. They neglected to state that our \$9 or \$10 rate was the rate f. o. b. and theirs was the rate delivered at the port of entry. While their statement was correct, it was misleading.

Senator SMOOT. Is that all?

Mr. EDGAR. That is all, sir.

Senator SIMMONS. Will you furnish the committee with the domestic freight rate prior to the war?

Mr. EDGAR. I will endeavor to do so, sir.

Senator SIMMONS. Your books ought to show it.

Mr. EDGAR. If it is possible to obtain it, I will be glad to give the committee that information. I would state for the information of the committee that with reference to that particular class of goods that I am especially interested in a protective tariff on, namely, clay for paper purposes, I was not engaged in producing that particular grade of clay until 1909. Consequently, I only had a few years' experience in that line of business prior to the war. I have been engaged in pottery clays for 35 or 40 years. However, I will say to the Senator that I will go to some people that I think are able to furnish me with that information, and I will be very glad to write to the committee and send any information that I can obtain.

Senator SIMMONS. Thank you, sir.

**BRIEF OF MILTON A. EDGAR, REPRESENTING THE AMERICAN CLAY PRODUCERS' ASSOCIATION.**

To give a brief idea of the situation affecting the American china clay or kaolin miner, we wish to point out that about 250,000 tons of 2,000 pounds of domestic clay is consumed annually in normal times, against 300,000 tons of English clay. Of the 250,000 tons of domestic clay consumed, about 180,000 tons are produced in the South, the remaining 50,000 tons in Pennsylvania. The chief clay-producing States in the South are North and South Carolina, Georgia, and Florida.

The market for this china clay or kaolin lies almost entirely in the North and West. The paper mills take about two-thirds of it. The remainder goes to potteries and small users, such as paint, etc.

The problem confronting the American clay producer, therefore, is transportation, the long intervening distance between the mine and the consumer, particularly our chief customer, the paper mills, who locate themselves as near as possible to the spruce forests of the far North.

**WHY DOMESTIC CLAY MINERS MUST BE PROTECTED.**

Since 1914 the railroad rates on domestic clay have increased 25 per cent while the railroads were under Government supervision and 33½ per cent more since August, 1920. Our cost of production, such as coal, labor, etc., has increased accordingly.

The total freight increase has been 58½ per cent. Some of our best former customers would have to pay a freight in excess of \$9 a ton to-day. Needless to say, they are not doing it. Why? Because the ocean freight on English clay, always a ballast rate, is now lower than it was in 1912. It is now 10 shillings per long ton of 2,240 pounds, which, at the rate of exchange August 18, 1921, amounts to \$1.82 per long ton. In 1912 the ocean rate from England on clay was 8 to 9 shillings (\$2 to \$2.25) per long ton. To-day it is \$1.82 per long ton.

The English mining costs have probably advanced in a similar ratio to our own, though they always have been lower.

But with this tremendous advance in domestic freight rates on clay and the ocean freight rates below prewar basis, the American clay miner is facing utter and absolute ruin. Sixty per cent of the domestic clay business normally lies in the North Atlantic States, not far from the coast. We can not pay a \$6.18 freight per ton to Maryland, a \$9 freight-ton to New England, or an \$11 freight rate to northern New York, while English clay comes to our ports for \$1.82 per long ton, or \$1.62 a short ton, the way our freight is figured and our clay sold.

On top of all this, our English friends sell America \$1 worth of clay for 75 cents. You might call it 25 per cent off for cash. Their exchange is 25 per cent lower than normal. (On August 18, 1921, it was \$3.64). Their clay is all sold f. o. b. England.

Gentlemen, in petitioning the House of Representatives for a \$6 tariff, an advance of \$4.75 over the present tariff, we asked only for an even break on transportation and did not take into consideration the 25 per cent difference in exchange, but asked

it on account of our 58½ per cent advance in freight rates. Since then ocean freight on English clay has declined 50 per cent, so our case is worse than it was last April by far.

We are told our freight will be reduced, but it is ridiculous to expect it to go back to prewar basis when the railroads are broke and their employees have had numerous raises in wages, and wages can be reduced but little and allow the man to live.

An average per ton reduction of \$1 to \$1.50 on clay freight is more than we can expect, but we will accept the promise in good faith and ask you for a tariff of \$5 per ton if possible; \$1.50 is the least we could get along on, even if transportation is reduced. We would take this tariff with the firm belief that our Congress will shortly pass some legislation to equalize the rate of exchange between our country and foreign nations. The great quantities of foreign goods coming in now at prices 50 per cent below our cost is slowly but surely bringing on one of the most disastrous panics we have ever known. We have an economic situation never before known in the history of the world.

#### CONCLUSION.

We have stated the situation exactly as it exists. The English representatives will tell you the paper mills and potteries have to have English clay. It is true we do not produce a coating clay for surfacing paper equal to the English. We can not afford to bleach our clays. We have to ship them with as little preparation as possible to meet foreign competition in price and as filler clays for paper they do meet competition. Almost as much American clay is in use in the potteries as English. Our 250,000 tons production of china clay speaks for itself.

They will also tell you we are limiting our fight to the section east of Pittsburgh and Buffalo. We are, but in so doing we are fighting for 60 per cent of our normal business which has been taken from us. We can compete in the Middle West; yes, but 513 paper mills out of a total of 818 in the United States lie in the North Atlantic States, including the largest users of clay. Many paper mills, of course, use little or no clay, but the proportion is very nearly correct in the totals just mentioned.

They have presented as evidence a few letters from the comparatively few mills that use only English clay or are prejudiced in favor of it. But they are very few, when compared with the many mills using all domestic clay or a mixture of both.

We respectfully submit, the paper mills and potteries are asking for protection for themselves, but a few of them would rather see 60 per cent of our clay companies ruined than have to pay a little more for their clay. (Sixty per cent of our normal business is gone even if times were normal. We are not considering the present depression, but a permanent tariff bill.)

Please refer to pages 514 to 518 of the Hearings on General Tariff Revision before the Ways and Means Committee, Part I, Schedule B. It gives a full statement of conditions in April. This supplement tells you how much worse conditions are now than then. But chiefly let us point out that the tariff of \$4.50 or \$5 asked for will mean an added cost to the potter of less than 1 per cent. In paper the added cost will be measured in hundred thousandths of a cent a pound. (See p. 516, par. 8 of schedule mentioned above.)

If you allow us to be driven out of business (one of our best mines failed a short time ago; others are near it), don't you suppose the English, freed of competition, would raise prices? Their past performances would certainly indicate it.

We might even mention that they are filling many mills in this country with clay, to be paid for when used, and with it a guarantee against advance or decline in price.

Gentlemen, we have fought the organized competition you see here to-day until we have almost, not quite, divided with them the clay tonnage of this country, where they once had it all. The Ways and Means Committee spelled ruin for us when they allowed us only \$2.50 per ton duty with which to combat foreign clay at prewar prices, with our costs in transportation alone advanced 58½ per cent.

Our future rests in your hands. We have asked as little as possible, too little for some, perhaps. But every American clay producer stands ready to swear that the above statements of fact are true to the best of his knowledge and belief.

#### FLUORSPAR.

[Paragraph 207.]

**STATEMENT OF A. A. NORTEN, HOPKINSVILLE, KY., REPRESENTING THE FLUORSPAR PRODUCERS OF KENTUCKY AND ILLINOIS.**

Senator SMOOT. Will you kindly state for the record your name and address and whom you represent?

Mr. NORTHEN. A. A. Northen, Hopkinsville, Ky. I represent the producers of fluorspar in Kentucky and Illinois.

Senator SMOOT. Proceed, then.

Mr. NORTHEN. Fluorspar is a mineral used largely as a flux in the manufacture of open-hearth steel.

Senator SMOOT. Have you a brief?

Mr. NORTHEN. We have a brief, which we will file with the secretary, but there are just a few points with reference to the general situation that I desire to bring to the attention of the committee.

Senator SMOOT. What are you asking for, Mr. Northen?

Mr. NORTHEN. We are asking for a tariff of \$10 per ton.

Senator SMOOT. Under the Underwood bill it was \$1.50 and under the Payne-Aldrich bill it was \$3, and now you want \$10?

Mr. NORTHEN. Yes.

Senator WATSON. You are interested in fluorspar alone?

Mr. NORTHEN. Yes, sir. In order to understand the conditions that surround our industry, it is necessary to go into the conditions for several years prior to the war.

Senator WALSH. Do you know how much of the product that is consumed is produced in America?

Mr. NORTHEN. The consumption of fluorspar has been greatly increased in the last few years, especially since the war began.

Senator WALSH. How much is consumed in America?

Senator SMOOT. America is the largest producer of fluorspar in the world.

Mr. NORTHEN. Yes, sir; it is.

Senator WALSH. Can you give us the figures to save time, Senator Smoot?

Senator SMOOT. If he has them, he can state them.

Mr. NORTHEN. The domestic production in 1914 was 95,000 tons. It was greatly increased during the war. In 1918 it was 263,000 tons.

Senator WALSH. What was the consumption in 1914?

Mr. NORTHEN. That simply shows the sales of domestic spar in 1914.

Senator WALSH. How much was imported?

Senator SMOOT. Ten thousand two hundred and six tons were imported in 1914. Do you know how much was exported, Mr. Northen?

Mr. NORTHEN. Just a very small amount; in fact, a very inconsiderable amount.

Senator WATSON. The imports in 1910 were 42,000 short tons; in 1914 10,000 and in 1918 12,000.

Mr. NORTHEN. You can understand that shipping conditions and the general war situation would cut down the imports during the years in which the war was in progress.

Senator SIMMONS. What were the imports last year?

Mr. NORTHEN. Last year the imports were approximately 24,000 tons.

Senator SIMMONS. What was the production last year?

Mr. NORTHEN. I have not the production figures for 1920.

Senator WALSH. That is almost a basic necessity; to know from these witnesses the production and consumption.

Senator SIMMONS. What is the nearest year to 1920 for which you have the figures?

Mr. NORTHEN. We have the figures for 1919. In 1919 it was 138,290 tons.

Senator McLEAN. Have you stated that correctly?

Mr. NORTHEN. That is the way I have it here for the production in 1919. Of course, there is no way of determining the exact production of domestic spar, but there are no considerable stocks carried at the mines, and the figures here given represent actual shipments.

Senator WATSON. The 1917 production, according to the Tariff Commission, was 218,000 tons. That is the latest information.

Senator SMOOT. And we imported 12,000 tons.

Senator SIMMONS. What were the imports for 1918?

Mr. NORTHEN. In 1918 the imports were 12,572 tons. Fluorspar is an absolutely essential element in the manufacture of open-hearth steel, and during the war, on account of the fact that open-hearth steel was in greater demand and was, in fact, specified almost altogether on Government contracts, the great majority of the furnaces were converted, as I understand it, from the Bessemer type to the open-hearth type. That is one of the reasons for the great increase in the consumption of fluorspar.

Originally in the Kentucky field the deposits were surface deposits requiring no mining machinery and no refining machinery; and it was a very cheap process; in fact, it was only a matter of getting out this material from the pockets on the surface and running it through the ordinary log washer.

Senator WATSON. Where does the imported product come from, and why do you have to have such a great increase to protect it?

Mr. NORTHEN. It comes largely from the lead dumps in England, and the process is simply that of picking it from those dumps. There is no mining cost; there is no water hazard; there is no mining machinery to take care of; and there is no development work to be done.

Senator WATSON. Is fluorspar found independently of lead?

Mr. NORTHEN. It is to some extent, but usually it is found in connection with lead; that is to say, in some of our deposits we have a preponderance of lead, while in others there is only a small percentage of lead.

Senator WATSON. Where is it found mostly in the United States?

Mr. NORTHEN. The largest fields are the Illinois and Kentucky fields. They represent, approximately, 80 per cent of the domestic production. In those fields, as I stated previously, in years past it was not a mining proposition; it was simply a matter of getting this material out of the surface pockets and running it through the ordinary log washer. That was the only preparation needed.

During the war these deposits were depleted because of the fact that the Government recognized a serious situation with reference to fluorspar, and at the instance of the Government the producers in those fields undertook to increase to the limit the production of fluorspar. The result is now that these surface deposits are exhausted. It is a deep mining proposition, involving extensive work in the way of development, sinking shafts and driving levels; and the treacherous nature of the fluorspar deposits makes it expensive from the standpoint of production.

Senator SIMMONS. What is the extent of our deposits in this country? How long will they last if you produce to the full limit of your consumptive capacity?

Mr. NORTHEN. So far as the deposit of fluorspar—that is, developed from a mining standpoint, blocked out, you might say—is concerned, there is no considerable tonnage in the United States, and the fact that this material occurs in lenticular form as a deposit makes it very difficult to block out. You will understand that these pockets are in this shape [indicating], and the fluorspar occurs in faulted veins, where the displacement is sometimes 1,200 feet.

Senator SIMMONS. But you said you found it in two States and in only two States?

Mr. NORTHEN. No, sir; I said that the majority of the production came from Kentucky and Illinois. It is found in other States.

Senator SIMMONS. Then you spoke of one mine that was exhausted during the war. I wondered whether we had an unlimited supply of this material here in this country such as would supply the domestic demand in the future.

Mr. NORTHEN. That can only be determined, Senator, by an elaborate process of development work.

Senator SIMMONS. I thought we had a bureau that was making estimates on such things.

Mr. NORTHEN. I was about to explain just a minute ago that you can not determine as to a fluorspar deposit by the ordinary methods of churn or diamond drilling. You have to go at it with the idea of doing your development work in order to determine what available tonnage you have. For instance, since you have these deposits in lenticular form you will find them pinching out either perpendicularly or horizontally. You may sink your shaft and in driving in the fault you may drive into a considerable pocket of fluorspar; but driving along in that fault possibly it will pinch out and then you may drive for any distance, the entire length of the drift representing dead work. We have driven levels as much as 200 feet in length without a pound of production.

Senator SIMMONS. Well, you have answered my question as definitely as you can.

Senator WALSH. What does it sell for per ton?

Mr. NORTHEN. The price during the war was from \$25 to \$45 per ton.

Senator WALSH. What does it sell for now?

Mr. NORTHEN. The price is \$20 per ton on the domestic product now.

Senator WALSH. You want a tax of \$10 on that?

Mr. NORTHEN. And the price on the imported material is, approximately, \$10 a ton.

Senator WATSON. Is there any substitute for it in the manufacture of open-hearth steel?

Mr. NORTHEN. There is no known substitute for it in the manufacture of open-hearth steel.

Senator SIMMONS. What was the price before the war?

Mr. NORTHEN. The price before the war was from \$6 to \$7 a ton.

Senator SIMMONS. And it is \$20 a ton now?

Mr. NORTHEN. Yes, sir. It has been as high as \$45 per ton.

Senator WATSON. You say it is the only substance that can be used for the particular purpose for which it is used?

Mr. NORTHEN. In the manufacture of open-hearth steel there is no known substitute.

Senator WATSON. Does the consumption of it increase or remain about steady?

Mr. NORTHEN. Of course that would depend upon the volume of the steel business, but that would be affected by the fact that the large majority of the furnaces have been converted from the Bessemer type to the open-hearth type. The tendency in the last few years has been toward greatly increased consumption.

I wish to file with this brief that I present a copy of a letter addressed to the chairman of this committee by Mr. Benedict Crowell, president of the Rosiclare Lead & Fluorspar Mines, of Rosiclare, Ill.

I understand that my time is up. If there are any questions I shall be glad to answer them.

The CHAIRMAN. We will give very careful consideration to your statement.

**BRIEF OF A. A. NORTHEN, HOPKINSVILLE, KY., REPRESENTING THE FLUORSPAR PRODUCERS OF KENTUCKY AND ILLINOIS.**

Fluorspar is a fluxing material used in the manufacture of open-hearth steel. It is an absolutely essential element, nothing having been found that will take its place. As a result of its use the metal is made to flow more freely, throwing off the impurities in the iron and reducing the silica and sulphur content.

The use of fluorspar has been greatly increased as the result of the conversion of a large majority of Bessemer-type furnaces to the open-hearth type. The open-hearth type prior to the war represented about 35 per cent of the total furnace capacity, while since the war the open-hearth type furnaces represent over 80 per cent of the total furnace capacity.

As a result of the use of fluorspar greater furnace capacity is secured, a cheaper metal charge is made possible, and a superior quality of steel is obtained.

Fluorspar is also used as a flux in iron blast furnaces, iron foundries, and gold, silver, copper, and lead smelters; in the manufacture of glass, of enameled and sanitary ware, and of hydrofluoric acid; in the electrolytic refining of antimony and lead; in the production of aluminum; as a bond for constituents of emery wheels; for carbon electrodes; in the extraction of potash from feldspar; and in the recovery of potash in the manufacture of Portland cement.

Fluorspar deposits are of an uncertain nature, being what is known as lenticular in form; thus making it impossible to determine by the ordinary methods, such as churn and diamond drilling, just what is the extent of any particular deposit. It is only by an elaborate and costly system of shaft sinking and level driving that a definite idea of the magnitude of a deposit may be determined. In contrast with coal, with its relatively horizontal veins; or limestone, with its massive strata, with their consequent cheap mining, fluorspar is generally found in perpendicular faulted fissures. The varying width of the veins and the continuing increase in depth of workings heavily increase the cost. The deposit may change in a short distance from a width of 25 feet to a complete pinch, and pinches may continue for hundreds of feet, requiring much expensive dead work.

During the early development of the fluorspar mining industry a great majority of operations were surface operations, the fluorspar being removed from lenses or pockets outcropping on the surface, and the only process of refinement was that of passing the crude ore through a log washer. At one time in the Kentucky field there were many of these surface deposits which could be mined at a very low cost.

In the spring of 1917 the mining of fluorspar was greatly stimulated by prices of from \$25 to \$45 per ton, f. o. b. shipping point. The net result of this period of activity has been the elimination by exhaustion of all shallow deposits of fluorspar, the depletion of the developed portions of the dependable mines, and the demonstration of the fact that future production in Kentucky will depend upon extensive exploration and development and mining at greater depths, which necessitate higher class labor and great expenditures for power plants, concentrating mills, and deep-mining equipment.

The uses of fluorspar are such that any import duty that may be placed upon it will have no adverse effect upon any of the industries using this product. For example, only 5 to 10 pounds of fluorspar are used to a ton of finished steel.

If the present tariff is not increased sufficiently to make it possible for the present fluorspar producers of this country to continue their operations, the supply will necessarily come from abroad, and when the domestic producers in the United States are

shut down the foreign exporters will get a higher price from the steel and other manufacturers than is now being charged them for the domestic product.

A sufficient tariff at this time means the continuation of this industry; a tariff that does not protect means utter demoralization.

We feel confident that the steel industry and other users of this country are interested in securing a definite supply of this essential material. These industries are jeopardized as well as the fluorspar industry.

The national security requires an adequate domestic supply of fluorspar. The lessons learned during the recent war will not be quickly forgotten. The United States will never again be satisfied to rely upon any foreign country for a supply of an essential raw material. After this country entered the late war early in 1917 a survey was made to determine the extent to which the United States must rely on foreign sources for war essentials, and attention was quickly directed to fluorspar. The matter was taken up by the War Department and the Bureau of Mines, and strong pressure was brought upon the domestic producers to increase production in an effort to meet the country's needs. By placing in operation practically every known deposit in the United States the producers during 1917 and 1918 were just able to meet the demands of the steel companies. This was done in many cases at the expense of future production. Fluorspar was finally included in the so-called administration minerals bills passed by Congress October 5, 1918, the title to which provided as follows:

"To provide further for the national security and defense by encouraging the production, conserving the supply, and controlling the distribution of those ores, metals, and minerals which have formerly been largely imported or of which there is or may be an inadequate supply."

That the committee may have before them some comparative figures of the cost of production, we herewith submit the following:

The cost of production, at the mines, in Kentucky and Illinois during the year 1920 was \$20.25 per ton of 2,000 pounds.

The selling price at the mines in Canada, not the cost, 35 miles beyond the boundary of the United States, as furnished by the United States Government reports, for the period January-June, inclusive, 1921, was \$9.80 per long ton, or \$8.75 per short ton.

In England the cost of production at the mines during the same period averaged approximately \$2.80 per ton, United States currency.

There can be no dispute that the amount of tariff allowed by the Ways and Means Committee of the House of Representatives, namely, \$5 per ton for the first year and \$4 thereafter, will in no sense afford such protection as will enable this industry to continue in successful operation.

At the time the original petition was filed with the Ways and Means Committee of the House imported fluorspar was being delivered in New York, duty paid, at approximately \$18 per ton, and at that time it seemed that a duty of \$5 per ton would have afforded reasonable protection.

The radical decline in the price on the imported material as shown in the figures given here is ample warrant for the filing of this petition for an increased tariff which will sufficiently protect the industry and enable it to go forward and produce.

This tariff should not be less than the difference between the cost of producing the spar at the mines in this country and the cost of the spar landed from foreign countries without duty paid, which cost, as evidenced by the data secured from the United States Government records, is approximately \$10.50 per ton during the first six months of 1921.

The cost of this foreign spar, \$10.50, includes cost of production, transportation, and profit to the foreign producer, as compared with the average cost of \$20.25 in this country, without profit to the producer.

Based on the data which we have set forth, it is perfectly obvious that the least possible tariff that will be adequate to protect this industry is \$10 per ton of 2,000 pounds.

To summarize:

1. Fluorspar is absolutely essential in the manufacture of open-hearth steel. There is no known substitute. It is also used in the manufacture of hydrofluoric acid and in the manufacture of certain kinds of glass.

2. The average amount of fluorspar consumed in the steel industry is less than 10 pounds per ton of finished steel.

3. The national security requires adequate domestic fluorspar production. This was demonstrated during the recent war, when the possibility of a domestic shortage created considerable concern. Such a shortage would have decidedly crippled the war efficiency of this country. Fluorspar was finally included under the "administration minerals bill," which was passed "to provide for national security and defense" by encouraging the production of minerals which had formerly "been largely imported or of which there is or may be an inadequate supply."

4. On account of the demands made upon existing mines during the war, production in the United States has now become a costly deep-mining, hazardous industry, the present average cost of production, not including any profit, being \$20.25 per ton of 2,000 pounds.

5. The greatest known supply of cheap fluorspar is in England, where most of it is not mined, but is hand-picked "at a low cost from tailings of lead mines and from the gob in abandoned mines, and is shipped to this country as "ballast at a very low freight rate." The producing cost of fluorspar in England is approximately \$2.80 per ton, and with existing ocean freight rates it is now offered in large quantities at Atlantic ports at a price of approximately \$10.50 per short ton after payment of the present duty of \$1.50 per ton.

6. This condition justifies a tariff of \$10 per ton of 2,000 pounds as a minimum. Unless this protection is afforded, the fluorspar industry as such will cease to exist in the United States, nearly all operations will be abandoned, and there will be no possible opportunity for exploration for or discovery of new deposits. In that event the great steel mills of the United States will be forced to depend for their supply of an essential material upon a foreign source, uncertain as to extent and subject to complete interruption in case the channels of commerce should be again disturbed.

LETTER OF BENEDICT CROWELL, PRESIDENT OF THE ROSICLARE LEAD & FLUORSPAR MINES.

ROSICLARE, ILL., June 30, 1921.

Hon. BOIES PENROSE,  
Chairman Finance Committee of the Senate.

MY DEAR SENATOR: This company has for many years been the largest producer of fluorspar in the United States.

When in January, 1921, the producers of fluorspar presented a memorial to the Ways and Means Committee of the House of Representatives asking for a tariff of \$5 to \$6.50 per net ton of 2,000 pounds on fluorspar, all of the important mines in the United States were in operation. To-day all mines are closed down.

The price of gravel fluorspar in the United States to-day is about \$20 per net ton f. o. b. the mines. The cost of fluorspar for the year 1920, based on sworn figures of the 17 largest producers of Kentucky and Illinois, was as follows:

Total tons produced.....	141,393
Total cost.....	\$2,864,442.88
Average cost per ton.....	\$20.25

Our principal foreign competition comes from England. The writer has just returned from England after having made a careful examination of the fluorspar industry in that country. The average cost of putting gravel fluorspar on the cars at the mines (in England) is now about \$2.80 per ton United States currency, as compared with our cost of \$20.25 per ton. English fluorspar is now being delivered in our eastern seaports, duty paid, at a cost of about \$12 per ton.

It is therefore perfectly apparent that the mines in America will stay closed down unless this differential is corrected by a duty. In my opinion, the duty necessary to accomplish this is approximately the difference between these two figures.

In addition to the above, I would invite your attention to the fact that English fluorspar mines are located less than 100 miles from ocean transportation, while American mines have a long and expensive rail haul. Furthermore, English producers have the advantage of shipping their fluorspar as ballast, taking the lowest possible ocean freight rate.

The two elements to be taken into consideration are the lower cost of production of the English fluorspar and the lower cost of transportation, which, added, make a differential to-day against the American fluorspar of between \$8 and \$9 per net ton. There is no truth in the rumor that the English sources of supply are approaching exhaustion.

I, therefore, representing the principal fluorspar producers of the United States, appeal to your committee for relief from this disastrous situation.

Very truly, yours,

BENEDICT CROWELL, *President.*

## MICA.

[Paragraph 208.]

## STATEMENT OF CHARLES P. STORRS, REPRESENTING THE STORRS MICA CO., OWEGO, N. Y.

The CHAIRMAN. Where do you reside, Mr. Storrs?

Mr. STORRS. Owego, N. Y. I represent the Storrs Mica Co., manufacturers of mica chimneys and importers of mica.

The CHAIRMAN. Are you in that business?

Mr. STORRS. Yes, sir. I am vice president of the company.

The CHAIRMAN. What is it that you want with reference to this bill?

Mr. STORRS. I want to harmonize the different views, as far as possible, to avoid wasting the time of the committee.

Senator WATSON. What paragraph of the bill?

Mr. STORRS. Paragraph 208. We endeavored to get together, at the suggestion of the chairman, and have one representative speak for the whole industry, but we were unable to agree on rates that were satisfactory to all of us.

Senator WATSON. If you gentlemen can not agree, in the business, how do you expect us to agree?

Mr. STORRS. Well, sir, we desire to submit it to you and let you decide what is best for us. We will tell you the facts.

Aside from my own firm, I represent a group of manufacturers who use mica as a raw material and who are opposed to any increase in the duty on their raw material. I have a memorandum here which I would—

Senator SIMMONS. Where is your factory?

Mr. STORRS. Owego, N. Y.

There is one bit of harmony that developed in our endeavor to get together on this matter. All of the interests are agreed that there should be, in all fairness, a wider difference between the rate on the raw material and the manufactured product. That, I think, will be carried out by a paragraph something like this:

Suggested draft of paragraph 208:

208. Mica, unmanufactured, 17 per centum ad valorem; mica splittings, 19 per centum ad valorem; mica, cut or punched, mica plates, built-up mica, and all manufactures of mica or of which mica is the component material of chief value, 34 per centum ad valorem; ground mica, 20 per centum ad valorem.

As to the following clauses: "Mica, unmanufactured, 17 per centum ad valorem; mica splittings, 19 per centum ad valorem," I would say that as I understand the American valuation, a 17 per centum ad valorem on the American valuation would be a little higher than the present 25 per centum ad valorem on the foreign value, and that the 19 per centum on the splittings, on the American valuation, would be a trifle higher than the present 30 per centum; so that the revenue would be a little bit higher, but practically the same.

The next clause would be with reference to the manufactured material—

Mica, cut or punched, mica plates, built-up mica, and all manufactures of mica or of which mica is the component material of chief value, 34 per centum ad valorem.

That would furnish a differential between raw material and the manufactured product.

Senator SMOOR. Under the Payne-Aldrich bill you had 10 cents a pound and 20 per cent ad valorem.

Mr. STORRS. Yes, sir. The manufacturers feel that that would not be sufficient. Most of them are asking for higher than 34 per cent.

Senator SMOOR. You want 34 per cent, you say?

Mr. STORRS. That is my suggestion; yes, sir.

Senator SIMMONS. On the manufactured?

Mr. STORRS. Yes, sir. On the ground mica—no one seems to be very much interested in that—for the sake of simplicity I would suggest leaving off the specific duty and leaving the 20 per cent ad valorem.

Senator SIMMONS. The first is mica, unmanufactured, or rough trimmed only. You suggest striking out 4 cents a pound and 17 per cent ad valorem, and inserting what?

Mr. STORRS. Seventeen per cent ad valorem.

Senator SIMMONS. Striking out the 4 cents a pound?

Mr. STORRS. That is my suggestion; yes, sir.

Senator SMOOR. I thought that was on ground mica.

Mr. STORRS. No, sir; on all three clauses. But the particular point that I wish to make is—

Senator SIMMONS. That is your raw material?

Mr. STORRS. Yes, sir; and the splittings constitute the raw material of the board manufacturers, such as the Mica Insulator Co. It is used very largely in the electrical industry. The splittings are not usable in any way until they are manufactured. They bear at present a rate of 30 per cent on the foreign valuation, and I figure that the 19 per cent would be a little bit higher than that.

Senator SIMMONS. My dear sir, let us take the thing as it runs. The next is mica, cut or trimmed, mica splittings, mica plates, and built-up mica, and all manufactures of mica or of which mica is the component material of chief value, 10 cents per pound.

You want the 10 cents stricken out?

Mr. STORRS. I ask for that; yes, sir.

Senator SIMMONS. For the 17 per cent you want what?

Mr. STORRS. Thirty-four per cent.

Senator SIMMONS. Ground mica, 4 cents per pound and 20 per cent ad valorem. What do you want for that?

Mr. STORRS. I suggest that the specific be stricken out. The 20 per cent is sufficient to cover that.

The CHAIRMAN. Why do you object to these specific duties?

Mr. STORRS. Because they constitute on the raw material an increase over the present duty, which I do not think is fair to the industry. I feel that the 17 per cent ad valorem corresponding to the present rate is a pretty high duty on raw material. A great deal of it has to be imported.

Senator WALSH. How much of it?

Mr. STORRS. Sixty per cent of the consumption.

Senator WALSH. Where is mica mined?

Mr. STORRS. Largely in North Carolina and in New Hampshire, in this country. It is imported largely from British India, Brazil, and the Argentine. The imported mica is required by many manufac-

turers who find it impossible to use the domestic material. We have to import it, and we do not like to have an unnecessary duty added to the imported mica which only gives an increase to the cost of the product and does not, I think, benefit the American producers. I think they are amply protected by this rate suggested.

Senator SIMMONS. I want to ask you why you think you should be entitled to double duty on your manufactured product over that on your raw material.

Mr. STORRS. I simply hit upon that as a compromise. It is very much lower than most of the manufacturers are asking for. They are asking for 60 per cent.

Senator SIMMONS. Of what?

Mr. STORRS. Sixty per cent ad valorem on the manufactured mica.

Senator SIMMONS. They want a differential between the raw material and the manufactured?

Mr. STORRS. Some of them will ask you for 30 per cent on the raw material and 60 per cent on the manufactured article.

Senator SMOOR. Just double the amount?

Mr. STORRS. Yes, sir.

Senator SIMMONS. It is your idea that the duty on the manufactured article ought to be double the duty on the raw material?

Mr. STORRS. It would seem so, yes, sir; to give ample protection.

Senator SIMMONS. I just wanted to get your views.

**BRIEF OF CHARLES F. STORRS, REPRESENTING STORRS MICA CO., OWEGO, N. Y.**

We respectfully submit for the consideration of the Finance Committee, the following paragraph in place of paragraph 208 of the House bill, as providing fairer and more satisfactory classification and rates of duty applying to mica:

"Par. 208. Mica, unmanufactured, 17 per centum ad valorem; mica splittings, 19 per centum ad valorem; mica, cut or punched, mica plates, built-up mica, and all manufactures of mica or of which mica is the component material of chief value, 34 per centum ad valorem; ground mica, 20 per centum ad valorem."

The above proposed paragraph subdivides mica into four groups, as follows: (A) Unmanufactured mica; (B) Mica splittings; (C) Manufactures of mica, including mica cut to size or punched to a particular form or pattern; (D) Ground mica. These four groups cover the material in all the forms in which it might be imported and will be taken up in order.

**(A) UNMANUFACTURED MICA.**

This covers knife or shear trimmed mica in irregular form, not capable of use until subjected to manufacturing process, such as cutting, punching, turning, or otherwise working into usable form. The proposed 17 per cent ad valorem on this class, applied under the American valuation provisions as outlined by the committee at this time, is approximately the equivalent of the present (Underwood tariff) rate of 25 per cent ad valorem on foreign valuation, which applies to mica valued above 15 cents per pound. The quantity of mica valued not above 15 cents per pound imported during the last few years is negligible and the revenue derived therefrom very small. (See U. S. Tariff Commission Survey of Mica, page 20.) The bulk of the unmanufactured mica imported consists of that valued above 15 cents per pound. In 1920 this item was 1,134,021 pounds, valued at \$1,091,709 (averaging \$0.963 per pound), and producing a revenue amounting to \$272,927. (See U. S. Tariff Commission Survey of Mica, page 21.)

Thus, the following table, based on mica of a foreign valuation equal to \$1 per pound, will fairly show the result of our proposed rate of 17 per cent, as compared with the present (Underwood) rate. In determining the American valuation upon unmanufactured mica, the "domestic selling price" method will not apply, as do-

estic mica is not freely offered for sale in "knife-trimmed" form as is the imported, but is passed direct from miner to manufacturer in "thumb-trimmed" form, that is, with rough and cracked edges, and therefore not directly comparable in value to corresponding sizes of imported material. Owing to the great variety of grades differing only slightly in quality and varying irregularly in price in a widely scattered market, the second or "import value" method of valuation will be difficult to apply. It is therefore likely that as regards unmanufactured mica the "export value" method will be used. It is the last-mentioned method that we follow in making this estimate.

*Comparison of our proposed rate (17 per cent) with present rate.*

	Underwood tariff, 25 per cent.	First entry under pro- posed 17 per cent on American valuation.	Subsequent entries under pro- posed 17 per cent on American valuation.
Foreign market value (invoice price), per pound.....	\$1.00	\$1.00	\$1.00
Shipping and entry charges, 7 per cent.....	.07	.07	.07
Duty ad valorem.....	.25	1.2603	1.2623
<b>Total cost landed.....</b>	<b>1.32</b>	<b>1.3303</b>	<b>1.3323</b>
Expense and profits 16 per cent.....	.2112	.2128	.2131
<b>American selling price.....</b>	<b>1.5312</b>	<b>1.5431</b>	<b>1.545</b>

<sup>1</sup> 17 per cent on previous American selling price, \$1.5312.

<sup>2</sup> 17 per cent on previous American selling price, \$1.5431.

The above table shows that our proposed rate would provide a duty only slightly in excess of the rate now in effect.

The following comparison shows the effect under American valuation of the rate proposed for unmanufactured mica by witnesses appearing on behalf of the producers of domestic mica, who ask a rate of 30 per cent ad valorem, which appears to us to be unreasonable and a totally unwarranted increase if applied to a raw material which domestic miners are quite unable to provide in sufficient quantities of the particular characteristics and qualities for which the imported material is considered desirable.

	Under- wood tariff, 25 per cent.	First en- try under rate pro- posed for miners, 30 per cent on American valuation.	Subse- quent en- tries under miners' proposed rate, 30 per cent on American valuation.
Foreign market value (invoice price) per pound.....	\$1.00	\$1.00	\$1.00
Shipping and entry charges, 7 per cent.....	.07	.07	.07
Duty ad valorem.....	.25	1.4594	1.5322
<b>Total cost landed.....</b>	<b>1.32</b>	<b>1.5294</b>	<b>1.6022</b>
Expenses and profits 16 per cent.....	.2112	.2447	.2564
<b>American selling price.....</b>	<b>1.5312</b>	<b>1.7741</b>	<b>1.8586</b>

<sup>1</sup> 30 per cent on previous American selling price, \$1.5312.

<sup>2</sup> 30 per cent on previous American selling price, \$1.7741.

Under the producers' proposed rate the duty on unmanufactured mica is more than doubled; in fact the increase they ask in ad valorem rate alone amounts to 113 per cent of the present rate.

We urgently oppose any increase over the rate proposed by us, 17 per cent ad valorem, as any higher rate would only increase the cost of this raw material to manufacturers who require the imported material and also to the consumers of their products. Imported mica is superior for many purposes to the domestic product, and is preferred by many manufacturers. In fact for certain uses the imported mica is indis-

pensable. This point is set forth in detail in our brief submitted to the Ways and Means Committee (Hearings, Part I, pp. 547 and 548) and corroborated by letters from various manufacturers submitted with such brief (Hearings, Part I, pp. 551-553).

This view is further indorsed by the testimony of Mr. Brerston and Mr. Dorian, of the Columbia Graphophone Co., before the Finance Committee on August 22.

The fact that the production of domestic mica takes care of only 40 per cent of the domestic consumption and has averaged about that figure for a number of years is shown on page 17 of the Tariff Information Survey on Mica. We quote from page 15 of this survey: " \* \* \* as the domestic production during the war years 1914-1918, with added inducement, made little increase, it is evident that the domestic product is quite unlikely to supply the home market."

Our request that no higher rate than 17 per cent ad valorem be imposed on unmanufactured mica is indorsed by 11 other manufacturers, as appears by letter of July 23, 1921, signed by them and submitted to the committee with the writer's testimony on August 19, 1921.

#### (B) MICA SPLITTINGS.

This form of mica, which is the raw material used by manufacturers of mica board or plate, is of great importance to the electrical industry and is produced only in small quantities in this country. As it bears at present a 30 per cent ad valorem rate (on foreign valuation), we suggest that the equivalent rate (19 per cent ad valorem on American valuation) be imposed in the new act. The bulk of the revenue from mica is derived from these two classes, unmanufactured mica and mica splittings.

#### (C) MANUFACTURES OF MICA.

In spite of the wide divergence of views in the mica industry as to a suitable rate for the raw material, all are agreed that there should be a greater differential between the raw and manufactured products. We believe that to encourage the manufacture of all kinds of mica products within this country an ad valorem rate of 34 per cent would be effective, although other manufacturers are asking for much higher rates on the manufactured material.

#### (D) GROUND MICA.

We believe that 20 per cent ad valorem on this product would be sufficient to amply protect this branch of the industry.

#### LETTER OF PROTEST.

JULY 23, 1921.

#### FINANCE COMMITTEE,

*United States Senate, Washington, D. C.*

Sirs: We strongly protest against a rate of duty on unmanufactured mica higher than 17 per cent ad valorem (on American valuation). This rate affords ample protection to the miner of domestic mica. Imported mica alone has the qualities necessary for certain manufactured articles of great importance. A high rate of duty on mica as a raw material is an unnecessary and unreasonable burden upon many manufacturers who must use it and upon the consumers of their products.

Storrs Mica Co., manufacturers of mica chimneys, Owego, N. Y.; L. E. Benton Co., manufacturers of spark plugs, Vergennes, Vt.; Dubliner Condenser Co. (Inc.), manufacturers of radio condensers, New York City; Eisemann Magneto Corporation, manufacturers of magnetos and ignition apparatus, Brooklyn, N. Y.; New York Mica & Manufacturing Co., manufacturers of spark plugs, Auburn, N. Y.; Pelouze Manufacturing Co., manufacturers of electric devices, Chicago, Ill.; Thresher Manufacturing Co. (Inc.), manufacturers of mica insulation, Brooklyn, N. Y.; Robert K. Preston Mica Co., manufacturers of stove and electrical mica, Chicago, Ill.; The Torrington Co. Standard Plant, manufacturers of spark plugs, Torrington, Conn.; American Electrical Heater Co., manufacturers electric heating devices, Detroit, Mich.; Lindstrom Smith Co., manufacturers of electric appliances, Chicago, Ill.; American Bosch Magneto Corporation, manufacturers of magnetos and battery ignition, Springfield, Mass.

STATEMENT OF LOUIS McCARTHY, VICE PRESIDENT AND TREASURER OF THE MACALLEN CO., BOSTON, MASS.

Senator SMOOT. What is your occupation?

Mr. McCARTHY. Vice president and treasurer of the Macallen Co.

Senator SMOOT. What do they make?

Mr. McCARTHY. Mica insulation.

Senator SMOOT. What is your view of this question?

Mr. McCARTHY. I represent 15 manufacturers and miners and dealers. The miners consist of the northern group, in New Hampshire. We had a meeting together and we all found that paragraph 203, on mica, in the House bill, was unsatisfactory to all branches of the industry.

Senator WALSH. What are those branches?

Mr. McCARTHY. Miners, manufacturers, and dealers.

Senator WALSH. What is the difference between the manufacturers and dealers?

Mr. McCARTHY. A dealer in mica is a man who does nothing but buy mica and sell it.

Senator WALSH. Does he import it?

Mr. McCARTHY. He may not be an importer. He may be a dealer buying locally.

Senator WALSH. A jobber?

Mr. McCARTHY. Yes, sir.

Senator WALSH. A jobber in the manufactured article?

Mr. McCARTHY. Yes, sir.

Senator WALSH. All three classes are dissatisfied with this provision?

Mr. McCARTHY. All three are dissatisfied with it as drawn up.

Senator SIMMONS. Why are the dealers dissatisfied? Upon what ground are they dissatisfied?

Mr. McCARTHY. Because they do not think it gives them the proper protection. They do not like a specific duty.

Senator SIMMONS. They do not have anything to do with the specific duty. They do have to do with the total rate of duty, whatever it may be, specific or ad valorem. Why should the dealer object? Is he objecting upon the ground that these high duties make mica so high that he can not readily dispose of it in this market?

Mr. McCARTHY. The main objection which the dealers whom I represent have to the House bill is that there is 4 cents per pound flat specific duty on mica. If they pay 10 cents a pound for the mica they are paying 40 per cent of its value on 4 cents a pound; but if they pay \$5 a pound for the mica they are only paying 4 cents duty, or practically nothing—

Senator SIMMONS. You are talking about the dealer in raw materials, and I am talking about the dealer in the finished product.

Mr. McCARTHY. No, sir; the manufacturer has no protection whatever in this bill, absolutely none. I myself am a manufacturer.

Senator WALSH. You have no protection because there is no differential between the duty on the raw material and on the manufactured article.

Mr. McCARTHY. We have none.

Senator SMOOT. There is 6 cents a pound difference.

Senator WATSON. You mean in the present law?

Senator SMOOT. I mean in the House bill.

Senator SIMMONS. Four cents per pound on the raw material and 10 cents per pound on the finished product?

Mr. McCARTHY. The ad valorem duty is the same.

Senator SIMMONS. That is more than twice.

Senator WATSON (reading from bill). "Ground mica, 4 cents per pound and 20 per centum ad valorem."

Senator WALSH. Explain that to the committee, Mr. McCarthy.

Mr. McCARTHY. Mica splittings constitute at least 80 per cent of all manufactures made from mica, and are subject to a duty of 10 cents per pound, both raw and manufactured, and 17 per centum ad valorem. Mica splittings are in the same clause with manufactured mica.

Senator WALSH. The splittings are what are used in manufacturing?

Mr. McCARTHY. Yes, sir.

Senator WATSON. Are mica splittings a raw material or a manufactured product?

Mr. McCARTHY. A raw material, it has been decided by the customs court.

Senator SIMMONS. Explain to the committee the difference between unmanufactured or rough trimmed mica and mica splittings. I do not understand the difference. You say they are both raw materials.

Mr. McCARTHY. I will have to, if you will allow me, make a little explanation.

Mica has somewhere up to a million laminations to the inch. Some professor said that if anybody did not believe that, he could count them. The fact is that nobody has ever split a splitting of mica but what there would be a thousand laminations left. You might split it up to one-eighth or one-sixteenth of an inch in thickness and no one splitting is over one-thousandth part of an inch thick.

Senator SIMMONS. Is your splitting done by machinery?

Mr. McCARTHY. It is done in India by the natives, by hand, just with an ordinary knife.

Senator SIMMONS. I am talking about in this country; I am not talking about India now.

Mr. McCARTHY. It is not produced here. It is simply a physical impossibility, owing to the difference in the rate of wages; and we have no help here who would ever split it right. If you bought American splittings, instead of being 1 mill in thickness it would be almost anything.

Senator SIMMONS. Then you do not buy from the American producers any splittings of mica?

Mr. McCARTHY. No, sir; not to amount to anything; and if all the mica produced in the United States were turned into splittings it would not supply 30 per cent of the demand for splittings. There is an enormous amount of splittings consumed in the United States.

Senator SIMMONS. After you buy your rough mica from the American producers, you have to split it?

Mr. McCARTHY. Not for splitting work. We buy our splittings already split. For other purposes we might get an order calling for mica one sixty-fourth of an inch thick or half an inch thick, and we might have to split it down as it comes.

Senator SIMMONS. If you buy mica from an American producer and the American producers do not split it, then you have to split it for the particular uses which you make of it?

Mr. McCARTHY. No, sir; we can not use it at all, in the built-up mica. It is used for washers.

Senator SIMMONS. You do use American mica, do you not?

Mr. McCARTHY. Yes, sir; but not in splittings.

Senator WATSON. What is American mica used for?

Mr. McCARTHY. It is made into washers and other things.

Senator WATSON. Is there any difference in the American mica and the foreign mica as to the uses to which it can be put?

Mr. McCARTHY. Yes, sir; there is a distinction. There are certain grades of electrical work for which nothing but Canadian mica will answer. They have got to use it. Then, there is other electrical work for which they consider India mica better; and there is some work for which the American mica is suitable.

Senator SMOOT. Do you agree with the former witness, that a 2 per cent ad valorem difference between the "unmanufactured, or rough trimmed only," and the "mica, cut or trimmed, mica splittings, mica plates, and built-up mica" would equalize the items?

Mr. McCARTHY. I do not catch your meaning, Senator.

Senator SMOOT. Have you the bill there?

Mr. McCARTHY. Yes, sir.

Senator SMOOT. Mr. Storrs testified that he wanted to strike out 4 cents per pound and leave 17 per cent on the "unmanufactured, or rough-trimmed only."

Mr. McCARTHY. I can answer that by simply saying that I have been in the mica business for 35 years. I was originally a very large miner. I dealt in it, but I reformed and went into the manufacturing end of it and dropped the other end. I know every end of the mica business, and I can speak unprejudiced, because I am only in one branch of it. I have nothing to do with the raw mica. Every classification that was ever made on mica is simply for mystification. Mica is one item that should have a flat ad valorem duty, and the appraisers at the customhouse should say what it is worth.

Senator SMOOT. What about my question? Do you agree with Mr. Storrs that the 4 cents per pound specific should be stricken out and the 17 per centum ad valorem should remain on mica "unmanufactured, or rough trimmed only"?

Mr. McCARTHY. That is immaterial whether you put it at 17 or 30.

Senator SMOOT. Then do you know whether the miner of mica is satisfied with that proposition?

Mr. McCARTHY. I know they are not. We have had conferences with the miners for the last two days.

Senator SMOOT. What do you want with reference to it?

Mr. McCARTHY. It is stated in my brief, as follows:

Mica valued at not above 15 cents per pound, 6 cents per pound; valued above 15 cents per pound, 30 per cent ad valorem; mica splittings 30 per cent ad valorem; mica plates and built-up mica and all manufactures of mica, or of which mica is the component material of chief value, 60 per cent ad valorem; ground mica, 25 per cent ad valorem.

That is what these 15 men have agreed upon before having any consultation with the miners.

Senator WATSON. What do the miners want?

Mr. McCARTHY. The miners practically agree with us in everything with the exception that they think they ought to have a higher protection on small mica, which they will present in their brief.

Senator WALSH. Under paragraph 208, manufactures of mica, or of which mica is the component material of chief value, bear a duty of 10 cents per pound and 17 per centum ad valorem. Eighty per cent of "all manufactures of mica" are composed largely of mica splittings, are they not?

Mr. McCARTHY. Yes, sir.

Senator WALSH. Mica splittings have a rate imposed of 10 cents per pound and 17 per cent ad valorem. Therefore, you say there is no differential in favor of the manufactured articles over the raw material?

Senator SMOOT. Splittings and built-up mica.

Senator WALSH. That is his raw material.

You say that if there is to be a tariff imposed upon the raw material, you want it to protect you upon the difference in the cost of labor?

Mr. McCARTHY. Yes, sir.

Senator WALSH. What he wants is on splittings, or built-up mica. He is not complaining of "rough-trimmed only."

Mr. McCARTHY. No, sir. The miners are going to appear here.

The CHAIRMAN. How many mica miners are there in the country?

Mr. McCARTHY. There are somewhere in the neighborhood of a hundred signatures to their brief.

The CHAIRMAN. How many mica miners are there?

Mr. McCARTHY. I have not the exact figures. There are probably several thousand engaged in the industry.

Senator SMOOT. In mining and manufacturing?

Mr. McCARTHY. The manufacturers are much larger in number. There are more men engaged in manufacturing.

Senator WALSH. How many manufacturers are on your brief?

Mr. McCARTHY. It is very hard to define what a manufacturer is. I have a half million dollars or more tied up in my manufacturing. Another man might have a punch press and put himself down as a manufacturer.

Senator WALSH. How many join with you in this request?

Mr. McCARTHY. They represent about 85 or 90 per cent of all the mica manufacturers in this country.

Senator WALSH. What is the number on the brief?

Mr. McCARTHY. Fifteen.

Senator SIMMONS. I understood Mr. Storrs to ask for 34 per cent ad valorem on manufactured mica. You want 60 per cent?

Mr. McCARTHY. Sixty per cent is what I thought we could just as well have, owing to the fact of our competition and that Germany is regaining her world markets again.

Senator SIMMONS. Has Germany the world's market in mica?

Mr. McCARTHY. She came very near having it here; and if it had not been for the war we would have had no protection under the Underwood bill. Germany was coming in here and underselling us right and left, but the war came on and cut that off.

Senator SIMMONS. Was your only competition in mica before the war with Germany?

Mr. McCARTHY. Oh, yes; we had tremendous competition.

Senator SIMMONS. Did it all come from Germany is the question.

Mr. McCARTHY. No; the Japanese and the Indians. They had gone into it to some extent before the war, but owing to the lack of shipping they could not get the goods over here. Consequently during the war period and up to now they have been sending circulars to everybody in the trade offering stuff away below our price.

Senator SIMMONS. How much mica was imported into this country before the war?

Mr. McCARTHY. They imported perhaps 30 per cent of what was used in the country.

Senator WATSON. What is meant by built-up mica? Is that all forms of manufactured mica?

Mr. McCARTHY. What is meant by built-up mica is simply this: The films come one-thousandth part of an inch thick. They are put down on a screen and built up to any thickness. They are then put under powerful hydraulic pressure and formed into a plate and those are then cut up into segments and folded into rings or other forms in which it is desired. But natural mica, as it comes from the mine, will not stand pressure. If you press a natural piece as it comes from the mine it will break all to pieces. In this form [indicating] it will stand any pressure you want to put upon it.

Senator WATSON. I understand that you manufacturers are not particular about the amount of the tariff that is put on the raw material if you get a sufficiently high differential.

Mr. McCARTHY. That is it; if we get double the duty on manufactured articles that we get on the raw material.

There is one more remark that I would like to make before leaving. Under our suggestion the Government will get from 30 to 50 per cent more revenue and everybody will be satisfied about it without materially increasing the cost to the consumer.

Senator SMOOR. Your proposition is that on "mica, unmanufactured, or rough trimmed only," you want 6 cents a pound. On mica splittings and built-up mica, 30 per cent ad valorem, and on manufactured mica you want 60 per cent ad valorem?

Mr. McCARTHY. Yes, sir. That is stated in our brief. That was stated before having any consultation with the miners. The miners will present their brief, and I do not hesitate to say that we want the miners to get proper protection.

Senator WALSH. Why do you say that it will not increase the price to the consumer?

Mr. McCARTHY. Because at the present time it is 25 per cent on splittings, and this is only going to be 5 cents more.

Senator WALSH. How much is your duty on the manufactured product to-day?

Mr. McCARTHY. Twenty-five per cent.

Senator WALSH. The same?

Mr. McCARTHY. Yes, sir.

Senator WALSH. There is no differential?

Mr. McCARTHY. No, sir; no differential, and there will be only 5 cents a pound increase.

Senator REED. I understand that there is a duty on the raw mica and that you anticipate that would be increased. Therefore you want an increase on the manufactured product. Why do you need the increased duty on the manufactured product?

Mr. McCARTHY. Because we have none for our protection. We have the same duty to-day on manufactured goods and on raw material. We have no protection.

Senator REED. You think you ought to have twice the duty on the manufactured product?

Mr. McCARTHY. Yes, sir.

Senator REED. You have been running along and getting along all right under the present law?

Mr. McCARTHY. Only because the war made conditions such that the foreign competition could not get here. If it had not been for that we would have been out of business.

Senator REED. How were you before the war?

Mr. McCARTHY. I do not know what percentage, but the Germans were coming in here very heavily.

Senator REED. How did you get along before the war?

Mr. McCARTHY. The Underwood tariff did not go into effect until just shortly before the war. Before that I was not in the business, in the manufacturing end.

Senator REED. I will not wait to go into that particular question, but I want to get at this: This bill proposes a tariff upon the raw material, and you want a duty upon the manufactured product much greater than that on the raw material to make up for that difference. Do you think you have to pay more for your raw material if there is a tariff put upon it?

Mr. McCARTHY. We are paying 25 per cent duty now on the raw material.

Senator REED. But if the tariff on your raw material is increased do you think you will have to pay more for your raw material?

Mr. McCARTHY. Only the difference in what the tariff would be on the raw material.

Senator REED. Do you think the additional tariff on the raw material will increase the price of the raw material that much?

Mr. McCARTHY. It can not help it.

Senator REED. Then, you agree to the proposition that the tariff does increase the price of an article?

Mr. McCARTHY. Well, of course; naturally it does.

Senator REED. Certainly.

Mr. McCARTHY. But we must have revenue.

Senator REED. I am not discussing that. I am just discussing the question that the tariff adds to the price of an article.

Mr. McCARTHY. Yes, sir.

Senator REED. And the consumer has to pay it?

Mr. McCARTHY. Yes, sir.

Senator REED. That is all.

Senator WATSON. The tariff is added to the price of the article until that article is produced in such quantities in this country that the home competition cuts the price down. Is not that true?

Mr. McCARTHY. Certainly.

Senator WATSON. And if you had enough production of raw mica in the United States to supply the entire home demand, then the tariff would not make any difference in the cost of the raw material?

Mr. McCARTHY. We are up against a proposition where even the miners will tell you, if you ask them when they come here, that producing films in this country is a physical impossibility. It is out of the question. We have got to get our film from abroad. We base our cost of material naturally on what the films cost us delivered in the factory—duty, cartage, and everything else.

Senator REED. You can not follow that reasoning up to the point Senator Watson suggests, and voluntarily cut the price of this particular article, because you can not get it.

Mr. McCARTHY. I did not catch your question, Senator.

Senator REED. I will not press it.

#### BRIF OF THE MANUFACTURERS, MINERS, AND DEALERS IN MICA.

The subscribers to this brief are manufacturers, miners, or dealers in mica.

The provision in H. R. 7456 covering our products is found in Schedule 2, paragraph 208, reading:

"PAR. 208. Mica, unmanufactured or rough trimmed only, 4 cents per pound and 17 per cent ad valorem; mica cut or trimmed, mica splittings, mica plates, and built-up mica, and all manufactures of mica or of which mica is the component material of chief value, 10 cents per pound and 17 per cent ad valorem; ground mica, 4 cents per pound and 20 per cent ad valorem."

This provides, among other things, that the duty upon "mica splittings, mica plate, and built-up mica, and all manufactures of mica, or of which mica is the component material of chief value," shall be 10 cents per pound and 17 per cent ad valorem. Mica splittings are the raw material from which mica plate and built-up mica are manufactured. The duty as fixed by paragraph 208 does not differentiate between raw material and the products manufactured from such raw material. It does not give protection to the domestic manufacturers, and without such protection it will be difficult or impossible for the industry to survive.

An equal duty upon raw material and upon the manufactured products violates the spirit of the entire tariff. Paragraph 1457 of the bill assesses upon all raw and unmanufactured articles not specially provided for a duty of 10 per cent ad valorem, and upon all articles manufactured, in whole or in part, not specially provided for, a duty of 20 per cent ad valorem. The propriety and necessity for a differential in duty upon raw materials and upon manufactured articles made therefrom is clearly recognized therein.

Pig iron, scrap iron, and scrap steel, under paragraph 301, are dutiable at \$1.25 per ton, whereas manufactures composed wholly or in chief value of iron or steel (par. 303) are dutiable at 35 per cent ad valorem.

In the tariff acts prior to 1913 mica splittings were dutiable as unmanufactured mica, thereby giving the domestic manufacturers a lower duty upon their raw material than was assessed upon their manufactured products. Under the tariff bill of 1913 mica splittings were made dutiable at the same rate as manufactures of mica, but the conditions which have existed during the intervening years have been so abnormal that there was no competition of foreign manufacturers of mica plate or of built-up mica. Under peace conditions the domestic manufacturers of mica plate and of built-up mica can not meet foreign competition unless the principle of differentiating between the raw materials and the manufactured product be observed in paragraph 208.

Believing that the best interest of the Government, from the viewpoint of revenue and simplification of schedule and of the miners, manufacturers, and dealers in mica, can be preserved by a change not only in the rates but in the reading of the paragraph, we petition the Finance Committee to change the present paragraph to read as follows:

"Mica valued at not above 15 cents per pound, 6 cents per pound; valued above 15 cents per pound, 30 per cent ad valorem; mica splittings, 30 per cent ad valorem; mica plates and built-up mica and all manufactures of mica, or of

which mica is the component material of chief value, 60 per cent ad valorem; ground mica, 25 per cent ad valorem."

The paragraph as suggested by your petitioners will give more revenue to the Government, more protection to the American manufacturer and miner, than the present paragraph 208 in H. R. 7458.

Macallen Co., Boston, Mass.; Keene Mica Products Co., Keene, N. H.; Watson Bros., Boston, Mass.; New England Mica Co., Waltham, Mass.; Eugene Munsell Co., New York City, N. Y.; Joseph Huse Sons, Boston, Mass.; Mica Insulator Co., New York City, N. Y.; Chicago Mica Co., Valparaiso, Ind.; Phonograph Appliance Co., New York City, N. Y.; American Mica Works, New York City, N. Y.; Ford Mica Co., New York City, N. Y.; American India Mica Co., New York City, N. Y.; International Mica Co., West Philadelphia, Pa.; S. O. Fillion, New York City, N. Y.

**STATEMENT OF C. W. JEFFERSON, MANAGER OF THE MICA INSULATOR CO., NEW YORK, N. Y.**

Senator WALSH. Are you in the same business as the last witness?

Mr. JEFFERSON. Yes, sir.

Senator SMOOT. Have you a brief?

Mr. JEFFERSON. I have some notes here that I would like to read from in regard to mica splittings.

Senator SMOOT. Just mica splittings?

Mr. JEFFERSON. Mica splittings only.

Senator SMOOT. What do you want on them?

Mr. JEFFERSON. We have agreed to ask for a duty of 30 per cent. That is, of course, based on foreign valuation. Nineteen per cent would be a little more than that on American valuation, so far as we can make it.

Senator WALSH. Proceed with your statement.

Mr. JEFFERSON. This brief may be considered supplementary to the one submitted by Mr. Louis McCarthy for the manufacturers, miners, and dealers in mica, one of whom is my company, the Mica Insulator Co.

I might say that the people who signed this brief represent 95 per cent of the manufactures of mica in this country.

I trust that you will allow that I am entitled to say a word about mica splittings, because I have to bear the responsibility of their use, back to 1892.

Senator SIMMONS. Do you want the same duty upon manufactured mica that the last witness asked; that is to say, 60 per cent?

Mr. JEFFERSON. Yes, sir.

Senator SIMMONS. In other words, you put 30 per cent on mica splittings, which is a very small part of the mica that is used, for the purpose of getting 60 per cent on all manufactured mica?

Mr. JEFFERSON. The mica splittings is a very large proportion of the mica used.

Senator SIMMONS. It is not all of it, by any means?

Mr. JEFFERSON. It is not quite all.

Senator SIMMONS. You want to double it. Because of the 30 per cent upon that one article, mica splittings, you want to double the duty on all mica.

Mr. JEFFERSON. All manufactures of mica. But that, even, does not give us complete protection against the existing cheap labor which is current over in Europe and also in India at the present time. In India there is a firm which has resources of \$500,000,000 and which

has gone into the manufacture of this mica board. I heard the other day, on very good authority, that this concern was willing to put in their losses for years to get established around the world, so that they could get control of the manufacture of this mica board made from splittings.

We make splittings from these sheets, split mostly from the smaller sizes of sheet mica. These splittings or films are used in the manufacture of what is called mica board. We call it "Micanite," a trade name. Others call it by other trade names, the name indicating by whom the mica board was made. This mica board, with the aid of heat, can be pressed or molded into innumerable shapes and articles demanded by electrical engineering.

Senator SIMMONS. Let me ask you a question. The last witness said that we do not produce mica splittings in this country?

Mr. JEFFERSON. No; we do not.

Senator SIMMONS. If we do not produce mica splittings in this country, why do you want 30 per cent on mica? What is there to protect? That is the key to your whole proposition, to get 30 per cent on mica splittings. You say that there are none produced in this country. Why do you want to put that 30 per cent on?

Mr. JEFFERSON. I will come to that in my paper here very shortly. We do not want it.

Senator SIMMONS. You are asking for it.

Mr. JEFFERSON. That is a concession to the mica miners in this country; that is all.

Senator SIMMONS. You said there were no mica splittings produced in this country.

Mr. JEFFERSON. There are not.

Senator SIMMONS. Then the miners in this country are not likely to ask for it if there is none of it produced in this country.

Mr. JEFFERSON. You can use that as a club to get what you want, and we may have to compromise on 30 per cent.

Senator REED. I do not understand your remark about using it as a club. Who is being clubbed?

Mr. JEFFERSON. All these matters in regard to the tariff are give and take.

Senator REED. Mostly take, I think. I have never seen anybody giving anything.

Mr. JEFFERSON. When we consented to that 30 per cent we were giving—

Senator REED. You gave it to whom?

Mr. JEFFERSON. We gave it for the benefit of the mica miners.

Senator REED. Did you have a consultation?

Mr. JEFFERSON. Yes, sir; we had a consultation with them.

Senator REED. And agreed on how much they were going to get?

Mr. JEFFERSON. We did not end with any agreement. We broke up and went on our own hook.

Senator REED. Who represented the mica miners?

Mr. JEFFERSON. Mr. Burleson represented some of the big miners down in North Carolina; Mr. Brown and many others that I do not have in mind.

Senator REED. When you say you had a consultation, you mean that the manufacturers had a conference with these miners and you

tried to come to an agreement as to how much each of you would demand, and you did not quite agree. Nevertheless, when you make this request you are trying to make it so that it will suit both parties?

Mr. JEFFERSON. That is the idea.

Senator REED. You made it high enough so both would be satisfied?

Mr. JEFFERSON. So both would be more or less satisfied, and keep quiet.

Senator REED. That is a good way to compromise.

Senator WATSON. You tried to agree on a tariff on the raw material and a differential on the finished product. You could not agree, so you determined to come in and ask for what you wanted?

Mr. JEFFERSON. Yes, sir.

Senator REED. To ask for what both wanted. Get it right.

Senator WATSON. This gentleman does not pretend to represent the miners.

The CHAIRMAN. The probabilities are that this committee will not agree.

Senator REED. Yes; I think so.

Mr. JEFFERSON. The small sheet mica from which films are split was, before the advent of mica board, thrown away by the miners of mica as waste onto the dumps of refuse about the mines. The consumption of this mica grew rapidly, and the miners soon discovered that their refuse dumps were valuable assets. The use of mica board revived the business of mica mining over the entire world. For a year or so the breaking up or splitting of this small sheet mica was done in this country. The cost of doing so, however, proved to be a heavy drag upon the growth of the industry. It was an operation so tedious and yet requiring such close application to do it well that it was difficult to obtain the necessary number of workers. So steps were taken with the miners of India to split up the mica before sending it over to us, their cheaper and more patient labor being more adaptable than any labor to be found for the work on this side.

Senator LA FOLLETTE. Just what do you mean when you say that steps were taken with the miners of India?

Mr. JEFFERSON. Steps were taken by the Mica Insulator Co. with the mica miners of India, with whom they were in contact, to try to get them to split the mica for us. We sent a representative of our company over there to get that work done.

Senator REED. You wanted that done by the cheapest labor you could get?

Mr. JEFFERSON. Naturally; because we could not get it done here. It would be an absolute physical impossibility to get the quantity of splittings that we needed split in this country. We do split a little bit here. I can show you some pay-roll sheets of our splitting factories up in Canada, where the price is six times as great—that is, the labor price—as the Hindu labor price, and the girls make only \$2.50 and \$3 a week.

Senator WALSH. In Canada?

Mr. JEFFERSON. Yes, sir; the little French Canadian girls. I am ashamed to think that we have on our pay rolls a lot of employees who are earning such a small amount. We can only get mica split in towns where there are no other industries and no other work.

Senator REED. If you did not have this cheap labor in India and if they charged in India the same prices that they do in this country, the price would go up to everybody and then you could raise the wages here?

Mr. JEFFERSON. The wages here would have to go up. Splitting mica is done by cheap work, and it would have to be raised fully a dollar a pound. We could not get splitters even at a dollar a pound.

Senator REED. But you could get them at some price.

Mr. JEFFERSON. We can not get the skilled labor here like those patient Hindus.

Senator REED. The point I want to get at is this: There is very cheap and very patient labor in India. There is dearer labor in Canada which could learn to do the work. That is true, is it not?

Mr. JEFFERSON. Yes; but they can not do the work like the Hindus—nothing like them.

Senator REED. They never could learn it as well?

Mr. JEFFERSON. They never could.

Senator REED. So you have got a class of labor in India that is superior to any class you can get in the United States for this work?

Mr. JEFFERSON. For this work.

Senator REED. That labor is not only superior, but it is very cheap and very patient?

Mr. JEFFERSON. Yes, sir.

Senator REED. So you have to employ American labor—and I am embracing Canada in the term “American.” You went over to India to arrange to get this very cheap labor. Instead of paying your home labor more wages and letting the public pay the cost of promoting American labor, you went over and arranged for the very cheap labor of India, and you say it is one-fifth of the price of the poorly paid labor in Canada. Is that the situation?

Mr. JEFFERSON. Yes, sir.

Senator REED. You propose still to have this splitting done in India, do you not?

Mr. JEFFERSON. Yes, sir.

Senator REED. You do not believe, then, in the principle of a tariff that represents the difference between the foreign labor and American labor?

Mr. JEFFERSON. I do as a whole; yes.

Senator REED. But not in your case?

Mr. JEFFERSON. Not in regard to splittings, because splittings are not a product of this country and never will be.

Senator REED. What are splittings?

Mr. JEFFERSON. I will show you what splittings are—

Senator REED. Let us start with the raw material that you mine and get out of the earth.

Mr. JEFFERSON. It is all raw material. It can be considered raw material.

Here [exhibiting] is mica as it comes from the mines. It is unequal in thickness. The splitters then take hold of that mica and split it into films.

Senator REED. This raw material that you display here, and which is one-sixteenth of an inch thick, or perhaps one-twentieth of an inch thick—

Mr. JEFFERSON. Yes, sir.

Senator REED. Can be split into many other thin sheets?

Mr. JEFFERSON. Yes, sir.

Senator REED. And when you speak of splitters you mean somebody who takes this and divides it into sheets?

Mr. JEFFERSON. Into films.

Senator REED. Makes it into very thin sheets?

Mr. JEFFERSON. Yes, sir.

Senator REED. Then you call those sheets films. I understand the process, but I wanted to get it in the record. I had another matter in mind.

This mica comes out of the ground originally in the same shape in America as it comes out of the ground in India?

Mr. JEFFERSON. Yes, sir.

Senator REED. But when you come to the labor of dividing these very thin sheets or splittings that is done by individuals, is it?

Mr. JEFFERSON. Yes, sir.

Senator REED. And the laborer in India works for about one-fifth of what you pay in Canada?

Mr. JEFFERSON. Yes, sir.

Senator REED. And instead of employing American labor you went over to develop the splitting industry in India?

Mr. JEFFERSON. Yes, sir.

Senator REED. You did that because that labor was so very cheap and very patient?

Mr. JEFFERSON. Yes, sir; and very skillful.

Senator REED. Of course you would not claim that these people over in India are any more skillful, naturally, than your Canadian or French girls?

Mr. JEFFERSON. They are very much more skillful in that particular kind of work.

Senator REED. Then you do not think there ever can be any competition, any real labor competition, between labor in this country and in Canada, of course, on this particular work?

Mr. JEFFERSON. No, sir; no competition at all.

The CHAIRMAN. This witness has exhausted his fifteen minutes.

Senator REED. That is my fault, Mr. Chairman. I want to know about this business. I want to conform to any rule that the committee has.

The CHAIRMAN. There is no rule on the Senator.

Senator REED. I will be as brief as I can.

You want protection against the pauper labor of the world on everything you produce?

Mr. JEFFERSON. You can not call it pauper labor.

Senator REED. It is the cheap labor of the world?

Mr. JEFFERSON. Yes, sir.

Senator REED. You want to go and hire cheap labor whenever it will benefit you?

Mr. JEFFERSON. By using that cheap labor we can give far more and greater employment to the women and girls who are in the

manufacture of this material in this form presented to the American manufacturer. [Indicating.]

Senator REED. On this general principle that by using the cheap labor of other countries we can increase the efficiency of our own plants?

Mr. JEFFERSON. We can.

Senator REED. Then you are a free trader.

Senator WATSON. No; not at all. He wants free trade in raw materials, but not finished products.

Mr. JEFFERSON. That is it.

The quality of splittings we now obtain from India—

Senator SIMMONS. When you go over there and use this cheap labor in India in preparing your raw material which you call splittings, what is the effect upon the kind of raw mica that is produced in this country?

Mr. JEFFERSON. No effect at all.

Senator SIMMONS. Why no effect? Does it not come into competition with it in any way?

Mr. JEFFERSON. No; it does not.

Senator SIMMONS. Now, we have it. It does not come in competition with mica in this country in any way?

Mr. JEFFERSON. No, sir.

Senator SIMMONS. Then the splittings that you bring here are not in competition with anything produced in America?

Mr. JEFFERSON. No, sir.

Senator SIMMONS. Directly or indirectly?

Mr. JEFFERSON. Directly or indirectly.

Senator SIMMONS. And you are proposing to this committee to put a 30 per cent duty on it?

Mr. JEFFERSON. I have not said anything about percentages in my paper. I am not bearing upon that point at all.

Senator WATSON. Who converts the raw material in this country into splittings? You mine mica in this country?

Mr. JEFFERSON. Yes; but it is not converted into splittings at all here.

Senator WATSON. Is it sent over to India and converted into splittings and then shipped back?

Mr. JEFFERSON. Sometimes, but not very much, because the mica obtained in this country does not contain the special peculiarities necessary for making a good quality of this mica board.

Senator McLEAN. Why does not some Yankee invent a splitting machine?

Mr. JEFFERSON. Our company has spent as much as \$10,000 per year in trying to develop splitting machines. We have tried all manner of means. We have a splitting machine that will split mica and split it well, but the cost is prohibitive in comparison with the splitting done in India. There are splitting machines that produce more, but when they produce more the quality is such that we can not use it.

Senator LA FOLLETTE. The mica in this country could be split here if we had the Hindu labor to do it, could it not?

Mr. JEFFERSON. It could be split here, but the quality of the mica obtained from the mines here is not suitable for our purpose.

Senator SIMMONS. Will you let me ask you what duty you propose on unmanufactured and rough mica, such as is produced in this country?

Mr. JEFFERSON. That is out of my province, sir. I have tried to confine myself entirely to splittings.

Senator SIMMONS. But what I am interested in is whether you are not putting this splittings duty on purposely to get 60 per cent on the finished product of all the mica you produce, whether from the splittings of India or from the mica produced in this country. If you will tell me what duty you propose on the unmanufactured and rough mica, I will then be able to determine in my mind whether you are putting this 30 per cent on for the purpose of prizing up the duty on your finished product.

Senator SMOOT. You agreed on a certain rate?

Mr. JEFFERSON. Yes, sir.

Senator SMOOT. And that rate was 6 cents for mica valued at not above 15 cents a pound; 30 per cent ad valorem; mica splittings, 30 per cent ad valorem; mica plates and built-up mica and all manufactures of mica, 60 per cent ad valorem.

Senator SIMMONS. You want 6 cents a pound?

Mr. JEFFERSON. Six cents specific.

Senator SIMMONS. Equivalent to 40 per cent?

Mr. JEFFERSON. On mica valued at not above 15 cents a pound.

Senator SIMMONS. You are advocating 6 cents a pound on rough mica?

Senator SMOOT. Trimmed.

Senator SIMMONS. I am not talking about trimmed at all.

Mr. JEFFERSON. It is all trimmed.

Senator SIMMONS. Unmanufactured and rough-trimmed mica; yes. You are advocating 6 cents a pound on that?

Mr. JEFFERSON. I am not advocating any specific duty, because it is very inequitable.

Senator SIMMONS. What ad valorem duty do you advocate on it?

Mr. JEFFERSON. Thirty per cent.

Senator SIMMONS. On the untrimmed?

Mr. JEFFERSON. Yes, sir.

Senator SMOOT. Mica valued above 15 cents a pound.

Senator SIMMONS. That was the other witness.

Senator SMOOT. That is the agreed rate.

Mr. JEFFERSON. The quality of splittings we now obtain from India could not be produced here at any figure, so skillful have the Hindoo workers become—

Senator WATSON. Can you not file your brief?

Mr. JEFFERSON. I have another page, and then you will have the whole story.

This fact has been acknowledged by the mica miners of this country. At a combined meeting of miners and manufacturers a couple of days ago, which I attended, it was so stated. Their remarks at the meeting can be summed up in the statement that they were not interested in mica splittings.

Why, therefore, a heavy duty?

The characteristics of mica vary greatly. Generally speaking, it can not be said that one kind of mica is better than another. It can

be said, however, that one kind of mica is better than another for a particular application. The kind of mica best suited, say, for phonograph disks would be classed as a poor mica for making mica board.

Mica board to be of universal use for electrical purposes must be made of mica splittings from mica of low resiliency and extreme softness. It so happens that the mica we obtain from India combines these two features to a greater extent than any mica mined in this country. If mica splittings for making mica board are not in competition with domestic miners—and I maintain they are not—what use can a tariff be except to produce revenue for the Government? The lower the price of mica board, the less use of substitutes would be made. Most of these substitutes are in some form or other of wood pulp. The amount of wood pulp entering into electrical insulations is enormous.

Then, again, if the cost of mica splittings be lowered so that their use could be extended the result would be an improvement in the quality of all kinds of American electrical machinery.

As a general thing insulation mica stands on a pedestal high up above any other, and it is through the rending of sheet mica into films—the films being the foundation of the business—that enables mica to be used economically in the electrical industry. It is our raw material in the same sense as cotton after it is ginned is the raw material in the cotton industry.

Senator REED. What is the total production of mica in the United States, in dollars?

Mr. JEFFERSON. I could not tell you that right off hand.

Senator REED. Let me see if I can find it.

Senator WATSON. It amounted, in 1917, to 1,276,533 pounds of sheet, valued at \$753,874, and 3,429 short tons of scrap, valued at \$52,908. This came from eight States—70 per cent from North Carolina and 23 per cent from New Hampshire.

Senator REED. What is the total consumption of mica in this country?

Mr. JEFFERSON. I can not tell you off hand, Senator.

Senator REED. Senator Watson, can you tell me that?

Senator WATSON. The domestic consumption averaged 72 per cent of all mica. India, the United States, and Canada supply about 98 per cent of the total estimated production of sheet mica. Domestic production in 1906 to 1910 averaged 57 per cent of the total mica and 24 per cent of the sheet mica of the world; 1911 to 1915, 63 per cent of all mica and 19 per cent of the sheet mica. Domestic consumption averaged 72 per cent of all mica for both periods, most of the ground mica used being domestic. The ratio of domestic production to consumption of sheet mica averaged about 44 per cent for both periods.

Senator REED. Then there is about 50 per cent of this mica imported?

Mr. JEFFERSON. Yes, sir.

Senator REED. And the total in this country is how much, Senator Watson?

Senator WATSON. Consumption, you mean?

Senator REED. No; the total produced in this country. I want to get at how much it amounts to.

Senator WATSON. The production for 1917 amounted to 1,276,533 pounds, worth \$753,874.

Senator REED. It would seem, then, that the total consumption is under \$2,000,000. I wanted to get that as a basis for a question. About 50 per cent of the raw mica comes into this country from abroad?

Mr. JEFFERSON. In the form of splittings.

Senator REED. What is the name of your business concern?

Mr. JEFFERSON. The Mica Insulator Co.

Senator REED. Where is that located?

Mr. JEFFERSON. The office is in New York and the factory is in Schenectady.

Senator REED. Have you any factories in Canada?

Mr. JEFFERSON. We have a factory in Canada for splitting the Canadian mica which we have to use for certain purposes.

Senator REED. How large a concern is this?

Mr. JEFFERSON. When we are busy we employ between four and five hundred hands, skilled workers and mechanics.

Senator REED. How many men are employed in the mica industry in the United States, all told?

Mr. JEFFERSON. I should say, all told, between three and four thousand.

Senator REED. That includes the mica manufacturers who work it up into boards and manufacture it?

Mr. JEFFERSON. Yes; who make the finished article for the electrical manufacturers.

Senator REED. Of course, when it is made up, it is of much greater value than \$2,000,000?

Mr. JEFFERSON. Oh, yes.

Senator WATSON. Does 4,000 include all the miners?

Mr. JEFFERSON. Oh, no; it is very hard to say how many miners there are, because mining is done in many cases by farmers who in spare moments dig out a little mica on the side.

Senator REED. Could you approximate the number of people who are engaged in digging the mica?

Mr. JEFFERSON. I could not.

Senator REED. Well, 4,000 or 5,000 is the total. Now, what is the total value of the mica when it is manufactured by these 4,000 people, ready for consumption?

Mr. JEFFERSON. The value of the finished article?

Senator REED. Yes.

Mr. JEFFERSON. Probably about \$4,000,000.

Senator REED. What are the wages that you pay these 4,000 people?

Mr. JEFFERSON. The wages, of course, have been on the increase, and the girls average about \$20 a week, and the men average \$30 to \$35 or \$40 a week.

Senator REED. I was trying to get at the aggregate amount of wages. What proportion is the wages to the total finished product in value?

Mr. JEFFERSON. I should say about one-half.

Senator REED. Do you have any competition from abroad except this Indian competition?

Mr. JEFFERSON. We have competition from the factories in England, and we have competition from the factories in Germany and

from the factories in Switzerland and the factories in Holland, and it is a struggle to hold up our end, and we can only do it by developing improved methods which obliterate a certain amount of our expensive labor.

Senator REED. That is a proper economic proposition.

Mr. JEFFERSON. Yes.

Senator REED. And you were competing before the war. How many years had you been competing?

Mr. JEFFERSON. The competition was just rising to a very serious condition just before the war.

Senator REED. How many years had you been running without any protection on the raw material?

Mr. JEFFERSON. The raw material has been protected here, and that fact has increased our cost and limited our output.

Senator REED. But if you had had the free raw material you could have competed, could you not, in your finished product?

Mr. JEFFERSON. We could have competed better; we would have built up a larger business and been able to manufacture cheaper, and we would have been able to increase our export trade very considerably.

Senator REED. How much capital has your concern?

Mr. JEFFERSON. We started with a small amount of capital, but it has gradually grown.

Senator REED. What is your capital to-day?

Mr. JEFFERSON. The capital to-day of our company is \$125,000.

Senator REED. What were your dividends last year, and your profits?

Mr. JEFFERSON. I can not tell you those figures exactly; I do not know. We have an investment of, say, about \$600,000.

Senator REED. I thought you said \$125,000?

Mr. JEFFERSON. That is the capitalization.

Senator REED. That is the capital stock?

Mr. JEFFERSON. Yes; we have been growing since 1892, and we have gradually grown. The profits we have had we have put into the factory and our machinery, and we have always been hard up for money.

Senator REED. You have been paying dividends all the time?

Mr. JEFFERSON. We paid 12 per cent for several years.

Senator REED. You started with how much capital?

Mr. JEFFERSON. \$125,000.

Senator REED. You have paid 12 per cent on it ever since?

Mr. JEFFERSON. For several years; yes.

Senator REED. You have increased your assets to \$600,000?

Mr. JEFFERSON. Yes.

Senator REED. And you have got a surplus set aside?

Mr. JEFFERSON. No; we have not; that has gone into the increase of manufacturing facilities.

Senator SIMMONS. I understood you to say a little while ago that the competition in manufactured mica from abroad was growing very rapidly just before the war. I find here in the official record that for 1910 of cutter-trimmed mica plates, of built-up mica, and all manufactures, whole or increased value, of mica for that year \$168,000 worth; for the year 1911, \$250,000 worth; for the year 1912,

\$101,000 worth; for 1913, 107,000 worth; for 1914, \$22,000 worth. That was a right sharp competition being built up.

Mr. JEFFERSON. Well, we had to meet the various quotations and that sort of thing that were presented by the importers from abroad, and quotations that they turned in were exceedingly lower than ours, and our sales agents had to get around the country with our customers and convince them that even at the lower price of the imported micaite or board our material was cheaper than the foreign, on account of the quality of the goods.

Senator SIMMONS. Have you been able to manage to keep it out?

Mr. JEFFERSON. We managed to a certain extent to keep it out, but the time has come when the foreign manufacturer has equal skill to ourselves in making all of this material.

#### STATEMENT OF JAMES L. FRAZEE, NEW YORK, N. Y.

Senator SMOOT. Your name is not on the list, but I understand you wish to testify on mica because you are compelled to leave?

Mr. FRAZEE. Yes, sir. It seemed necessary to take up a little of your time on this question, because Mr. McCarthy—

Senator SMOOT. Have you testified before?

Mr. FRAZEE. No, sir. Mr. McCarthy, who presented the brief of the manufacturers—I am one of the signers of that brief—had a statement—

Senator WATSON. Are you a manufacturer?

Mr. FRAZEE. Yes, sir; and a miner.

Senator SIMMONS. Where is your plant?

Mr. FRAZEE. I have a plant in New York. I have a little mica house in New Hampshire and one in North Carolina. I am interested as a miner as well as a manufacturer.

The question was asked here yesterday how it happened that we were all so unanimous in asking for 30 per cent ad valorem, and Mr. McCarthy was going to explain that unanimity. There never has been any unanimity among the mica producers and manufacturers before. They have never been able to agree; but when the House passed the bill that is now before you it left the manufacturers and the miners so totally out of any opportunity for protection whatever that they thought they had to agree if they expected to get anything.

The mica industry in this country is only beginning. Although it is an old industry, fifty or sixty years old, it is only beginning to be important.

As the electrical industry grows the mica industry, or the production of mica in this country, will continue to grow if the miner can produce his goods. For that reason the miners and the manufacturers had a number of conferences in which they discussed the differences of opinion between them and what it was necessary to have in order to foster the mining industry and prevent the disaster that we could all of us see would come upon the miners with this tariff as it was proposed. It was for that reason that they got together.

The miners have prepared a brief, and it is signed by 125 actual producing miners.

Senator SMOOT. Let me ask you this: Do you agree to 6 cents per pound and 30 per cent and 60 per cent, according to whether it is rough trimmed, built-up, and manufactured?

Mr. FRAZEE. No. That brief, as Mr. McCarthy explained, was prepared before consultation with the miners. In the brief which the miners will file you will find this language, which was prepared by Mr. McCarthy himself, or with his approval, and it is because of this paragraph in the brief that I am before you now, because Mr. McCarthy could not present it:

We have met in consultation all the principal manufacturers of mica in the United States prior to the preparation of this brief and have submitted to them the following paragraph:

We are assured by representatives of all the interests concerned that they urge the adoption of a paragraph similar in general principle except for duties on cheaper grades of mica.

The miners contend at that point that they should have 10 cents per pound on mica valued at up to 30 cents, and in addition to that a 30 per cent ad valorem duty.

Senator SMOOT. Thirty cents and 30 per cent?

Mr. FRAZEE. Yes, sir. The necessity for that would be very apparent if you had time to go into the conditions of the industry and the peculiar nature of the mica that is produced in this country, the difficulty of preparation, and the necessity of preparing those cheaper grades of mica so as to put them into the market in the right shape.

Just on that point, here is a sample of North Carolina mica which I trimmed myself last night [producing sample]. There is No. 5, India trimmed [exhibiting sample].

Senator WATSON. Mined in North Carolina?

Mr. FRAZEE. Mined in North Carolina. That is No. 5 India trimmed, slightly spotted. It is worth about 60 cents a pound, or maybe less, in that shape.

Senator SIMMONS. You say it is worth about 60 cents a pound?

Mr. FRAZEE. Something like that; maybe a little less; maybe 50 cents.

Here is a small 4 that is soft and perfectly adapted to splittings, about which we had so much discussion yesterday.

Here is a stained 4 which is soft and perfectly adaptable for insulation and heating.

Here is a clear slightly stained No. 3. This is worth probably \$1 or \$1.25 to \$2.50.

Here is a 4 clear, which is worth \$2.50.

Here is a 3 clear and slightly stained, worth—I am giving the prices of the imported material—\$3.25.

Here is a piece of absolutely clear Government standard No. 2 which is worth \$7.

Here is a piece of No. 1 partly stained which is worth about \$5.

All of those came out of the same piece of mica, the same identical sheet.

When you consider the difficulties with which the miners have to contend in the preparation of that mica you can see why it is that the miners in this country have always had to sell their mica in a rough-sheeted thumb-trimmed shape and sell a sheet of mica that contained all those different grades at one fixed price.

Senator WATSON. The difference in price depends on the stage of the manufacture, does it not?

Mr. FRAZEE. Yes, sir; but with protection on the smaller grades of mica the miner will then be able to prepare his mica in this way, and the smaller grades which have heretofore not been worth anything like what the India corresponding grades are, can be put on the market by the American miner and the American miner can supply all we need.

Senator WATSON. The raw material is just as good here as it is anywhere else, is it?

Mr. FRAZEE. Yes, sir. There is not a finer piece of mica produced in the world than that piece right here [indicating]. That is a clear No. 2, fit for making phonograph diaphragms.

There is where the miners are making a contention, and I agree with them. I am a phonograph-diaphragm manufacturer. They contend that they should have a special duty on imported phonograph diaphragms, because phonograph diaphragms are made from a special grade of mica which they produce, but they can not cut that out and sell it and get what it is worth. They have to sell it as a lump.

Senator WALSH. What is that piece you have in your hand?

Mr. FRAZEE. That is a piece I got those other pieces out of, and there is every grade of mica [exhibiting].

Senator WALSH. Gotten out of one piece?

Mr. FRAZEE. Yes, sir.

Senator SIMMONS. Why do they have to sell it in a lump?

Mr. FRAZEE. That is the way the manufacturers and the buyers in North Carolina and New Hampshire have been buying it.

Senator SMOOT. Is it because you do not split it? The miner does not split it?

Mr. FRAZEE. The miner does split it, in a way, and he trims it in a way, just thumb-trimmed. It is for the protection of those smaller sizes, then, instead of having the small sizes go in and only sell his mica on the value of the best as well as the poorest that is in it, all in one piece, and lump it that way, and he will then be able to prepare his mica just as the Indian prepares it, and just as the South American prepares it, and put it on our market—

Senator WATSON. The miner himself does not prepare it up to this stage [indicating]?

Mr. FRAZEE. He never has, except in rare instances.

Senator WATSON. Most of that was done by a process of manufacturing?

Mr. FRAZEE. No, sir; that is done—

Senator WATSON. That is done by the miners?

Mr. FRAZEE. Yes, sir.

Senator WATSON. Splitting?

Mr. FRAZEE. He simply splits it out, sheets it. Here [indicating] is the way it comes from the mine. It has been rough-trimmed. That is just a trimming process.

Senator WALSH. Is that the trimming process which some one described as being done properly only by the Hindus?

Mr. FRAZEE. No, sir; he was speaking of the manufacture of splittings.

Senator WALSH. That comes from this raw mica, does it not?

Mr. FRAZEE. Yes, sir; but that good clear piece——

Senator WATSON. What does the manufacturer do to it if the miner does all that?

Mr. FRAZEE. That is just ready to begin work on.

Senator WATSON. That is to say, the manufacturer does not further split it at all in what you call mica splittings? I thought you said the miner himself reduced it to that stage.

Mr. FRAZEE. The miner himself should reduce it to this stage.

Senator WATSON. He should, but does he do it?

Mr. FRAZEE. In rare instances he has done so; but with the protection which gives him a good price for his small material he will do it in this country; and if he does not, the mica buyers in his section will do it for him, because they can handle it at a profit.

Senator WALSH. It can be done here as well as it has been done in India if you have protection?

Mr. FRAZEE. Yes, sir.

You asked what the preparation was or what further preparation there was that made this worth \$7 a pound. We make diaphragms out of it. We have to split it within a fraction of a thousandth of an inch in thickness. Then it has to be drilled and turned and made into proper size and shape for phonograph diaphragms.

Take mica in this shape [indicating]. That is split into films that vary from two to three thousandths of an inch. These go into making up condensers. Instead of being worth \$2.50 a pound, when I have finished with this and stamped out my condenser films from it I have only got about one pound for two, but I have produced an article out of a \$2.50 mica that I sell for \$9.50. There is where the manufacturing comes in.

**STATEMENT OF W. VANCE BROWN, ASHEVILLE, N. C., REPRESENTING AMERICAN MINERS OF MICA.**

The CHAIRMAN. Where do you reside, Mr. Brown?

Mr. BROWN. Asheville, N. C. I am in the same group with Mr. Burleson, who has asked me to speak.

The CHAIRMAN. What is your occupation?

Mr. BROWN. I am a manufacturer of raw mica. I am the senior partner in the Asheville Mica Co.

Senator SMOOT. Do you speak for the entire group, Mr. Brown?

Mr. BROWN. No. I want to introduce a brief that we have prepared, that is all. I have the brief, but it has not yet been printed. I want to have it come in sequence, that is all.

Senator DILLINGHAM. To what paragraph does it relate?

Senator MCLEAN. It relates to paragraph 208.

Mr. BROWN. The Asheville Mica Co. are buyers of raw mica product of these mines, both domestic and foreign. This we cut, trim, or stamp to various shapes required by the users thereof.

We have had 30 years' experience. The miners are practically all financially small and are scattered through several States, without any kind of an organization. A large group are in western North Carolina, west of the Blue Ridge, and north and south of Asheville. A majority of that section has been voting for protection for 50 years. They themselves have received but little, if any. We claim that their case should be given attention now, and our plea in this brief is for

them more particularly. We can take care of ourselves in any event we think; that is, the Asheville Mica Co. because we are simply buyers of the raw product.

The CHAIRMAN. What did you mean by the expression "voting for protection?"

Mr. BROWN. I meant that group in the section 200 miles long and 40 miles wide are nearly all Republican voters. But I want to make this further explanation: Since coming here to present this brief, acting on the suggestion of your chairman to get together, there have been conferences with others who have appeared before you with respect to their particular view as to what should be done about the tariff on mica, and to our brief we have attached a paper giving the result of such conferences. From this addition you will see that our original request for protection to the miner has been materially reduced. This is not because we believe now that we were wrong, but because the miners feared the apparent opposition left no probability of their wishes being granted in full. We trust that in any case such information as these briefs contain may be of assistance to you in deciding what we appreciate is a tangled riddle anyway.

Senator SMOOT. You agree with the others that you want 6 cents per pound on rough trimmed mica and 30 per cent ad valorem on the built and splittings, and 60 per cent ad valorem on manufactured.

Mr. BROWN. You are asking me a question?

Senator SMOOT. You spoke of an agreement, and the committee was informed that the agreement reached contained those figures.

Mr. BROWN. No, sir; not 6 cents. I have a copy of the agreement here.

Senator SMOOT. Then, the agreement has been changed.

Mr. BROWN. Unmanufactured or rough trimmed only, valued at not above 30 cents per pound, 10 cents per pound and 30 per cent ad valorem; valued above 30 cents per pound, 30 per cent ad valorem—

Senator SMOOT. The miners presented that.

Mr. BROWN. I believe not, sir. That is what was handed to me as the agreement that they had made.

Senator SMOOT. All right.

#### BRIEF OF W. VANCE BROWN, REPRESENTING THE AMERICAN MINERS OF MICA.

Mica is a material that when in sheet form is principally used as an insulation in the manufacture of various forms of electrical apparatus. It is also used as a window in stoves. A small percentage is used in various other manufacturing. In nearly all cases the mica used is but an extremely small fraction of the value of the apparatus manufactured.

Approximately 65 per cent of the world's production of mica is produced in India with the cheapest labor in the world. The United States produces a little more than one-half of the remainder.

From 50 per cent to 75 per cent of the production of a mica mine is scrap or refuse only fit for grinding purposes. When it is ground, it is used principally in the manufacture of wall paper, roofing, rubber tires, and for molding purposes.

The same varieties and qualities of mica come from India, South America, and the United States. Users are sometimes prejudiced in favor of one production or another, but they are all very similar. The United States production averages more of the low qualities than of the finer. This is because the fine qualities are usually in hard rock or at deeper levels requiring large capital and more extensive mining.

There has never been a protective tariff on mica. The Dingley bill of 1897 for the first time carried a tariff on mica; it was not considered a protective tariff, but only something to encourage the industry. Even this small encouragement was reduced by the Payne-Aldrich bill, and again slightly reduced by the Underwood-Simmons bill; now, again, under the proposed Fordney bill, the industry's plea results in a further contraction of the slight protection it had.

This may be wise and proper from the point of view of the manufacturers of electrical apparatus in the North and of the large importers of mica in the eastern cities. But if protection by tariff is to be given, the producers of mica are much better entitled to it because of the competition of India cheap labor than are some other industries, and, moreover, mica is an essential article in the time of war. In 1917 the United States Government had to ask the Government of Great Britain to let them have mica in order to turn out the electrical apparatus needed for war purposes, and only by obtaining this supply could its requirements be satisfied, for there was no time then to develop the undoubted but undeveloped supply of this country.

The Fordney bill overlooks the request of the manufacturers of phonograph diaphragms for a special clause, and also of the domestic producers for a special clause for crude, raw, or refuse mica. The latter is now being imported under the "sundry" clause in the existing tariff bill, "Raw or unmanufactured, 10 per cent ad valorem duty." Under the proposed Fordney bill it would come in free of duty under section 201, paragraph 1614. This paragraph would permit us to import crude, refuse, or even run-of-mine mica, the value of which might run into several hundred dollars per ton, free of duty. The output of domestic mines is sold in an almost crude state, and hence this paragraph puts mica on the free list, unless rough trimmed or cut.

Since the time of the Dingley bill the domestic production has increased materially, but at the same time importations have also increased, and of the total consumption of mica in the United States up to and including 1918 the imported has been furnishing approximately 65 per cent and the domestic production 35 per cent of the total. In 1919 it was 75 per cent and 25 per cent respectively. The figures for domestic production for 1920 are not yet available, but the importations more than doubled in value over the preceding year. Therefore, there is every reason to believe that the percentage of foreign mica consumed in the United States was greater in 1920 than 1919.

We are not producers but are buyers of the raw mica from the miners. Three-fourths of our purchases are of the domestic product and one-fourth of the imported. We have realized from long experience that conditions do not warrant us or anyone in employing any large amount of capital nor to extensively mine mica. Time and again it has been tried out and money lost, and while there are several hundred mines in the United States (in Western and Southern States and also New England), the paying ones are only those of richer veins and they are run in a crude, small way by miners who have other resources, particularly farming.

We appeared before the Ways and Means Committee and asked for a tariff on mica hat would be a protective but not a prohibitive tariff. On behalf of the mica producers of the United States we request that you ignore all the past tariffs and bring out a schedule that will really be a protective tariff on mica, and thus develop an essential, although at present small, industry.

For this purpose we would suggest the following:

Mica—Unmanufactured or rough trimmed only and mica splittings, 25 cents per pound and 50 per cent ad valorem. Cut, stamped, or trimmed, built-up mica, and all manufactures of mica or of which mica is the component material of chief value, 50 cents per pound and 50 per cent ad valorem. Phonograph diaphragms, 10 cents each and 50 per cent ad valorem. Crude, raw, scrap, or refuse, 1 cent per pound and 50 per cent ad valorem. Ground, flakes, or dust, 2 cents per pound and 50 per cent ad valorem.

We append for your information table showing the percentage of domestic production used in the United States and a letter concerning wages in India.

(Indorsed by 194 producers of mica.)

THE AMERICAN MINING CONGRESS,  
Washington, D. C., August 20, 1921.

THE ASHEVILLE MICA CO. AND ASSOCIATES,  
Biltmore, N. C.

GENTLEMEN: Following a three-year investigation of the domestic mica industry and studies of this industry in the deposits of the various States of North Carolina, Georgia, New Mexico, and South Dakota, and the manufacturing enterprises dependent on this material for their products, as chief of the division of mineral tariff of the above organization, I feel that I can entirely indorse the schedule on mica now being submitted to the Finance Committee of the United States Senate by you, as being justified protection to a worthy industry, on a basis of scientifically classified schedules.

Very truly, yours,

HERBERT WILSON SMITH,  
Chief, Division of Mineral Tariffs.

SOUTHERN TARIFF ASSOCIATION,  
Washington, D. C., August 20, 1921.

## SENATE FINANCE COMMITTEE.

GENTLEMEN: We endorse the attached brief of the mica miners and manufacturers.  
Yours, truly,

J. A. ARNOLD.

*Percentage of domestic production of the total consumption of the United States.*

[From Department of Commerce and Geological Survey reports.]

Year.	United States production.	Foreign importation.	Total consumption.	Percentage furnished by United States.
				<i>Per cent.</i>
1909.....	\$280,529	\$618,813	\$899,342	31.3
1910.....	337,097	725,823	1,062,920	31.7
1911.....	355,804	505,552	861,356	41
1912.....	331,836	755,584	1,087,420	30.5
1913.....	439,060	947,783	1,386,843	31
1914.....	329,956	625,484	955,440	34
1915.....	428,769	692,269	1,121,038	38
1916.....	594,391	1,071,356	1,665,747	35.5
1917.....	806,782	1,430,048	2,236,830	36
1918.....	764,940	1,541,129	2,306,069	32
1919.....	541,651	1,632,800	2,174,451	24.8
1920.....	(1)	3,474,000	(1)	

<sup>1</sup> Not known.

AMERICAN CONSULAR SERVICE,  
Calcutta, India, March 8, 1921.

The ASHEVILLE MICA Co., Biltmore, N. C.

SIRs: In response to your letter of January 4, I have to inform you that one mica mining firm in India stated that their labor "receives a maximum of 8 annas (16 cents) per day"; a second firm gives the following particulars concerning wages paid by them:

Mining—Each laborer, per day:	Cents.
Carpenters and fitters.....	18-23
Men coolies.....	12-15
Women coolies.....	5-9
Boy coolies.....	3-9
Preparation—Each laborer, per day:	
Cutters.....	7-14
Splitters.....	4-9
Sorters.....	9-18

In addition to this Indian staff, we also employ Anglo-Indians as assistants at the mines themselves on salaries ranging from 60 rupees (\$19.20) to 200 rupees (\$64) per month, according to capacity.

Very respectfully, yours,

ALEXANDER W. WEDDELL,  
American Consul General.

We have inserted the equivalents in American money at normal exchange. Present lower exchange would show the American money figures yet lower.

ASHEVILLE MICA Co.

WASHINGTON, D. C., August 19, 1921.

The FINANCE COMMITTEE,  
United States Senate, Washington, D. C.

Since the preparation of the foregoing brief, by your suggestion we, representing the miners of mica, have met in consultation with those who have appeared before you in the interest of mica, none of whom are miners, but are manufacturers of built-up plate, phonograph diaphragms, mica chimneys, cut, stamped, or punched mica shapes from foreign mica chiefly, or are importers and dealers in foreign mica, and as a result have reached a compromise of our several views, all, with the exception of a few importing concerns, agreeing to support and approve of the following paragraph and to request that you put same into effect without change:

"Mica.—Unmanufactured or rough trimmed only, valued at not above 30 cents per pound, 10 cents per pound and 30 per cent ad valorem; valued above 30 cents per pound, 30 per cent ad valorem; cut, stamped, and punched mica, 20 cents per pound and 60 per cent ad valorem; mica splittings, 30 per cent ad valorem; built-up mica and all manufactures of mica, of which mica is the component material of chief value, 60 per cent ad valorem; mica diaphragms, 10 cents each and 60 per cent ad valorem; crude, raw scrap, or refuse fit only for grinding, 2 cents per pound; ground, flake, or dust mica, 4 cents per pound."

The miners of mica have thus reduced their request for protection to the minimum that will save their present position from further decline, though without hope of improvement, and also there will be no increased burden to the electrical manufacturer through increased tariff on pure mica that they are more particularly interested in.

Yours, respectfully,

J. E. BURLESON, *Spruce Pine, N. C.*  
 TAR HEEL MICA Co., *Plumtree, N. C.*  
 D. T. VANCE,  
 ASHEVILLE MICA Co., *Asheville, N. C.*  
 B. C. GRINDSTAFF.

#### STATEMENT OF J. E. BURLESON, SPRUCE PINE, N. C.

The CHAIRMAN. Mr. Burleson, where do you reside?

Mr. BURLESON. Spruce Pine, N. C.

The CHAIRMAN. What is your occupation?

Mr. BURLESON. The mining of mica.

The CHAIRMAN. Proceed.

Mr. BURLESON. That has been my occupation for the last 45 years, not so much so as it was after the war started. We never had protection sufficient to equip the mines with machinery until the war started. I went to accumulating mines and machinery to operate them with, and the Government called on us all down in that section to aid them in getting mica for the airplanes and other uses. I took up different properties and started buying machinery and equipping the mines. I put in machinery worth around \$75,000, which is standing idle to-day and rusting on account of the foreign importations coming in cheaper than we can produce mica for.

I went in Georgia and struck a new field there that had never been operated. There are several counties there that are very rich in mica that are undeveloped. I opened up about six mines down there. This sample that I have here is some of the product from the State of Georgia that is about equal to the North Carolina and other American mica.

We are handicapped in this particular. When the Fordney bill passed I shut down all my mines. I was operating four mines. We need sufficient protection.

Senator WATSON. How much will protect you, Mr. Burleson?

Mr. BURLESON. What we are asking for will not protect us, but it will probably put us on our feet so we can operate.

Senator WATSON. What are you asking for?

Mr. BURLESON. What we are going to file in our brief.

Senator WATSON. Can you not tell us what it is.

Mr. BURLESON. No; I can not. We are going to state it in our brief. It is the same as Mr. Brown has just stated to you.

Senator McCUMBER. Ten cents per pound and 30 per cent ad valorem?

Mr. BURLESON. Yes; 10 cents per pound specific on all unmanufactured or rough-trimmed mica and 30 per cent ad valorem.

Senator WATSON. Why did you shut down your mines?

Mr. BURLERSON. Because I saw that the price was so low that we could not afford to pay the labor prices we were paying and continue to operate.

Senator WALSH. You kept the mines going until the bill was passed?

Mr. BURLERSON. Yes.

Senator WALSH. And you could afford to lose all that time?

Mr. BURLERSON. I thought the bill would be better.

Senator WALSH. So you have been running your plant at a loss for several months past, and as soon as the Fordney bill passed you shut down?

Mr. BURLERSON. I shut down the mines. I have not sold a pound of mica since last December. If I could sell it at anything like what I sold it for before I would do so. I have \$100,000 worth of mica on hand.

Senator McCUMBER. What do you pay your labor?

Mr. BURLERSON. About \$3 a day for common labor.

Senator DILLINGHAM. What did you pay before the war?

Mr. BURLERSON. Before the war we paid around \$1.50.

Senator McCUMBER. Do you use colored labor mostly?

Mr. BURLERSON. No, sir; mostly white labor, except in Georgia, where we use some colored labor. We have very few colored laborers in our section; they are principally white. I was working from 300 to 400 hands up until about the 10th of December, and I then began to cut down. I saw the thing was going to the bad.

Senator WALSH. Did you cut down because of the fact that you could not get a sufficient price for your material, or did you do so because there was a reduction in the demand for the mica?

Mr. BURLERSON. It was because we could not get the price for the material.

Senator WALSH. And you could have sold all the mica that you wanted to, but at a loss?

Mr. BURLERSON. I can not say that we could. But we could have sold the mica, I suppose, by putting it down low enough, although we could not afford to do it and run.

Senator WALSH. There has been no shortage in the demand, then, as I understand?

Mr. BURLERSON. Well, there is a shortage in the demand, but there has been an awful lot of stuff coming in from abroad.

Senator WATSON. Have you people figured out the cost of production in the competing countries and know that it will take this tariff to protect you?

Mr. BURLERSON. We have. That will not protect us, but it will allow us to go along. We have never been properly protected on the industry.

Senator SIMMONS. Mr. BurlerSON, it appears here from the official record of imports for the calendar year 1920, that is last year, that the total importations of mica, manufactured and unmanufactured, was less than a million dollars in value.

Mr. BURLERSON. I am not keeping posted on that. I am in the mining line.

Senator SIMMONS. There does not seem to be so very much of unmanufactured mica. There was only about \$294,000 worth of unmanufactured mica. Of course, the committee understands some

of the general facts of the situation, but, as a matter of fact, is not your trouble in carrying on this business at this time due to the fact that you have lost your customers because the war was your great customer, and in order to supply the demands of the war you had enormously increased your output and when the war closed you were left with a big stock on hand that you could not sell because the war demand had ceased?

Mr. BURLESON. No, sir; I have not any of the stock. I sold all the stock on the 10th of December that I had on hand, and the stock that I have got was accumulated since the 10th of last December.

Senator SIMMONS. Can you furnish the committee with any information as to the annual production of mica in this country?

Mr. BURLESON. The annual production can be made, if we have the proper protection, anything, mostly, that we want.

Senator SIMMONS. What was the annual production before the war?

Mr. BURLESON. I can not give you that information without referring to the different reports on the production. I have not got that in mind.

Senator SIMMONS. From these figures it looks as if before the war, and even in 1920, the American producer of mica had absolutely the whole American market, with the exception of a million dollars' worth.

Mr. BURLESON. We have been up against more or less foreign competition all the time. We were not producing as much mica as we could produce, but when the war came we had to go to work and clean out these old mines and equip them with machinery. The way it stands now it means a loss of my machinery that is standing at the mines rusting, and also an investment of around \$300,000 in the mining properties.

Senator SIMMONS. But the question before this committee is whether this million dollars' worth of mica of all kinds that came into this country in 1920 is the cause of your trouble.

Mr. BURLESON. Certainly it is the cause of our trouble.

Senator SIMMONS. You think \$1,000,000 worth of mica imported into this country is the cause of your trouble?

Mr. BURLESON. It just takes that much more of the market of this stuff.

Senator SIMMONS. And taking that much away from you, do you think it has reduced the price to this extent and made it unprofitable?

Mr. BURLESON. Certainly.

Senator SIMMONS. That would depend upon how much you are making in this country, as to whether the importation of a million dollars' worth would affect the price in this country at all.

Senator McCUMBER. All of the mica consumed can not be worth very many million dollars.

Senator SIMMONS. That is what I am trying to find out.

Senator SMOOT. I have it here. These are the facts. The record shows that the amount that was produced in America so rapidly increased, during the year 1917, that the price fell during the war.

Mr. BURLESON. No.

Senator SMOOT. You may say no, but this is what the record shows.

Mr. BURLESON. I know I did not get any less for mine.

Senator SMOOT. In 1917 the quantity was 1,276,533 pounds. The value was \$753,874. In 1918 that increased to 1,644,200 pounds, and the value decreased to \$731,810. Even with the great increase of production the price of it is lower.

Senator SIMMONS. Senator Smoot, I want to understand what you are reading there.

Senator SMOOT. I am speaking now of the mica sheets and scrap. Then I will tell you what was imported.

Senator SIMMONS. The figures I was giving just now were the total importations.

Senator SMOOT. In 1919 there were produced in America 1,545,700 pounds, and the price fell to \$483,567. In other words, you produced more mica in the United States than there was a call for, and the price went down during the war.

Mr. BURLESON. Prices at which I was selling did not go down.

Senator SMOOT. I am speaking now of the whole production of the United States.

Mr. BURLESON. I have never seen anything of that.

Senator McLEAN. According to those figures, the importations equaled the entire production in this country.

Senator SMOOT. The importations for June of 1921 were 21,303 pounds; value, \$24,770.

Senator DILLINGHAM. What was it in the other years?

Mr. BURLESON. Mica during the war did not go up in proportion to what other materials did that were used in the war.

Senator SMOOT. In 1920 there were 1,409,803 pounds imported, with a valuation of \$1,244,701.

Senator McCUMBER. So you will see that the imports are practically as much as the home production in value.

Senator SIMMONS. I am very much surprised to hear that the home production is no greater than it is. Does that include all—

Senator SMOOT. That includes the sheets and scrap.

Senator SIMMONS. The imports include all kinds of mica. The importations of unmanufactured mica for that year amounted to over \$294,000.

Senator SMOOT. The prices that I quoted were for only the unmanufactured mica.

Senator SIMMONS. That was only \$294,000?

Mr. BURLESON. Will you just permit me to say a word further? In working these mines, when we get down to a certain depth, we strike water. Then we have got to buy costly machinery, and we can make the output to any amount we want if we have the proper protection. We can supply the whole that the country wants.

Senator SMOOT. The record also shows that before the war America produced 63 per cent of all the mica produced in the world, and we consumed 70 per cent of all the mica consumed in the world.

Mr. BURLESON. During the war you will remember that this country was short of mica and had to call on the English Government to help them out.

Senator McLEAN. What is your price now compared to the price before the war?

Mr. BURLESON. I can not answer that question. I thank you, gentlemen.

## STATEMENT OF B. C. GRINDSTAFF, ASHEVILLE, N. C.

Mr. GRINDSTAFF. Mr. Chairman, I represent the miners, and I want to make a little clearer—

Senator WALSH. We had here the other day, Mr. Chairman, some manufacturers of mica, and they agreed upon one man to represent them. We had some dealers and they agreed upon one man to represent them, and we have already had three or four miners, and here is another. Is there any limit to the presentation of these cases?

Senator SIMMONS. I want to say, with reference to these two gentlemen who have just been examined, that they have taken very little time.

The CHAIRMAN. One-third of the morning is over now on repetition.

Mr. GRINDSTAFF. I do not want but a minute, Mr. Chairman. I just want to make it a little clearer with reference to our agreement.

The CHAIRMAN. You want to do what?

Mr. GRINDSTAFF. I want to make this compromise a little clearer to the committee. We met, the miners and manufacturers, in a conference, and I do not think the committee understands the agreement we arrived at.

The CHAIRMAN. When did you meet?

Mr. GRINDSTAFF. We met the first of the week.

Senator SMOOT. We were told the other day by several people that these were the agreed rates:

Mica valued at not above 15 cents per pound, 6 cents per pound; valued above 15 cents per pound, 30 per cent ad valorem; mica splittings, 30 per cent ad valorem; mica plates, and built-up mica and all manufactures of mica, or of which mica is the component material of chief value, 60 per cent ad valorem; ground mica 25 per cent ad valorem.

Senator McCUMBER. Now, do you change that?

Mr. GRINDSTAFF. That is what I want to make clear to you.

Senator WATSON. Is that right or wrong?

Mr. GRINDSTAFF. It is wrong. If you will let me explain it you will see it. Manufacturers had their brief already printed and we did not have ours printed. They could not change theirs, and we agreed to put our briefs in as they were. Ours were very much higher. We agreed to lower our request to 10 cents specific on mica up to 30 cents per pound and take off from what we were asking on splittings, which are partly manufactured, and put that on an ad valorem duty and no specific, and we would turn both briefs in and make this statement to the committee. That 6 cents per pound that Mr. Smoot speaks of was not agreed on and ours was not agreed on, but we agreed only that we would not make a fight between the manufacturers and the miners.

Senator SIMMONS. Let me make a suggestion to you. Can you take the schedule there and write in the duties that you miners want? Can you make the corrections there that you say you want?

Senator McLEAN. I suggest that these interests have an opportunity to file a corrected brief.

Mr. GRINDSTAFF. We have it, and it will be filed, and you can then see it all clearly.

Senator SIMMONS. Your brief states what you want?

Mr. GRINDSTAFF. We have a supplemental brief stating the condition of this compromise.

The CHAIRMAN. The committee is in a hopeless condition of confusion on the subject, and if you can file anything to clarify it, it would be well to do so.

Mr. GRINDSTAFF. The only contention was that they wanted a lower duty on splittings, and we were with them as far as the manufactured stuff is concerned. The miner has to stand for the protection on the manufacture, and we gave way on the raw material because we are small producers of the splittings that they wanted; but of the other mica we produce about one-third of the consumption.

Senator WATSON. Mr. Grindstaff, does your brief state what you want?

Mr. GRINDSTAFF. Yes, sir; our brief states what we ask for, and then there is a supplemental brief which states—

Senator WATSON. What you are willing to take?

Mr. GRINDSTAFF. It states our compromise.

Senator WATSON. Why do you not file the brief and state what you want.

Mr. GRINDSTAFF. Well, it will be filed.

Senator WATSON. All right, then.

Mr. GRINDSTAFF. I wanted to explain this compromise, this agreement, so you could all understand it.

Senator SIMMONS. Why do you not sit down and write that exactly as you want it, and then we will know what you want?

Mr. GRINDSTAFF. The manufacturers have their schedule in there, and then you will find a supplemental brief with it.

**STATEMENT OF JAMES I. BRERETON, REPRESENTING THE COLUMBIA GRAPHOPHONE CO.**

Senator SMOOT. Mr. Brereton, you appear in regard to mica diaphragms?

Mr. BRERETON. Yes.

Senator SMOOT. I think Mr. Johns spoke for you this morning.

Mr. BRERETON. No, sir; no one has spoken for us. We are consumers. You have heard from the miners and manufacturers, but you have not heard from the consumers.

I represent the Columbia Graphophone Manufacturing Co. We use diaphragms in the making of our instruments. With every instrument there is one reproducer, and in the reproducer there is one diaphragm. We desire to have the present tariff unchanged.

Senator SMOOT. Do you mean the present tariff or the House provision in the bill under consideration?

Mr. BRERETON. No, sir; I mean the present tariff.

I have been the purchasing agent of this company between eight and nine years, and previous to that, for about 14 years, I was the superintendent of the factory, so that I have come in rather close contact with the diaphragm question.

We believe, for three reasons, that this should remain unchanged. First, we and other manufacturers must use diaphragms made from imported mica. Regardless of what the tariff may be, we are obliged to use almost entirely imported mica because the domestic mica is not suitable for this purpose.

On Saturday Mr. Frazee exhibited some nice samples of domestic mica. It was not brought out, however, what proportion that mica, which we will assume was suitable for diaphragms, bore to the consumption of the domestic mica; in other words, the domestic manufacturers or miners might supply as much as 10 per cent of the total requirement. I doubt if they could supply that, but not more than that. The remaining 90 per cent must, perforce, be imported mica.

I purchased over 1,000,000 diaphragms in 1920, and not one of these diaphragms, as far as I am aware, was made from domestic mica, and not one cost less than 35 cents.

Secondly, we believe that the domestic manufacturers are amply protected under the present tariff, because in the brief filed before the Ways and Means Committee some of the domestic mica diaphragm manufacturers stated that it cost them to make our size, which is  $2\frac{3}{8}$ , 20 cents. You will find that at page 551, Part I, Schedule B. That flat statement is made. The best quotation that I have been able to get in the last two years from foreign manufacturers has been 27.8 cents laid down in New York. That order was placed in March, 1920—an order for 25,000 as a trial order from a foreign manufacturer. I canceled that order in December of that year, about nine months afterwards, because the manufacturer had, up to that time, delivered not one, and from the correspondence I judged he never would be able to deliver.

I think it was on March 25 that I had a letter relative to this matter, and in this connection please bear in mind the figure that I have given you of 27.8 as the lowest price I have had quoted from foreign manufacturers in two years.

Senator DILLINGHAM. For what unit?

Mr. BRERETON. On our size— $2\frac{3}{8}$  in diameter.

Senator DILLINGHAM. I understand.

Mr. BRERETON. Per piece—each.

I would like to read this letter. It is from the Phonograph Appliance Co., New York City, under date of March 21, 1921. It reads:

GENTLEMEN: On March 16, following up your request of January 29 for quotations on mica diaphragms, we wrote you quoting a price of 27 cents.

Since then we have closed the deal which at that time we expected to close, and we will have facilities for making up these goods for you at this exceptionally low price for some time to come.

Please let us know when our representative may call on you with samples, and greatly oblige.

Yours, very truly,

PHONOGRAPH APPLIANCE CO.,  
By J. L. FRAZEE.

That means, in a nutshell, that my best price of 27.8 cents was more than met in this quotation of 27 cents. Therefore, we consider that the domestic manufacturers must, under the present tariff, be protected or they could not cut under the quotations I have been getting. They have, I believe, requested 60 per cent ad valorem and 10 cents specific duty per diaphragm. On their stated cost of 20 cents, this would mean 22 cents additional, or a protection of 110 per cent. That is not protection; it is an embargo.

Lastly, we believe that under these conditions the Government would not obtain any additional revenue, as there would be no diaphragms imported, and this is where we are especially interested.

We, as the consumers, however, would have to pay an additional cost as, without question in my mind, the domestic manufacturers would add this duty to the present cost, although, as shown, they are in a position now to compete favorably with foreign manufacturers. The position, therefore, would be simply that of taking it from the consumer and handing it to the manufacturer, with no benefit at all to the Government in the way of additional revenue.

I shall be very glad to answer any questions that may be put to me.

Senator DILLINGHAM. What is the difference between domestic mica and the imported mica? Why is the latter better for diaphragms?

Mr. BRERETON. It is characteristic of the domestic mica which is what we call wavy, due, I think, as geologists have explained, to pressure ridges. The mica, of course, is found embedded in rock, and as that rock cools it contracts unevenly. The consequence is, looking along the surface of the mica, it is wavy, and these waves make it impossible to use it in diaphragms. There are other characteristics, such as bubbles, etc., which are more or less common to both the domestic and the foreign mica. But that is the great trouble. Where you can get domestic mica without these ridges, such as Mr. Frazee showed—I did not examine the samples, but I assume that to be the case—it is just as suitable for diaphragms as the foreign mica. But there is but a very small percentage that can be used.

I would like to call your attention to a statement made on page 551, part 1, Schedule B. This is an extract from a letter submitted with Mr. Storrs's brief, I think, and is from the Phonograph Appliance Co. Mr. J. L. Frazee is, I think, its general manager. I am going to read this in confirmation of my statement that the domestic mica is not, broadly speaking, suitable for the manufacture of diaphragms.

We know it to be a fact that the largest buyer of domestic mica in the United States, located near the center of domestic production, has now in his warehouses enormous quantities of mica, imported from India and other foreign countries, which would indicate that the entire production in the greatest producing area in the United States is not sufficient to support even one large manufacturer. The same thing is true of the large manufacturers in other mining sections. \* \* \*

To increase the cost of imported raw mica for their use would undoubtedly force them to manufacture a large part of their mica products abroad, and would throw out of employment more men and women in this country than the entire population of the United States dependent upon mica mining.

At the bottom of that page this occurs:

With a protective tariff in force for many years and with buyers constantly coming and going to these neighborhoods, with the unlimited demand, and with the highest prices paid anywhere in the world, the American mica-mining industry has shown little, if any, improvement.

In the brief of the diaphragm mica manufacturers, on page 556 of this same volume, this occurs:

Domestic mines produce a very small quantity of diaphragm mica, entirely inadequate to the needs of the home industry, which relies mainly upon imported mica—chiefly India mica—for that material.

There are other statements made in Mr. Storrs's brief that corroborate our claim, which is parallel with theirs that the industry can not depend upon the domestic mica and, therefore, must import mica, regardless of the tariff placed on it. The result, as we look at it, will be an increase in the cost of diaphragms to us. At the same time

keep in mind, please, that the lowest figure that I have obtained in two years is 0.8 of a cent, as laid down in New York, higher than the figure given by the manufacturers as they offered it to me in ordinary trade correspondence.

Senator McLEAN. How much does one of these diaphragms weigh?

Mr. BRERETON. Each one weighs a very small fraction of an ounce, about twice as much as two sheets of this paper cut  $2\frac{1}{2}$  of an inch. The diaphragms are from  $8\frac{1}{2}$  to  $10\frac{1}{2}$  thousandths of an inch thick. This paper is about  $4\frac{1}{2}$ .

Senator McLEAN. That is all I care to ask.

**STATEMENT OF MARION DORIAN, REPRESENTING THE COLUMBIA GRAPHOPHONE MANUFACTURING CO., BRIDGEPORT, CONN.**

Mr. DORIAN. Mr. Chairman and gentlemen of the committee, I also represent the Columbia Graphophone Co. and am a consumer. I have provided myself with several of these diaphragms, thinking perhaps that the committee might like to see them. These diaphragms I purchased locally from a dealer. They are not our usual diaphragms, but approximately what we use.

Each machine has what we call a reproducer. This diaphragm is seated in the reproducer, and to it is attached the sounding horn, and the sound waves passing through the sounding horn impinge on this diaphragm.

As Mr. Brereton, our purchasing agent, has informed you, he bought 1,000,000 of these articles during the year 1920, and every one was purchased from an American manufacturer of mica diaphragms. He also told you that we must use imported mica, for the reason that domestic mica is unsuitable for this purpose.

Among other witnesses who appeared before the Ways and Means Committee of the House was Mr. Storrs, of the Storrs Mica Co., Owego, N. Y. In his testimony Mr. Storrs brought out the fact that the domestic mica is unsuitable for diaphragm purposes and for other purposes for which mica is used by American manufacturers, because of its inferior quality.

I might say at this point—I am not sure but that it has already been said—that in addition to being a manufacturer he is an importer of mica.

In answer to a question asked by a member of the Ways and Means Committee he said that no matter what duty is put upon imported mica, they would be forced to bring it in. The question was repeated somewhat in this form—I am quoting from memory: "No matter how high the duty may be, you would still have to bring it in?" The answer was, "Yes; although it might be put so high that it would drive other industries to search for a substitute, and the Government gets a good revenue from this relatively small industry."

At those same hearings there was filed a brief by the mica phonograph-diaphragm manufacturers, one of whom was the Phonograph Appliance Co., that has been referred to by Mr. Brereton as giving a quotation of 27 cents. In that brief, which you will find on page 556, Part I, of the Ways and Means report of the hearings, these phonograph-diaphragm manufacturers make the statement that the mica mines produce from 2 to 10 per cent of the quality of mica

used in the manufacture of these little articles and other articles of which Mr. Storrs is a manufacturer; and, as Mr. Brereton read to you, they state that the domestic mica is entirely unsuitable for this purpose, and that we must resort to imported mica.

There are several different kinds of mica. India mica is considered best. Argentine and Brazilian micas are approximately as good as the India mica, but we can not use the domestic mica except in an emergency and as a matter of necessity for making these diaphragms. That is conceded by all these gentlemen.

This brief of the Phonograph Appliance Co.—and these other manufacturers joined in that brief—was signed by Mr. Frazee, who presented to this committee on Saturday last some specimens of mica which he said was domestic, but he did not say to this committee—and I do not think he could have said to this committee—that that could be produced in this country in sufficient quantities to meet the demand of this and other manufacturers.

Further, Mr. Storrs, in his testimony before the Ways and Means Committee, referred to a report of the Geological Survey, in which they said that the development of the American mines had been very insignificant, notwithstanding the stimulus of war conditions and the great demand for mica from domestic mines.

Mr. Herbert W. Smith, of the American Mining Congress, with offices in the Munsey Building, corroborated that statement, but he said that perhaps that was due to the fact that the American miner had not taken as much care in selecting, grading, and trimming his material. I speak of that because I want to be absolutely fair.

It is a fact that we can not get, and we have never been able to get, domestic mica in sufficient quantities to meet our demands, even if it were equal to the demands which we have to meet in the making of diaphragms. We can not get, and have not been able to get, domestic mica that is free from the defects which are fatal to its use in the diaphragm. That being the case, it comes down to this, that if you increase the duty on the manufactured diaphragm you are going to place a very heavy burden on the shoulders of the users of these diaphragms.

Mr. Brereton has told you that out of the 1,000,000 that he bought in 1920 not one cost less than 35 cents. Think of it. Thirty-five cents for that little fragment of mica. Of course, there is some labor involved in the preparation of it, but the labor is simple. They take this mica and split it to the desired thickness. You can do that with a penknife or a paper cutter. When they have gotten the desired thickness, they stack the pieces up in a pile, one on top of the other, with paper between them. They put them in a lathe and turn them down to the desired diameter. While they are still in the lathe they are trimmed down and finished up. They are taken out of the lathe, packed in lots of 100, with pieces of paper in between them, and then they are ready for shipment. There have been statements to the effect that the labor involved is highly skilled labor and very expensive. I submit, gentlemen, that any schoolboy of average intelligence could learn that process in a week or a month at the outside, so that there is not any question of skilled labor involved in the making of these diaphragms.

We could make them ourselves if we had an outlet for the waste material. That is the real element of cost in the manufacture. In this diaphragm, however, there is very little waste, because they can make it out of a sheet and use what is left over for the smaller diaphragms which are more in use than the larger ones.

Each of these gentlemen comes before you and tells you that he does not want an increase on the raw material. He thinks that the importation of the raw material is sufficiently protected so far as they are concerned, because the imported material sells at a great deal higher price than the domestic; and there is no competition between the domestically mined mica and the foreign mica as to the raw article. On the manufactured products, however, they want an excessive duty. I do not know just what they have asked in their brief, because it occurred here this morning that one gentleman who was testifying said that they had filed a brief and that they wanted to file another brief to explain that first brief; and we have also heard that there is an understanding or an agreement between the miners and the manufacturers whereby they get together and have this matter passed upon.

Senator SMOOT. I think that I would not take the time to go into that. We will decide that in the committee.

Mr. DORIAN. But I want to make this point, that the consumer is not invited into these conferences, so that the consumer is between the upper and the nether millstones. What will happen will be this: If the committee, in its wisdom, should put on such a tariff as they propose, it would certainly put an absolute stop to importations. The addition of a flat or specific rate of 10 cents seems to me to be an absurdity.

Senator McLEAN. It is 10 cents a pound, is it not?

Mr. DORIAN. No, sir; it is 10 cents for each one of these articles.

Senator McLEAN. They want 10 cents specific duty?

Mr. DORIAN. Ten cents specific duty. Ten cents on each of these articles. Then they have a 60 per cent ad valorem rate. It does seem to me that it is out of all bounds of reason. Only one thing would result, and that would be that the Government would get no revenue whatever. They would add not only 10 cents to each of these articles but they would also add 60 per cent, and we, as consumers, would pay the additional cost. We would be helpless, because no foreign manufacturers could supply us with these articles against such a handicap as that. I do not care to take more time of the committee. I would like to have the privilege of filing a brief which I will prepare in a day or two.

Senator SMOOT. You may have that privilege.

**BRIEF OF MARION DORIAN, REPRESENTING THE COLUMBIA GRAPHOPHONE MANUFACTURING CO., BRIDGEPORT, CONN.**

The Columbia Graphophone Manufacturing Co., of Bridgeport, Conn., respectfully urges consideration of the following facts:

It is a very large consumer of manufactured mica in the form of phonograph diaphragms, made of imported mica. During the year 1920 it purchased over 1,000,000 of these diaphragms and all of them from American manufacturers.

The Columbia Graphophone Manufacturing Co. does not import mica or manufacture mica products. It is purely and simply a consumer of mica diaphragms manufactured by others. These diaphragms are an essential part of the reproducer or sound box on every talking machine.

PHONOGRAPH DIAPHRAGMS ARE MADE EXCLUSIVELY OF IMPORTED MICA AND THE SUPPLY IS LIMITED.

On page 544 of part 1 of the printed hearings before the Ways and Means Committee in January, 1921, will be found the following statement by Mr. Charles P. Storrs, vice president of the Storrs Mica Co., of Owego, N. Y., importers and manufacturers of mica:

"For certain purposes the India mica is absolutely required, and mica from Brazil, which is very similar to the India mica."

On page 545 of the same report of Mr. Storrs's statement occurs the following:

"Mr. GARNER. If I understand you, the difference in the quality of mica makes it absolutely necessary to continue its importation?"

"Mr. STORRS. Yes, sir; undoubtedly."

"Mr. GARNER. It makes no difference what the rate of duty might be, they would continue to bring it in on account of the superior quality that you speak of which the domestic mica does not meet?"

"Mr. STORRS. I think the rate of duty could be raised so high it would turn the industry to some other substitute after a certain point. The revenue derived from the importation of mica is rather large now for a small industry."

Mr. Storrs in addition to making an oral statement filed a brief with the committee. This brief is printed on page 546 of the printed record of the hearing.

On page 547 he gives certain reasons for opposing an increase in the duty, as follows:

"a. The domestic product can not meet all the requirements of American manufacturers."

"b. The imported mica is better suited for many purposes than the domestic product."

"c. The production of domestic mica does not need any further protection than that afforded by the present rate of duty on the raw material."

"d. Prices at which imported mica is sold in the United States are considerably higher than prices prevailing for domestic mica."

In his brief Mr. Storrs elaborates on these points, making clear his belief that domestic mica is unsuitable for many uses for which the imported mica must continue to be used regardless of the duty; that domestic mining of mica has not been and will not be stimulated by a higher duty; and that the domestic article is not in competition with the imported because of price differences.

In support of his views Mr. Storrs filed with the Committee on Ways and Means a number of letters and telegrams from American manufacturers and attention is asked to these and particularly to the telegram from Phonograph Appliances Co., appearing on page 551 of the hearings as follows:

"We strongly oppose the increased duty on unmanufactured mica. Foreign manufacturers have far too much advantage now. Letter follows."

The Phonograph Appliance Co. is a manufacturer of mica phonograph diaphragms. Its general manager is Mr. J. L. Frazee who appeared as witness before the Finance Committee on August 20, 1921, to support an increase in duty on unmanufactured as well as manufactured mica.

This same Phonograph Appliance Co., joined in a brief filed with the Ways and Means Committee by the Mica Phonograph Diaphragm Manufacturers which appears on page 556 of report of the hearings. The Phonograph Appliance Co.'s signature to that brief is signed by J. L. Frazee, general manager.

We quote from that brief as follows:

"3. Diaphragms are made of the best mica obtainable. Diaphragm mica is very scarce, mines yielding only from 2 per cent to 10 per cent of mica suitable for diaphragm work out of their total sheet mica output."

"4. Domestic mines produce a very small quantity of diaphragm mica entirely inadequate to the needs of the home industry, which relies mainly upon imported mica for that material."

"11 (p. 557, hearings). The undersigned \* \* \* are strongly opposed to an increase of duty on imported unmanufactured mica because the existing 25 per cent tariff has worked out satisfactorily and has given reasonable protection to domestic products as it is conclusively shown that India mica has sold uniformly at higher prices than domestic mica."

At the date of submission of the above brief the diaphragm manufacturers were anxious to obtain their supplies of the imported raw material at the lowest possible cost and "strongly opposed" any increase in the existing (1913) tariff, while urging a most drastic increase in the manufactured products.

This was their attitude before the Ways and Means Committee. When they appear before the Finance Committee, having failed in their object before the Ways and

Means Committee, they change their plea and urge an increase on both manufactured and unmanufactured imported mica.

To explain this, Mr. J. L. Frazee stated to the Finance Committee that he had recently acquired an interest in some domestic mines and was now both domestic miner and domestic manufacturer.

Granting that Mr. Frazee is now a domestic miner that does not of itself alone explain why, if his brief above quoted is to be given credence, a duty which was "working satisfactorily" in January is obnoxious and inadequate in August of the same year. Nor does it explain why the other diaphragm manufacturers who joined in that brief should also change their views inasmuch as they have not apparently become domestic miners also.

A more logical reason is given in the testimony of Mr. Jefferson, who appeared before the Finance Committee on August 19, 1921, and stated that the miners and manufacturers had sat in conference together and had agreed on the recommendations to be offered this committee.

In other words, after mutual pledges, they got together, leaving the consumer to shift for himself.

#### DOMESTIC MICA UNSUITED FOR MANY IMPORTANT MANUFACTURED ARTICLES.

It is clearly shown by the evidence adduced before the Ways and Means Committee by the witnesses quoted that domestic mica is inferior in quality to the imported and unsuited for use in the manufacture of many articles of great utility, including diaphragms.

The United States Geological Survey in a report referred to by Mr. Storrs, on page 544 of the hearings before the Ways and Means Committee, shows that the production of domestic mica is about one-third of the total consumption in this country, thereby demonstrating that even if suitable it is inadequate in quantity.

Mr. Herbert W. Smith, of the American Mining Congress, whose statement appears on page 554 of the House hearings, admits the inferiority as to quality and inadequacy as to quantity of the domestic mica.

All of the witnesses concede that the price of the domestic is much lower than the imported, so that no price competition can exist.

It is obvious, therefore, that if the domestic product could be utilized it would be preferred because of its cheaper price and more accessible location.

It follows, therefore, that no matter what duty is imposed the imported article must be brought in and in the same proportions as heretofore.

#### HIGHER DUTY WILL NOT AID DOMESTIC MINES TO PRODUCE A PRODUCT THAT IS NON-EXISTENT IN ADEQUATE QUANTITY.

The Geological Survey, Mr. Storrs, Mr. Smith, and the diaphragm manufacturers when before the House committee all concede that the production of domestic mica was not stimulated by tariff rates or the tremendous demand incident to war conditions.

It is true that Mr. J. L. Frazee, of the Phonograph Appliance Co., and one other witness, Mr. Burseson, before the Finance Committee exhibited specimens of domestic mica which they alleged was suitable for diaphragm and other manufactured articles heretofore made from imported mica, but neither of them said, nor is it believed, they could have demonstrated that mica of that quality could be produced domestically in anything like adequate quantity.

Everybody knows that it is a simple and easy thing to exhibit specimens. It is quite another matter to show output.

#### NO MANUFACTURING PROBLEMS INVOLVED IN MAKING DIAPHRAGMS.

In the manufacture of a mica diaphragm several simple steps or operations are necessary. The work is not complex or difficult, and no greater skill or expertness is required than can be taught an employee of average intelligence in a week or two. No mechanical training or apprenticeship is necessary. The different steps or operations are approximately as follows:

1. The raw material is split to the thickness desired.
2. Punched or cut into circles or cut into squares.
3. Arranged in stacks about 3 inches long, with paper between each layer of mica.
4. Stacks placed in a lathe and turned to the approximate diameter required.
5. The edges finished or smoothed while still in the lathe.
6. Wrapped in packages of 100 each for shipment.

It will be evident that this calls for no high standard of skill and that moderate-priced labor can be used. A schoolboy could do it.

It should be understood that the sheet, piece or fragment of mica from which a diaphragm is to be obtained must be larger than the given diameter of the finished articles, so as to permit of the necessary shaping, trimming, and finishing.

The labor involved is exactly the same in a small or large diaphragm and consequently the labor cost is the same.

**DOMESTIC DIAPHRAGM MANUFACTURERS AMPLY PROTECTED UNDER PRESENT TARIFF.**

Mr. James I. Brereton, of Bridgeport, Conn., purchasing agent of your petitioner, appeared before your committee on August 22, 1921, and testified that during the previous year (1920) he purchased, exclusively from domestic manufacturers, over 1,000,000 diaphragms, and that none of them cost less than 35 cents apiece. Many of them cost more because in 1920 the consumer paid all that the traffic would bear.

Mr. Brereton stated to your committee that the best quotation he had been able to secure from a foreign manufacturer in the last two years was 27.8 cents each, but that a sample order for 25,000 placed in March, 1920, had to be canceled in December, 1920, because the foreign manufacturer could not perform his contract. During that same interval we were paying domestic manufacturers 35 cents or more for the same article.

In March, 1921, the Phonograph Appliance Co. over the signature of Mr. J. I. Frazee quoted a price of 27 cents each for diaphragms of the best imported India mica and stated they could continue that price for a good while to come. So that in March of the present year they were able to underbid the foreign manufacturer, notwithstanding the duty and the presumably higher labor cost.

The letter containing this quotation, Mr. Brereton read and filed with your committee.

**THE RATES REQUESTED BY THE COMBINE OF DOMESTIC MINERS AND MANUFACTURERS PROHIBITIVE AND UNNECESSARY.**

A specific tax of 10 cents (not 10 per cent) on each diaphragm, plus an ad valorem of 60 per cent is urged by these interests on imported mica diaphragms.

No reasonable person can doubt that such rates, if imposed, would immediately and permanently shut off all importation. It would constitute an effective embargo.

The moment such rates became effective, however, the price of American made diaphragms to American consumers would rise proportionately and the American consumer would be held fast in the grip of a legalized monopoly, unable to obtain supplies from any other source.

**THE GOVERNMENT WOULD BE A LARGE LOSER.**

If such rates or any increase in existing rates be imposed no benefit would accrue to the Government, because importations would be curtailed if not actually prohibited.

Furthermore the revenue now derived under existing law, and which witnesses say is considerable, would be cut off.

For these reasons it is earnestly and respectfully urged that no increase over existing rates is necessary or wise on manufactured or unmanufactured mica imports.

**TALC.**

[Paragraph 209.]

**STATEMENT OF W. C. BOSWELL, BALTIMORE, MD., REPRESENTING THE TALC AND SOAPSTONE PRODUCERS' ASSOCIATION OF AMERICA.**

The CHAIRMAN. Mr. Boswell, will you state to the committee where you reside?

Mr. BOSWELL. My name is W. C. Boswell. I reside at 2222 Mount Holly Street, Baltimore, Md.

The CHAIRMAN. What is your business.

Mr. BOSWELL. Talc mining.

The CHAIRMAN. Where do you mine?

Mr. BOSWELL. In Maryland. I represent the Talc and Soapstone Producers' Association of America.

The CHAIRMAN. You are in the mining business yourself.

Mr. BOSWELL. Yes, sir; have been for 15 years.

The CHAIRMAN. What do you suggest in connection with this bill.

Mr. BOSWELL. A different rate on the crude material.

The CHAIRMAN. A higher rate?

Mr. BOSWELL. A higher rate, yes, sir, to balance the rate that we have.

The CHAIRMAN. Did you hear Mr. Edgar testify the other day?

Mr. BOSWELL. No, sir.

Senator WATSON. You do not know whether you agree with him or not?

Mr. BOSWELL. No, sir.

The CHAIRMAN. Will you proceed briefly to state your position?

Mr. BOSWELL. I represent the massive miners more than the pulverized, because I have been out of the pulverized end of it for 10 or 12 years owing to the low price. Under the 1909 tariff we had a protection of 1 cent per pound on the cut and powdered material. Since 1913 we have had 15 per cent ad valorem, which amounted to practically nothing. But in those years we went out of business. We closed up our plants. We could not compete with the imported material. But during the war the supply being cut off our mines opened up again.

Senator McCUMBER. Mines of what?

Mr. BOSWELL. Of talc. We opened up and began producing and we supplied the abnormal demand all through the war.

The CHAIRMAN. What is your product chiefly used for.

Mr. BOSWELL. For insulation of electrical appliances, gas burners and gas tips. This material represents about 75 per cent in labor to get it out. We have to be careful in blasting. We cut it up with cross-cut saws from large bowlders to blanks of less than a quarter of an inch square. To get this material out of our mines costs about \$20 a ton for the crude material in the ground. To work it up into cubes anywhere from 50 to 75 pounds it costs us \$40 per ton, and into these small blanks here [indicating] it costs us \$100 a ton. That is counting our waste and our labor on it. We can not compete with the importer under the present rate, because he keeps his price just a little lower than the American producer can meet.

We would ask that the same classification that you have in the bill now be retained—1 cent a pound for the cut and sawed material; three-quarters of a cent per pound for the pulverized; and one-half a cent a pound for the crude material.

Senator McCUMBER. What is the foreign source of supply?

Mr. BOSWELL. From China, India, Japan, Italy, Germany, and Africa.

Senator WATSON. What is the difference between talc and soapstone?

Mr. BOSWELL. Just the difference in names.

Senator WATSON. They are the same thing?

Mr. BOSWELL. Practically the same thing; yes, sir. The classification calls for talc, steatite or soapstone, and French chalk. Those are the different trade names and they even bring it in as lava.

Senator WATSON. You produce more than all the other countries of the world together, do you not?

Mr. BOSWELL. Yes, sir; and we do not need even a single pound of imported, because our material is equal to any of the imported material.

Senator McCUMBER. Just for my information: Is the talcum powder made out of this same material?

Mr. BOSWELL. Not out of this material; that is made out of the pure white material.

Senator McCUMBER. Is it made out of the same substance?

Mr. BOSWELL. It is made out of talc. This must be talc; it must be free of grit, cleavage, capable of withstanding heat to 2,200°, or even higher and retain its shape. This piece [exhibiting sample to the committee] has standard threads.

Senator McCUMBER. None of the talcum powders are made from this material, you mean?

Mr. BOSWELL. No, sir.

The CHAIRMAN. Is there enough of this material made in this country to supply the demand?

Mr. BOSWELL. Our mines in Maryland can more than supply the whole demand of the United States. We only consume 1,500 tons of this material a year.

Senator WATSON. Is that the total consumption of this high-grade material—massive talc?

Mr. BOSWELL. Yes, sir; 1,500 tons.

Senator WATSON. The Tariff Commission reports in 1915 that the total production of talc and soapstone in the United States was 186,000 short tons and in 1917, 218,000 short tons.

Mr. BOSWELL. That includes pulverized in all forms; not this massive talc.

The CHAIRMAN. The figures show that the United States produces more of this material than all the rest of the world put together.

Mr. BOSWELL. Yes, sir. We have 33 producing mines. That material is sold to-day in the pulverized state as low as \$5.50 a ton, and they are trying to get the imported material from Canada.

We have reports of this high-grade material coming from China from our Bureau of Mines last year, not only giving the location but saying where they could get it and secure it for \$9 in sacks and \$7.25 in bulk, free at the port. We can not compete with that material in the high-grade material, which costs us \$20 a ton to get it out.

Senator WATSON. What does it cost them to deliver it?

Mr. BOSWELL. They sell it at \$7.25 delivered at the port. We can not tell what it costs.

Senator WATSON. The imports for the calendar year 1920 were 43,477,000 tons.

Mr. BOSWELL. On the massive talc there is no way whatever to separate the massive from the ground, because the straight 15 per cent ad valorem includes the ground and the cut.

You asked me about the crude material. Here is the report sent out by our Bureau of Mines, which has been very extensively reported on all foreign talc, in April, 1920—I will not read the description of it, more than this—all this is from China:

The grade of talc is reported as being excellent, the massive talc ranging in color from light cream to flesh pink or to light green in the poorer grades. Specimens on file at the Department of Geology, National Museum, Washington, D. C., were examined by the author. The specimens examined were of exceptionally pure, fine-

grained, cream-colored, massive talc, translucent, especially on thin edges. The finely powdered material was a brilliant clear white, superior in color even to the Italian talcs with an excellent slip and no grit.

It is reported that the talc can be delivered at the ports of Newchwang or Dairen at about \$9 per ton in sacks or \$7.25 in bulk.

Senator WATSON. That applies to the port in China?

Mr. BOSWELL. Yes, sir.

Senator WATSON. It is not the port in the United States?

Mr. BOSWELL. It comes over here as ballast.

Senator WATSON. Where is the United States market for it—in the East or West?

Mr. BOSWELL. It is all in the East—it comes to New York.

Senator WATSON. It comes to San Francisco and then across the country?

Mr. BOSWELL. No; it comes to New York from China.

Senator WATSON. All the way as ballast?

Mr. BOSWELL. All the way as ballast.

The CHAIRMAN. Is that all, Mr. Boswell?

Mr. BOSWELL. All we ask on this talc is that the same classification be retained and, if possible give us three-fourths of a cent a pound on the ground and one-half cent a pound on the crude. Only the highest grade of crude is imported into this country.

I would like to file a short brief.

The CHAIRMAN. Without objection, it will be printed in the record.

**BRIEF OF W. C. BOSWELL, REPRESENTING THE TALC AND SOAPSTONE PRODUCERS' ASSOCIATION OF AMERICA.**

This brief is filed on behalf of the Talc and Soapstone Producers' Association of America, representing 33 producing mines, with over \$8,000,000 in property and machinery—California, 8; Vermont, 6; North Carolina, 8; New York, 3; Georgia, 4; Maryland, 3; Pennsylvania, 1; New Jersey, 1.

Talc is truly an American mineral, and one of the most important. We have mined talc for more than 30 years. It is used by manufacturers of paper, leather, cloth, paint, earthenware, rope, rubber, plaster, gas burners, bushings, electric insulators, and many other items.

The most valuable is the massive talc that is so uniformly fine-grained, compact, fairly soft, free of cleavage. Must be free of grit and low in iron.

The valuable properties of finished massive talc are the great hardness and tenacity, resistance of heat, acids, and alkalies, high in compressive strength, high dielectric strength. There is no other known mineral that can be manufactured into articles from the raw state and hardened in a furnace and retain its perfect shape. Massive talc is indispensable for the manufacture of gas tips, gas burners, bushings for gasoline engines, electrical insulation, and hundreds of other like articles.

Massive talc is mined in large blocks or bowlders, then cut into smaller sized blocks by man power, using cross-cut saws. These blocks are then taken to rip or cut-off saws and cut into cubes or blanks, as many of the articles manufactured are of special design and the blanks are cut according to specifications. The sizes range from one-fourth by one-fourth by one-half to 3 and 4 inches square, and larger.

These blanks are placed one at a time in small high-speed lathes, when the articles are turned, drilled, slotted, and threaded as the case may be. The talc article in the green state is placed in small ovens or kilns heated by gas or electricity, where they are subject to a temperature of about 2,000° F. from 24 to 48 hours, when the articles become harder than glass.

There is practically no expansion or contraction, standard threads cut in the original talc are still standard after the baking.

Massive talc is mined in Maryland, Virginia, North Carolina, Georgia, Vermont, and California. For the past eight years a number of the mines have been forced to close down, owing to the imported material from France, India, Italy, China, Japan, and Germany, massive talc coming from these countries as crude talc, free from duty, cut into cubes, blanks, and strips, and a large per cent partly manufactured; only one or two operations needed to complete the article after it is received by the manufacturer, 15 per cent ad valorem.

When it is in the large blocks or bowlders, it is brought in as ballast without freight charges. To produce this material in this country it costs the mine owner \$20 per ton to get the raw material out of the mine (1914 wage scale); to cut into cubes \$40 per ton; to cut into small blanks like samples referred to, \$100 per ton.

The importers are offering the large blocks or bowlders at \$7 per ton at the shipping ports of China, India, and Japan. The cut blanks and cubes are quoted at \$27 per ton, foreign ports.

The American mines supplied the abnormal demand during the war and the material has met every requirement. In normal times there is not over 1,500 tons of massive talc consumed in America. Competition between the producers for this business is always keen. This keeps the price at rock bottom as far as the American market is concerned.

The tariff of 1909 enabled the American miner to keep in operation. After 1913, with only 15 per cent ad valorem duty, we could not meet the importers' price. The World War cut off the imports; the American mines again opened up and supplied the demand.

Massive talc is imported under different names—talc steatite, soapstone, French chalk, and lava rock.

Tariff bill H. R. 7456 carries the following classifications and duties:

"PAR. 209. Talc, steatite, or soapstone, and French chalk, crude and unground, one-fourth of 1 cent per pound; ground, washed, powdered, or pulverized, except toilet preparations, one-half of 1 cent per pound; cut or sawed, or in blanks, crayons, cubes, disks, or other forms, 1 cent per pound; manufactures (except toilet preparations), of which talc, steatite, or soapstone, or French chalk is the component material of chief value, wholly or partly finished, and not specially provided for, if not decorated, 25 per cent ad valorem; if decorated, 30 per cent ad valorem."

The rates in tariff bill H. R. 7456 are just one-half what we think the talc interests should have in order to operate against the imported material.

The 1909 rate was 1 cent per pound on cut, sawed, powdered, or pulverized talc.

Conditions have changed since the 1909 tariff. The American producer pays higher wages, carries insurance on his labor and competes with the foreign cheap labor. Only high-grade talc is imported in any form. We believe the duty on crude talc should not be less than one-half of 1 cent per pound. This would equalize the rates of duty and better protect the American producer.

The mines producing massive talc have made no sales for six months. The importers have controlled the market with prices the American producer can not meet. Our talc mines are closed down and thousands of dollars of equipment stand idle.

With a protective rate these plants will be able to meet the price of the importer and give work to many idle men.

We respectfully ask that the classifications and rates of duty now in tariff bill H. R. 7456 be not reduced and the American valuation be used on all imports.

**STATEMENT OF R. N. LOCKWOOD, BROOKLYN, N. Y., REPRESENTING THE TALCUM PUFF CO.**

The CHAIRMAN. Where do you reside?

Mr. LOCKWOOD. In Brooklyn.

The CHAIRMAN. You desire to talk upon the same thing as Mr. Boswell?

Mr. LOCKWOOD. Mine is an entirely different point of view from Mr. Boswell's.

The CHAIRMAN. Do you both want the same thing?

Mr. LOCKWOOD. No, sir; I am a manufacturer of toilet preparations; we use powdered talc in the process.

The CHAIRMAN. You do not want any duty?

Mr. LOCKWOOD. I am perfectly willing to stand 15 per cent ad valorem as in the past, but I would like to make a few remarks before the committee, if I may.

The CHAIRMAN. Go ahead, Mr. Lockwood.

Mr. LOCKWOOD. We manufacture toilet preparations, 90 per cent of which are made of talcum powders and marketed through the 10-cent stores, principally.

Senator WATSON. What are talcum powders made of?

Mr. LOCKWOOD. Talcum powder is principally talcum and perfume.

Senator WATSON. Talcum powder is made from something. Is it made from talc?

Mr. LOCKWOOD. For baby powders boric acid is added, in order to make it a soothing powder. Some other powders are made with magnesia in order to make it fluff up, make it light.

The CHAIRMAN. Boric acid constitutes one element in the manufacture?

Mr. LOCKWOOD. Yes, sir; it is a nonirritating substance, and we use only the better grades of powdered talc in the manufacture of talcum powders. To-day the price of talcum powder such as we use is approximately \$20 a ton at the mine, and with a half-cent a pound duty, as proposed in the present bill under consideration, it means virtually 50 per cent ad valorem.

Senator McLEAN. What does it retail for a pound?

Mr. LOCKWOOD. We do not sell it that way.

The CHAIRMAN. It retails through the drug store, so we know what the consumer pays.

Senator WATSON. I understood the last witness to say that talcum powder was not made from this talc at all. Is that so?

Mr. LOCKWOOD. Not from his particular grade of talc.

Senator WATSON. Are there numerous grades of talc?

Mr. LOCKWOOD. Yes, sir; there are.

Senator WATSON. Is this fine French grade that comes in the kind from which talcum powder is made?

Mr. LOCKWOOD. Some of it is made from that.

Senator DILLINGHAM. This is all made from the white?

Mr. LOCKWOOD. That is the principal feature; it must be white. It must have that degree of slip which is not common to all talc. Some talcs are dry and mealy, and it must be as free from lime as it is possible to get it; otherwise it does not perfume properly.

Senator WATSON. Where do you get this talc?

Mr. LOCKWOOD. The majority of it comes from Canada to-day. There is very little foreign Italian talc used at present for toilet preparations, which is the best talc obtainable.

Senator McCUMBER. Do we in the United States have any talc that you can make talcum powder from?

Mr. LOCKWOOD. Yes; but it is not available.

Senator McCUMBER. Talcum powder is all made from talc that is imported?

Mr. LOCKWOOD. No, sir; it is not all made out of it. There is one deposit in North Carolina that produces a very good grade of talc suitable for our purposes, but the production, through, I think, faults in management, is not steady, although I have within the last month had a car from there.

Senator McCUMBER. Could there not be made a differential between the kind that is used for toilet purposes and talcum powders, and the kind that is used for other purposes, as indicated by the preceding witness?

Mr. LOCKWOOD. It occurred to me—I heard the gentleman's remark—that that was something that was very necessary, because his

raw shapes are principally made up for use in commercial purposes, I assume, for gas tips and things of that character, that are treated afterwards.

The normal price of talcum powder such as we use is \$20 at the mine. I can buy it from Canada or North Carolina at that price—and the 15 per cent ad valorem duty to-day it would appear is sufficient to protect the American industry. I am not asking for a reduction on that, but we do feel, even if it is necessary to put on a specific duty, that one not greater than 15 per cent should be a proper one.

Senator DILLINGHAM. Whereabouts in Canada is it produced?

Mr. LOCKWOOD. It is produced at Madoc, Canada, about midway between Toronto and Montreal; and I assume that their production costs are relatively the same as they are in North Carolina. I have not the details of that. Of course, being a manufacturer of toilet preparations I am not altogether familiar with the mining problems.

The CHAIRMAN. Have you anything further?

Mr. LOCKWOOD. Simply we would submit that the duty of 50 per cent, what is equivalent to 50 per cent, is far in excess of what it should be for protection. We consume normally 3 or 4 tons a day, and the addition of that duty means \$7 a ton additional on an item that to-day costs \$20 or \$23 with the present duty.

Senator DILLINGHAM. There is a good deal of white talc produced in northern New England?

Mr. LOCKWOOD. That is not suitable for the use in toilet preparations, as it is not as white as it should be.

Senator DILLINGHAM. It is perfectly white.

Mr. LOCKWOOD. It is white, but not possessing the degree of slip that it should have to produce a grade of talcum preparation, which is very essential. There are various grades, and there is a tremendous amount produced in this country, but it is not all white; in fact, very little of it is of suitable whiteness, and I only know of one deposit in North Carolina which is suitable. We would use that if it were not for the difficulties they have in production, which does not give us a sure supply.

The CHAIRMAN. Its most important use is medicinal?

Mr. LOCKWOOD. Yes, sir; it is used extensively in hospitals.

BRIEF OF R. N. LOCKWOOD, BROOKLYN, N. Y., REPRESENTING THE TALCUM PUFF CO.

Supplementing my statements before the committee on Schedule 2, paragraph 209, talc, I would respectfully submit the following:

We market toilet talcum powder under the brand "Air Float," which is distributed principally through the 10-cent stores throughout the country, and the retail price through that selling practice for 17 years is necessarily fixed.

There are three prime factors necessary in talcum powder for toilet, hospital, or baby-powder uses, viz: Color—it must be pure white; freedom from lime content, or a negligible percentage; and that quality known as "slip," which gives freedom to the mechanical motions of the body and proves a comfort to babies and bedridden persons.

The cost of powdered talc plays a material part in the cost of our production. With retail price fixed at 10 cents, and going to the masses, as it does, we could not and would not use an inferior quality.

We are one of the largest users of talcum powder in the United States for toilet preparation purposes, consuming normally 3 to 4 tons per day, with an annual output of approximately 9,000,000 packages, at an average profit over a period of years of but one-fourth of 1 cent per package.

We know of but one deposit—that in North Carolina—that produces powdered talcum such as we would use, and from this source we purchase when it can be

secured, but the production is spasmodic and the supply not assured, and it is obvious that we must maintain proper business relations with a source of supply that is steady and assured. This we find at Madoc, Ontario, Canada.

As stated in my testimony before the committee, the average cost for powdered talcum fit for our uses is \$20 per ton at the mine, whether it be North Carolina or Canada, and we respectfully submit that the present duty of 15 per cent ad valorem is ample protection to the American producer, as the cost of production at both points is relatively the same.

Recently there has been a drive on the part of one or two California producers to force their product into the eastern market, and we submit that protection sufficient to permit producers on the Pacific coast to compete in New York, where within a radius of 100 miles we believe that at least 75 per cent of talcum toilet preparations are produced, is unfair to the manufacturers of toilet preparations, and we submit that a duty of one-half of 1 cent per pound is excessive and will only tend to an increase in price on the part of the American producer.

We have marketed "Air Float" talcum powders for 17 years and have never used talc produced in New York State or Vermont, as believe neither of these sources produce talc fit for our purposes, and no manufacturing process that we know of can make them so. It is our opinion that testimony before the committee will show that talcum powder produced in New York and Vermont is used principally in the manufacture of paper, paint, and rubber, where the degree of purity necessary for toilet preparations is not essential, and we are informed that such talc sells as low as \$7 per ton, as against \$20 per ton for a grade suitable for our preparations.

Powdered talc to us is a crude material as it must be perfumed and prepared for toilet use, and we would call the committee's attention to the fact that the proposed duty of one-half of 1 cent per pound is much in excess of the basket clause of 20 per cent on unenumerated manufactured articles.

We would respectfully request that the committee consider the advisability of a different classification for ground, washed, powdered, or pulverized talc for toilet preparation purposes, at a duty not materially different from the 15 per cent ad valorem now charged, for talcum toilet preparations have surely become a necessity.

**STATEMENT OF MICHAEL DOYLE, PRESIDENT INTERNATIONAL PULP CO., GOUVERNEUR, N. Y.**

Mr. DOYLE. I live in Rochester, N. Y.

The CHAIRMAN. What is your occupation?

Mr. DOYLE. I am president of the International Pulp Co. We are very largely engaged in the mining and milling of American talc. Our mills are located in northern New York, near Gouverneur, not far from the St. Lawrence River. We have been pioneers in the industry. Personally, I have been connected with the business since 1885 as a manufacturer and miner, and, now, for the past 20 years, as president of this company.

I wish to say to you that this business had its inception in the United States of America. It started in a small way in 1876 to 1877, and we have developed it. The product was first put upon the market at prices ranging from \$40 to \$60 a ton; and in 1920, on account of the differentiation in the various grades, the price had fallen as low as \$8 a ton for some grades, though some of the grades selling as high as \$20 to \$25 a ton.

We make the pure white talc, and I may say to you that from a knowledge of the business through all of these years, a knowledge that embraces every part of this country in which talc is found, that we have here in this country sufficient deposits of talc to satisfy every demand which exists now or which in my opinion can exist in this country in the future.

We have very great deposits in New England, and in almost all of the States; and I might say that New England has come to the front until it is one of the first producing sections of this country.

The CHAIRMAN. It seems to be a question of grade and character of product rather than the amount produced.

Mr. DOYLE. The quality is improving every year. We are producing in California to-day a quality that is equal to the best that comes from France, Italy, or Spain. The production in California has increased fourfold in the past eight years, and it is growing.

We have also in the South very large deposits of talc and soapstone, and I might say, for the benefit of the Senator who inquired for the difference between talc and soapstone, that the difference is this: Talc in its ordinary state contains more or less impure matter, quite a percentage of silica, and soapstone is almost entirely pure talc. It is soapy, slippery, and saponaceous, and that is the difference between the two.

We are producing in this country to-day and have the facilities to produce all that is wanted in America.

I should say to you that it is not ordinary quarrying. We have to go under the ground for this material: We have mines now which we are working at a depth of 700 to 900 feet.

The CHAIRMAN. Where are those mines located?

Mr. DOYLE. They are located in St. Lawrence County, New York State. Incidentally I will say to you that we are the largest producers of white talc in America. I feel that we are the largest producers in the world, in fact.

The CHAIRMAN. How many men do you employ?

Mr. DOYLE. We employ about 300 men. It is necessary to have cheap power in order to reduce this refractory material. We have in use on the Oswegatchie River about 15,000 hydraulic horsepower developed, of which 10,000 horsepower is used for the grinding of this material and 5,000 for electrical development, the electricity being distributed to the surrounding territory.

Senator McCUMBER. For what purpose is the talc that you produce used?

Mr. DOYLE. The principal purpose is in the manufacture of paper. It is used as a filler for book papers and newspapers, in which it gives a little better finish, and we are improving by new machines and methods the quality every year. So that I anticipate that within a comparatively few years, our material will take the place of a very large amount of the foreign China clay that comes into this country now at the rate of 200,000 tons a year.

Senator McCUMBER. If it is just as good as the French product for talcum powder that is used in the United States, why is it not used exclusively for that?

Mr. DOYLE. The trouble of it is that many of our people, unfortunately, have an idea that when anything comes from a long distance, especially from abroad, and if it has been coming in here for a number of years, it is very much better than the home product.

Senator McCUMBER. But the witness who preceded you stated that there was some produced in the United States that could be used for the talcum powder purposes and that was obtained from North Carolina. That would indicate that he was not so prejudiced against its being obtained in the United States, but he evidently does not agree with you that the New York product is proper for that purpose.

Mr. DOYLE. We are selling to manufacturers, to the people who use the goods for that purpose.

California is doing more to-day than any other State in the production of high quality talc. I might say to you that North Carolina produces the smallest quantity for that purpose of any State. We are making a quality and improving our quality so that in a comparatively short period—a few years—we will be able to make a quality equal to the best produced in any part of the world. We are doing it to-day to the extent of 40 or 50 or 60 per cent of the consumption equal to the best foreign material.

With our facilities here in America, with these big deposits that only require development, what we need is the protection that should come to the American manufacturer. What I mean by "protection" is this, which will give you an idea: We are paying at our mills at the present time to the ordinary mill worker \$4 a day, and we are paying our miners \$5 a day.

Senator DILLINGHAM. What did you pay previous to the war?

Mr. DOYLE. Before the war we paid \$2 or \$2.50 a day for the people in the mills, and about \$3 to \$3.50 in the mines.

Senator WALSH. Has there been any reduction in wages?

Mr. DOYLE. There has only been one reduction, Senator, and that has been a reduction of 10 per cent, and that was from the extremely high peak of 1920. We were obliged to make that reduction because we were losing the business, and it was going to others.

Senator WALSH. All of our textile mills in New England have made a reduction of 32 per cent?

Mr. DOYLE. We have only reduced our wages 10 per cent, and our main purpose has been to get an organization together and hold on until we could get better business and better times.

We have the support and protection; and one word upon this question of protection: There is the very much lower labor costs abroad; and then, again, another thing, I made a special effort to have this article put upon a specific basis because in the past the abuses were so grave that they were almost scandalous at the low valuations at which these goods came into this country. I cited official reports at the hearing before the Ways and Means Committee showing that some of this material came in as low as \$4.37 a ton, goods that were sold in our markets at \$30 and \$40; and I therefore advocated strongly an American valuation based for the assessment of our duties.

With that condition we are in a position to supply the demands of this country, and what we would ask is this: Your consideration that that rate be increased. We ask that it be increased to one-half cent per pound on the crude, and that the rate on the powder be increased to 1 cent a pound.

It will make no difference whatever to the consumer, and just to illustrate, I bought a package of well-known talcum powder, and I weighed it on my scales, and it weighed 4 ounces. I paid 25 cents for that 4 ounces. Four ounces would mean \$1 per pound, and for every 2,000 pounds of that material consumed it would mean \$2,000. You can imagine how infinitesimal the rate would be upon that amount so far as the ordinary consumer is concerned.

This is a big industry. In 1920 the total production in America was about 220,000 tons. The importations for that year very

largely were from Canada and amounted to 24,000 tons, largely from that country.

As to lower costs and lower freight rates, as an example of the bad conditions of freights, we have to pay to go abroad 50 cents a hundred pounds on our material, if we ship any; on the other hand, they can come into our market as low as 12 cents a hundred pounds.

We are shipping from northern New York our material to the seaboard—New York, Philadelphia, and Boston—at a rate of 35 cents a hundred pounds, and they are bringing the same goods from abroad at one-third of that rate. I hope they will be able to make a change before long, and I trust that railroad operations will be such and that conditions will change so that we can get somewhat lower rates, but to-day that is the situation; and that should be borne in mind.

I will be glad to answer any questions within my power that the committee may wish to put to me on this matter, because I want to give you the fullest possible information.

The CHAIRMAN. The committee has heard a number of witnesses, Mr. Doyle, on this question of talc, and I think with the help of the Treasury experts and our own figures we can work it out. We are very much obliged to you for your information.

Mr. DOYLE. I will leave a memorandum covering my views, which will be a little more in extenso and will give full details about it.

The CHAIRMAN. All right, sir.

**BRIEF OF MICHAEL DOYLE, GOUVERNEUR, N. Y., REPRESENTING THE TALC AND SOAPSTONE INDUSTRY.**

The present rates of duties on importations of talc and soapstone into the United States are shown in the dutiable list, Schedule A, paragraph 69, and in the free list, paragraph 621, of the tariff act of October 3, 1913, as follows:

Dutiable list (par. 69): Talcum, ground talc, or steatite, cut, powdered, washed, or pulverized; unit, pound; duty, 15 per cent ad valorem.

Free list (par. 621): Talcum, steatite, and French chalk, crude and unground; unit, pound; duty free.

The changes desired and recommended for the favorable consideration and action of the committee are given in H. R. 9063, introduced by Hon. Joseph W. Fordney, September 5, 1919; and are:

Talc, steatite, and soapstone, and French chalk, crude and unground, one-half of 1 cent per pound.

Talc, steatite, soapstone, and French chalk, ground, washed, powdered, or pulverized, 1-cent per pound.

Talc, steatite, soapstone, and French chalk, cut or sawed, or in the form of blanks, crayons, or cubes, 2 cents per pound.

Manufactures of talc, talcum, steatite, soapstone, and French chalk, wholly or partly manufactured, if not decorated, 50 per centum ad valorem. If decorated, 60 per centum ad valorem.

**REASONS FOR THE CHANGES RECOMMENDED.**

(a) To increase the revenue to the United States on the importations from foreign countries of talc and soapstone.

(b) To increase and develop the manufacture of talc and soapstone in the United States and to protect the industry against unfair competition from foreign producers and manufacturers, whether caused by cheap labor conditions, lower or subsidized transportation charges, or otherwise.

(c) To enable domestic producers to successfully and profitably compete with the imported goods manufactured by foreign producers with cheap labor.

(d) To induce new capital to invest in the industry in the United States, as with a larger development and production lower prices may be expected.

(e) To obtain greater protection against imports from Canada, France, Italy, Austria, and other countries.

## IMPORTANCE OF INDUSTRY IN THE UNITED STATES.

This is essentially an American industry, having its origin and greatest development in this country. It required years of laborious and expensive work by the American producers to bring the industry to its present position. The foreign manufacturer waited until its success was assured, and then without risk entered our markets, favored by low labor costs and low tariff duties, all at the expense of the American manufacturer, both in profit and output.

Talc and soapstone are cheap, economic minerals, closely alike in quality and use, of which there are very large deposits in the United States.

Talc is a magnesium silicate, containing 63 per cent of silica, 32 per cent of magnesia, and 5 per cent water. Soapstone is a massive rock, so rich in talc as to have a soapy feel.

Talc is remarkable for its softness, difficult fusibility, insolubility in ordinary acids, and low electric conductivity. These properties make it one of the most stable, unchangeable, and most useful of minerals. It is largely used as a filler in the manufacture of paper, also in the manufacture of paints and rubber, new uses being found for it each year.

Soapstone has almost all of the same qualities of talc. It is more generally used for the manufacture of electric switchboards, laundry tubs, tanks, sinks, and fume hoods. The uses of these minerals show a constant annual increase in the United States.

The United States produce about 60 per cent of the entire supply of the world. The principal deposits are in the States of New York, Vermont, Virginia, North Carolina, California, and Georgia.

Large deposits of these minerals exist in France, Italy, Austria, Canada, China, and Japan, the United States being the principal market for such.

## DEVELOPMENT OF INDUSTRY.

These minerals were first mined and manufactured on a practical scale about 40 years ago in northern New York. Since then the business has spread to other States and localities in which the deposits were found and where favorable manufacturing conditions existed, especially cheap and abundant water power for the crushing and grinding of these minerals.

From 1880 to 1912, inclusive, the production in the United States aggregated 2,402,132 tons, valued at \$26,667,658.

From 1913 to 1919, both inclusive, the production in the United States was 1,301,316 tons, valued at \$13,100,057.

For the year 1920 the production is estimated at 213,000 tons, valued at \$2,360,000, an average value of \$11.08 per ton.

For the entire period from 1880 to 1920, both inclusive, the total production was 3,916,448 tons, valued at \$42,127,715, an average of \$10.75 per ton.

The largest production of talc prior to 1920 was in 1917, with a tonnage for the year of 198,613 tons, valued at \$1,889,672.

The production in 1918 was 191,477 tons, valued at \$2,039,960. Prices ranged in 1920 from about \$8 per ton to \$20 per ton, according to quality.

There are at present 30 producers and manufacturers of talc and soapstone in the United States employing about 2,500 persons. The total number employed in the industries using talc and soapstone is in excess of 250,000. There is opportunity for a large and profitable expansion of the industry in this country, provided protected from adverse and injurious competition from abroad. There is an increasing demand for talc in the paper, paint, and rubber, roofing, textile, linoleum, and other industries. There is invested now in the industry over \$8,000,000, all of which is American.

During the war imports were cut off and the domestic sources developed, and qualities were made in this country equal to the finest made abroad. The States producing the largest quantities at the present time are Vermont, New York, and California in the order named.

We are able to produce now from new deposits in the eastern States and also in California, qualities equal to the best made abroad, entirely satisfactory for all the requirements of the trade in the United States.

## UNFAIR COMPETITION FROM ABROAD.

The schedule of wages paid by the foreign producer is much lower than is paid by the manufacturers in the United States. The wages paid to miners average \$5 a day, and to mill employees \$4 for eight hours work.

The wages paid in Europe range from \$1.80 to \$3 a day. In Japan, similar mining work is done at a cost of 33½ cents a day for men, and 16½ cents a day for women for 11 hours work.

Fully 65 to 70 per cent of the total cost of all talc and soapstone produced in the United States is for labor, which at the present time is principally American.

The talc and soapstone industry of the United States suffers from the unloading or dumping in our markets of surplus stocks which the foreign manufacturer is unable to sell in his own market.

Low ocean ballast rates permit of shipments to the United States which are a menace and injury to the profits and business of the American manufacturer.

An example will be of interest: The present rate from New York to London and Liverpool, England, on talc and soapstone is \$1 per 100 pounds; the present rate from London and Liverpool to New York on talc and clay, crude and ground, used in the manufacture of paper and other purposes, is 15 shillings per ton of 2,240 pounds, equal at \$3.50 per pound sterling to, \$0.12 per 100 pounds, a difference of \$0.83 per 100 pounds.

This shows clearly the advantage of the foreign manufacturer in ocean freight rates permitting entrance into our markets of foreign goods much cheaper than we can ship ours abroad to the same countries and by the same routes.

Ad valorem basis for tariff is unfair and unjust to the American Government and to the American producer.

#### SPECIFIC BASIS PREFERABLE.

The talc and soapstone industry of the United States suffers from unfair and improper ad valorem valuations made abroad upon goods intended for exportation to the United States.

There have been many flagrant examples of such in recent years on shipments arriving from France and Canada and other countries.

For example, French talc worth in the American markets \$20 to \$40 per ton, was declared to be of the following values abroad: 1912, 3,941 tons, \$5.14 per ton; 1916, 3,570 tons, \$5.82 per ton; 1917, 2,452 tons, \$4.37 per ton.

The duty levied on these imports was 15 per cent, or 65½ cents per ton, on the lowest and 87 cents per ton on the highest.

Levied on the value of same in America \$20 to \$40 per ton, which are the true market and competitive values against the American manufacturer; the duty at the same rate of 15 per cent would amount to \$3 per ton for the lowest and \$6 per ton for the highest valuation, against the amounts actually paid of 65½ cents and 87 cents, respectively, which increase would inure to the advantage of the Government and the greater protection of the American manufacturer.

The declared values of goods of foreign production at some obscure or isolated place abroad, in which there is no local demand or use, which are intended for entry into the United States on the basis of these low declared values, result not only in a heavy loss to the Government but also a heavy loss to the American producer, both in profits and protection.

We submit that the duty should be levied on these goods on their value at the ports of entry of the United States or the principal consuming and competing markets of our country, instead of at some isolated or little known locality abroad.

We are of the opinion that the maximum revenue will be secured by the Government and the maximum protection by the American producer whenever it is possible to levy duties upon specific basis. In this way there will be neither chicanery nor camouflage in juggling values. We recommend strongly specific basis.

#### IMPORTS AND FOREIGN COMPETITION.

The great danger at the present time is that the foreign deposits in Europe, South Africa, and China and Japan will be actively developed by cheap labor, and with low ocean freight rates they will become a still greater menace to the American manufacturer, reducing his output as well as his profits.

The American market is the largest in the world for talc and soapstone, and all foreign manufacturers seek it by every means within their power. It is not only the largest but the richest, and they seek there business and profits which they are unable to obtain in their own countries.

The imports of talc in 1919 were 14,602 tons, valued at \$259,004. In 1920 estimated about 24,000 tons, valued at \$475,000. The increase is 40 per cent over 1919 and 25 per cent over the previous record.

Foreign manufacturers at the present time are making strenuous efforts to increase their business in the United States.

Of the imports during 1920 more than 70 per cent was from Canada, about 20 per cent from Italy, and the balance from France and other European and Asiatic countries. The bulk of the shipments from abroad at present is cut, ground, or prepared, and is of a relatively high grade. There is no quality imported so fine that it can not be duplicated from the deposits in the United States and by the American manufacturer.

The average declared value of the imported talc in 1920 was about \$20 per ton. In years previous to the war the declared value of talc shipped from France to this country have been very much lower. In 1912, 3,941 tons at \$5.14 per ton; 1916, 3,570 tons at \$5.87 per ton; 1917, 2,452 tons at \$4.37 per ton.

There is danger that these low values will be repeated at no distant date as soon as the foreign producing countries recover from the present abnormal war conditions.

The great changes which have taken place in the affairs of the world since 1913 make a revision and reclassification necessary of the duties on talc and soapstone, so as to meet the present producing and competitive conditions in foreign countries, the supreme desire of the foreign manufacturers being to secure an entrance into the American market, not only on account of the higher values prevailing here, but the very high value of the American dollar, as compared with their own currencies.

The Canadian producer who sells in the American markets to-day \$10,000 worth of talc receives a premium of 12 to 15 per cent thereon, so that this transaction of \$10,000 is worth to him \$1,200 to \$1,500 additional in Canadian money, a very handsome profit from the privilege of selling in the American market, in which he has not a dollar invested and bears no part of the heavy taxes for the requirements of the Government which the American producers are obliged to pay.

There can be no good reason why the foreign producer, who sells his goods in this country should not pay for that privilege at least in the same degree as the American producer.

We should not deliberately aid and encourage any foreign nation by tariff rates or otherwise to compete adversely with the products of American industry, whereby our labor is restricted and lowered in value or the commerce of the Nation made less profitable to our people.

Our wealth and progress are based upon our industries, commerce and work. We have no other sources by which we can expand the prosperity and greatness of our Nation. How important it is that we should foster, protect, and develop them to their fullest extent.

We have an Army and Navy to protect our rights and liberties, and our political possessions, for the safety and welfare of our people. It is desirable that we extend the same measure of protection to our industries and commerce and our producing capacity, for the benefit and happiness of our people.

#### CONCLUSION.

The changes in the present tariff rates on talc and soapstone as shown by H. R. 9063, introduced by Hon. Joseph W. Fordney, September 15, 1919, will develop the industry in the United States, furnish larger and more remunerative employment to our people, utilize deposits of minerals now neglected in many parts of our country, especially in the South, to the advantage of the owners and eventually by improved machinery and a larger output, furnish these goods to the manufacturers and consumers at materially lower prices than prevail at the present time.

We strongly recommend these changes, for the benefit of the Government and the American producer.

#### GRAPHITE (PLUMBAGO).

[Paragraph 211.]

#### STATEMENT OF L. S. BROWN, REPRESENTING THE SPRINGFIELD FACING CO., SPRINGFIELD, MASS.

Senator McCUMBER. Mr. Brown, please give your name and residence and business.

Mr. BROWN. L. S. Brown, of the Springfield Facing Co., Springfield, Mass.

Senator WATSON. What subject are you interested in?

Mr. BROWN. Graphites.

Senator WATSON. What paragraph is that?

Mr. BROWN. I am sure I can not tell you. I am sent here hastily and am somewhat ignorant on that phase of it.

Senator SMOOR. It is paragraph 211.

Mr. BROWN. I might say that this is a subject that I am not thoroughly posted upon. I simply appear because of numerous customers of ours who felt that perhaps nobody would appear here to represent New England in the case. So, yesterday noon I tried to prepare enough to come here and just state the conditions existing in New England at least.

I have been for 40 years in the foundry facing business. It gives me a large acquaintance among the foundry men of New England, and I might say that during all those 40 years I have been chasing up new discoveries of graphite, hoping that I could get something that would compete and give me something in advance of Ceylon, and in all those 40 years I have never seen a single deposit that was workable at a profit. Furthermore, I feel that the desires and the representations of those who are petitioning for the high tariff—I understand they are petitioning for 6 cents per pound, although I may be mistaken about that—

Senator DILLINGHAM. The bill provides 10 per cent ad valorem.

Mr. BROWN. I knew that the House committee recommended that, but it was represented—perhaps this is hearsay—that certain people were still going to ask for 6 cents per pound.

I might say I believe those people are entirely deceived in regard to their own material. There is no question in the world but what laboratory tests do prove wonderful results. Those laboratory tests in practice can not be carried out. It was the action, no doubt, of these believers in their mines, the American mines, that made them feel that while we are in such an emergency and that the United States resources should be brought to bear in saving the country and producing goods that we were importing, that has had an influence in having the war officials ask for 20 per cent American graphite to be used in crucibles. There are very few people in the country who appreciate what a great injury that 20 per cent has done. Many little brass foundries have really been put in a place where they can not recover because they were forced to use a crucible with American graphite in it that instead of giving 30 or 40 heats would only give from 1 to 6 heats. Little foundries could not stand that, but I understand it was a ruling of the Government that they must use 20 per cent so as to use the American goods.

Now, those crucibles in practice do not run over 1 to 6 heats. A large concern in Waterbury, Conn., that was employing 18,000 or 20,000 hands, mostly all on war work, was so handicapped by the amount that they could produce in their melting shop that they were obliged to go out and buy Ceylon plumbago and make their own crucibles and with the American products mixed with Ceylon they were getting only from 1 to 6 heats to a pot. As soon as they made their own with pure Ceylon lead they ran from 30 to 50 heats.

Senator WATSON. The Tariff Commission reports that producers assert that both Montana and Alabama graphite has been accepted as equal to the Ceylon material.

Mr. BROWN. That is absolutely a mistake. All the brass foundries of the country will tell you that that is a mistake. I under-

stand that they claim that advanced scientists have produced crucibles at some of their laboratories that were better than Ceylon. I have yet to find anybody that can post me in regard to that. If there is anybody here that can do so I would be very glad to hear from them, but I understand there has never been any of them put in practice. However, we do know that the Government to favor the Alabama interests, did ask for 20 per cent to be used in their crucibles, and that has cost the people of this country millions of dollars. It has almost wrecked many of them.

Speaking of the crucibles to use the Alabama graphite, or American graphite we may say, they have to use much more clay to make the mass form into the crucible. Clay does not conduct the heat to the metal, so that ordinary foundry men who know nothing about scientific ideas can only go by common sense, by their actual experience, and they tell me that it takes from two to four times as long to heat up, to melt the metal in that pot, where there is so much clay used, as it does where the regular old-fashioned Ceylon crucible is used.

Senator McLEAN. What did you say the Government regulation was in regard to it?

Mr. BROWN. Twenty per cent.

Senator McLEAN. That regulation provided that 20 per cent of the American product must be used?

Mr. BROWN. Yes; that was a war measure, and undoubtedly it was to favor these very people who are asking for a big tariff on graphite to-day.

Senator SMOOT. There was another reason beside that. I do not think that was the real reason.

Mr. BROWN. Well, I beg your pardon.

Senator SMOOT. I will agree with you, though, that the crucibles were not nearly as good.

Senator McCUMBER. Was the other reason the matter of shipping?

Senator SMOOT. No; the other reason was a matter of war.

Senator McCUMBER. Well, the Government needed the ships.

Senator SMOOT. That and also the requirements of the Government that they wanted to divide it, and they could not get sufficient quantity anywhere else. They could not get the imports, and in order to make the number required not only by the trade, but by the Government also, they required 20 per cent of the American graphite to be used, so that the product would go around.

Mr. BROWN. I am not a crucible man, but I do say this, those who have given the matter careful study and who were obliged to make crucibles themselves tell me that if the crucible concerns could have kept on making the same crucibles that they were making without the adulteration, they would have had more than enough to go round, because they had to use so much of it and make it bad.

Senator SMOOT. Are you interested in the articles that make graphite?

Mr. BROWN. No; I am not interested in graphite, only in a very small way. I do not use a hundred tons of graphite a year.

Senator WATSON. What do you make?

Mr. BROWN. I make foundry facings. Foundry facing is a flour made from graphite. The very best facing is made from the very best Ceylon graphite. It is ground into a fine flour, which is spread

or shaken over the molds or painted on with a brush or rubbed on with the hand. There are all grades.

Senator WATSON. When this facing is sprinkled on, what part does it play?

Mr. BROWN. When the hot iron comes into the mold this makes a parting between the sand and the mold, so that the casting comes out cleaner and nicer and with a better finish.

Senator McLEAN. What does it cost now to import graphite?

Mr. BROWN. I suppose it costs from a cent and a half to 6 cents per pound.

Senator McLEAN. \$120 per ton?

Mr. BROWN. Yes, sir.

Senator SMOOT. That would be the best grade?

Mr. BROWN. That is the high grade, understand, the finer grade.

Senator SMOOT. It was \$81 per ton in 1915; \$74 a ton in 1914. Then it went to \$226 per ton in 1918.

Mr. BROWN. You understand there are many grades of graphite. But at all events it has been a serious thing to the foundry man to have to stand the 20 per cent.

Senator McLEAN. What does the domestic article cost?

Mr. BROWN. I do not know what the Alabama article does cost, but there are domestic graphites that in the crude state can be bought for \$9 or \$10 a ton, from that up, the better grades up to \$15.

Senator SMOOT. What percentage of graphite is there in the Alabama ore?

Mr. BROWN. In their ore that they mine—I am posted only as I have read upon the subject—there is only from 2 to 3 per cent graphite; whereas you understand the Ceylon product contains a much larger percentage. The Ceylon product is mined much as you would mine coal, in great big veins or pockets, as I understand it. The greater loss that has come to the small foundry men has been due to the fact that it takes so much more fuel to melt their metal in a cheap crucible.

Then, again, a crucible made from Ceylon lead can be used a great many times, as I stated, from 30 to 50. Now, that uses down very thin. It wears out slowly, so much so that at times when the melter comes to take his pot out with tongs from the fire it actually squeezes out of shape, and after metal is poured and crucible is refilled and goes back into the furnace and melts, the weight of the metal restores it to its proper form.

Senator SMOOT. What you want is graphite and plumbago on the free list the same as it has been in the past?

Mr. BROWN. Yes, sir; that is what we would like. I do not know that there is anything more that I desire to say.

**BRIEF OF L. S. BROWN, REPRESENTING THE SPRINGFIELD FACING CO., SPRINGFIELD, MASS.**

Forty years' experience among the foundries in New England warrants me in saying emphatically that the manufacturers of this country need protection much more than the graphite miners. Very frequently we have graphite deposits in different sections of the United States drawn to our attention. Whenever they are within reasonable distance, we investigate, hoping each time that it is something that will prove interesting, and while in several cases we have made investments to prove possibilities, we have never been able to find anything that could be worked at a profit, and feel confident there never was a graphite mine in the United States that proved a money maker. It seems easier for promoters to secure investors in graphite

mines than it would be in real gold mines. Wonderful literature, showing analyses by different chemists, and sometimes samples of real Ceylon graphite, said to come from the mines they are promoting, make it easy for sharp promoters to get good money that never returns a penny.

In our own State of Massachusetts there are graphite mines, so called, that have been periodically opened by new capital, and worked until capital was gone, for more than a century, and while the claim has always been that it was equal to Ceylon graphite the actual using of it proved that it would never do the work of Ceylon, even though the carbon contents show it to be a wonderful deposit.

The claim made that Alabama crystalline makes a first-class crucible (the claim apparently being backed up by the statements of advanced scientists) was so impressed upon the Government officials at a time when the great cry was "Develop our natural resources," and also the arguments in favor of true patriotism, that it was no wonder the war ruling that all crucibles should be made using 20 per cent of American flake graphite was passed.

The claim that using 20 per cent Alabama or Texas would conserve the Ceylon was absolutely wrong, as it was soon demonstrated in every brass mill or foundry that the crucibles would not stand up, and they were obliged to use from five to eight times as many, so the use of Ceylon was much greater than it would have been had the ruling not been made, and production that the Government needed was held back.

The July, 1919, number of the American Ceramic Society Journal contains an article, by permission of the Director of the United States Bureau of Mines, with the following quotation: "When the American graphite crucible manufacturers were confronted with the necessity of using American graphite altogether or in part as a substitute for Ceylon graphite, on which they had previously depended almost entirely, it was soon discovered that crucibles containing American graphites were very unsatisfactory as compared with those made of Ceylon graphite."

A great many large brass manufacturers at once installed electric furnaces, which require no crucibles, and several of the very largest either bought a crucible manufacturing plant or else installed a crucible department, going into the market and buying Ceylon graphite, and with the crucibles they made could get from 30 to 50 heats, where with those they had to buy they could only get 3 to 7, the average being less than 5 heats. The cost of the extra crucibles many foundries were forced to buy was only a small part of the loss, as many of the crucibles would break while heating, allowing metal to run into the fire, where much of it was lost.

It also took much longer time to melt the metal, consuming several times as much fuel, and loss of much time of workmen.

The manager of one of the large brass mills in the Naugatuck Valley, Conn., stated to me that they could not have furnished the Government contract had they not made their own crucibles. During the war they employed 18,000 to 26,000 hands. This one plant, by no means the largest, alone employs over ten times the number of hands claimed to be employed by American graphite producers.

Possibly the southern interests were not thinking of themselves and really believed they were patriotic, but now when they must know the great injury the ruling did the country I believe it is most unjust to now ask for protection.

This discovery of American graphite is no new thing. Companies have been formed, mines opened and closed, and entire capital lost for over 50 years.

Fifteen years ago I invested in a wonderful electric separator, because it was going to do such wonderful work on graphite, believing that if it did work we could use it on several deposits that we knew of, but we never received anything from it, except notice of annual meeting. Even if it should do all they expected, it can not make crucible or foundry facing stock, as nature has squeezed the graphite in the southern ore so very thin that it can not do the work required, as it does not have the body. While the chemical analysis may be the same, the physical condition is entirely different.

If I understand correctly, graphite can be compared to gold mining. Hydraulic mining, producing nuggets and all grades down to dust, compares with the Ceylon product, which is taken from large deposits, coming out in large pieces down to dust, and there are museums which have exhibition pieces weighing 100 pounds or more, while some of the quartz-mined gold is invisible to the naked eye, it being so very fine and light. This latter compares with the southern graphite, which comes in rock form, there being only a very small per cent of graphite in the rock. The same electrical separator they use for both gold and graphite, or at least that was the inventor's opinion when it was first invented. While the coarse and fine gold melts into one mass, mixing the American flake, which is so very thin, with the Ceylon greatly injures the Ceylon.

The many graphite deposits that have been found were nearly all found and promoted before war times, and glowing, promoting promises of successful operations were

made. It worked all right as far as getting capital was concerned, and now they demand a tariff to get their money back, but even the high tariff they ask will not allow them to make money, when it is a positive fact that the material produced will not do the required work, as it would simply force electrical installation at all brass foundries, providing conditions are as my 40 years' experience among foundries leads me to believe.

For foundry facings we could not possibly produce a high-grade facing our customers demand, as the southern is so light and fluffy it will not stick to the mold. In fact, a very small per cent we have found by practical experience destroys the Ceylon with which it is mixed, and we would not buy southern stock at any price.

I have no interest in any crucible concern, and admit we are one of the smallest grinders, putting our whole attention to producing the highest grade foundry facing, so our interest in this proposed tariff is not entirely personal; but knowing what many of our customers have suffered, and will suffer, even with low tariff on graphite, I feel it my duty to protest against any duty, even for revenue, as the protection given the southern interests by the war rulings has been such an injury to manufacturers and users of crucibles and foundry facings that I must, in behalf of my customers, pray for free graphite, same as our industry has been built up on, and almost shattered during the period when most people are supposed to have made money.

**STATEMENT OF HERBERT B. JOHNSON, GENERAL MANAGER  
SOUTHWESTERN GRAPHITE CO.**

Senator WATSON. You are to speak on what?

Mr. JOHNSON. On graphite.

Senator WATSON. What paragraph is that?

Mr. JOHNSON. Paragraph 211.

Senator McCUMBER. Are you an importer or manufacturer?

Mr. JOHNSON. An American producer.

Senator McCUMBER. A producer?

Mr. JOHNSON. Yes, sir.

Senator McCUMBER. You are not an importer?

Mr. JOHNSON. No, sir.

Senator SMOOT. What do you want?

Mr. JOHNSON. The tariff on American graphite has been reduced from 3 cents a pound to 10 per cent ad valorem.

Senator REED. You want the rate increased?

Mr. JOHNSON. We want it increased the same as the manufacturer does. We want equal protection with our neighbor, the manufacturer. We want 35 per cent.

Senator REED. Do you mean crude or refined?

Mr. JOHNSON. Refined.

Senator SMOOT. What about crude?

Mr. JOHNSON. Crude graphite comes in competition with by-products produced by the American producer—the lower grade products. The idea is to equalize the cost of producing the American product so as not to charge all our cost against No. 1 flake, which is used in the manufacture of crucibles.

Senator SMOOT. The House provides 10 per cent on the crude or refined.

Mr. JOHNSON. Yes; that is true.

Senator SMOOT. Well, I want to get at what you want.

Mr. JOHNSON. We want 35 per cent.

Senator SMOOT. On crude and refined?

Mr. JOHNSON. On graphite—crude and refined graphite.

Senator WATSON. Can this graphite be used for all purposes for which Ceylon graphite can be used?

Mr. JOHNSON. Yes.

Senator WATSON. Is it equal in quality to it?

Mr. JOHNSON. There is some difference due to the fact that the Ceylon graphite has been on the market for 35 years.

Senator WATSON. I am talking about the quality now.

Mr. JOHNSON. The tests that have been made show that the American graphite can be used where the Ceylon graphite can be used with equally good results.

Senator WATSON. Is it equal in quality for foundry facings and so on?

Mr. JOHNSON. Yes; it is equal in quality.

What the American producer is objecting to is not the importation of Ceylon graphite. We are not asking for a prohibitive tariff on foreign graphite. In European countries—Great Britain and France especially—they are importing a great deal of graphite from Madagascar and Ceylon. This graphite from Madagascar is equal in every way to the Ceylon graphite. There is some difference between the Ceylon graphite and the American graphite, but there is little or no difference between the Madagascar graphite and the American graphite. Both are flake graphite.

Senator REED. Where is this graphite produced in this country?

Mr. JOHNSON. Graphite is produced in Texas, in Alabama, Pennsylvania, New York, North Carolina, California, Colorado, Alaska, and Montana.

Senator REED. Do you get what you use from Texas?

Mr. JOHNSON. Yes.

Senator REED. It is in the form of rock in the earth, is it not?

Mr. JOHNSON. Yes.

Senator REED. Are there large deposits there?

Mr. JOHNSON. Yes, from 1,000,000 to 1,800,000 tons.

Senator REED. How much did you say?

Mr. JOHNSON. From 1,000,000 to 1,800,000 tons.

Senator REED. That is in the ground?

Mr. JOHNSON. Yes, that is in the ground.

Senator REED. How do you mine or quarry it?

Mr. JOHNSON. It is open cut quarry work. The process is similar to that used in producing copper. It has to be crushed, concentrated and refined.

Senator REED. You quarry it largely by machinery?

Mr. JOHNSON. Yes, by steam shovel.

Senator REED. Can you pick it right up?

Mr. JOHNSON. No. You have to drill and blast about 600 to 1,000 tons at a time.

Senator REED. You grind it by machinery?

Mr. JOHNSON. It is ground by machinery, concentrated and refined into the finished product ready for the manufacturer's use.

Senator REED. What is graphite used for generally?

Mr. JOHNSON. Graphite is used for the manufacture of crucibles, foundry facings, lubricants, stove polish, and pencils. We are producers of domestic flake graphite, which is used by others in the manufacture of the above articles.

I have a chart here and brief, which I have prepared, showing about what we are up against, what we are asking for, and what graphite is used for; in other words, about 45 per cent of graphite is

used for crucibles, 25 per cent for foundry facings, 15 per cent for lubricants, 10 per cent for stove polish, and 5 per cent for pencils.

Here is what we are up against. Here [indicating on chart] is the foreign and domestic deposits of Ceylon, controlled largely by the English, and Madagascar, controlled by the French. They have rich deposits, simple methods of mining, low freights, and cheap labor. Against that, the American producers have low-grade deposits; have to mine their ore, mill it, and concentrate it, and then refine it. In other words, the American graphite is the finished product of the American producer. It takes just as much machinery, just as large an investment, and sometimes larger, as that required by the manufacturers who use this product in the manufacture of graphite crucibles, foundry facings, etc.

Senator REED. Let me understand that; it is too technical for me. You get all your ore out by this high-class machinery?

Mr. JOHNSON. Yes, sir.

Senator REED. And grind it by machinery?

Mr. JOHNSON. Yes, sir.

Senator REED. What is the advantage that the Madagascar manufacturer has over you?

Mr. JOHNSON. The manufacturer there just simply mines this graphite out and hand sorts it with coolie labor at a price of 60 or 70 cents a week.

Senator REED. Yes; but he does it by hand.

Mr. JOHNSON. He does it by hand.

Senator REED. When it is out, is it any different from yours?

Mr. JOHNSON. It competes with our finished product, but it is a little lower in grade.

Senator REED. Do they not have to grind theirs?

Mr. JOHNSON. No; they do not have to grind their ore, but ship it in lump form such as this [exhibiting lump of graphite to the committee].

Senator REED. Some grind it, do they not?

Mr. JOHNSON. The American crucible and foundry facing manufacturer grinds it himself and prepares it according to his own formulas.

Senator REED. All of this graphite, wherever it is obtained, has to be ground in a mill of some kind. Is theirs any simpler or easier to grind than yours?

Mr. JOHNSON. No.

Senator REED. Then each of them have to have a method that costs the same. Over there in those other countries they mine by hand with the old, simple method, with very cheap labor. You mine over here with a steam shovel, and your steam shovel can not compete with their cheap labor?

Mr. JOHNSON. No, sir; not on labor. Our great cost in the production of graphite is the concentrating and milling which we have to do.

Senator REED. Do they not have to concentrate and mill?

Mr. JOHNSON. No, sir.

Senator REED. They have a superior quality?

Mr. JOHNSON. They have a superior quality only in the sense of a much richer deposit; in other words, we get 70 to 80 pounds per ton

of ore as it is in the ground; that is, our crude ore contains 70 or 80 pounds per ton of recoverable graphite, while in Ceylon and Madagascar their crude ore contains 600 to 700 pounds of graphite per ton, and that simple hand-sorting in Ceylon and Madagascar brings their graphite into the same state as our graphite after mining, milling, and refining, requiring plants costing from \$150,000 to \$600,000, and the employment of both skilled and common labor.

Senator REED. If that superior quality of graphite is put in the ground over there, do you think that we ought to deny the people of the United States the use of it in order that you may produce that inferior quality here; that is, the quality that requires so much more labor?

Mr. JOHNSON. The quality of our finished graphite is not inferior. The proposition we are up against is that the deposits which we have are lower grade, and in order to get a product equal to this product imported into the country we have to use this high-class machinery, skilled labor, etc.

Senator REED. But do you think that Congress ought to pass a law now that will make up for the difference between the low-grade ore in this country and the high-grade ore deposits of those other countries?

Mr. JOHNSON. Yes, sir. We believe we are justified in asking for consideration inasmuch as this industry was developed during the last five years in war times when we had to have graphite and also because we are now able to produce superior quality of graphite which is suitable for all uses.

Senator REED. Let us see. What is your company?

Mr. JOHNSON. The Southwestern Graphite Co.

Senator REED. What is its capital stock?

Mr. JOHNSON. About \$200,000, and \$600,000 invested in the property.

Senator REED. Was that all paid in?

Mr. JOHNSON. Yes, sir.

Senator REED. What are its assets to-day?

Mr. JOHNSON. Our assets to-day are worth about \$523,000.

Senator REED. What dividends does your company pay?

Mr. JOHNSON. It has not paid a dividend, and I can give affidavits that no officer of the company has received one cent in dividends, salary, bonus, or commissions.

Senator REED. It never has paid?

Mr. JOHNSON. No; it never has paid a dividend.

Senator REED. So, running along, you have not been making any money during the war?

Mr. JOHNSON. We have not been making any money, but always putting in money.

Senator REED. At present high prices, do you think we ought to support an institution of that kind which could not even live during the war and support it continuously and for all time?

Mr. JOHNSON. It could not pay during the war, for the reason that the plant and process was not completed to a point where we could compete and make a profit.

Senator REED. Is it ever going to be completed so that it can compete?

Mr. JOHNSON. It is completed now so that with protection for some time it will be able to compete with the foreign importations.

Senator REED. Is it ever going to be able to walk alone?

Mr. JOHNSON. That is a question.

Senator REED. It is a question, is it not?

Mr. JOHNSON. About the same as anything else.

Senator WATSON. But until it can walk alone it will be employing American workmen paid American wages?

Mr. JOHNSON. Absolutely.

Senator REED. How many men do you employ?

Mr. JOHNSON. In our particular plant we employ approximately 100 men. There are approximately 2,800 to 3,200 men employed in the industry.

Senator REED. In the whole United States?

Mr. JOHNSON. That is, including the producers, not including the manufacturers.

Senator REED. How many tons of this stuff have you in the United States?

Mr. JOHNSON. How many are handled?

Senator REED. Yes.

Mr. JOHNSON. About 9,000 tons of the domestic finished product, against 21,000 tons imported.

Senator WATSON. If you have ample protection according to your theory could you supply the home demand?

Mr. JOHNSON. Yes, sir.

Senator WATSON. With the American product?

Mr. JOHNSON. With the American product.

Senator REED. And you will employ American labor?

Mr. JOHNSON. Yes, sir.

Senator REED. And you will tax all of the American people?

Senator McLEAN. That depends on what the price of this stuff is going to be in years to come.

Senator REED. Yes.

Senator McLEAN. It is very expensive, apparently, the importations costing \$250 a ton. If you should be compelled to go out of business, would the foreign producers have a monopoly of the market so that they could exact as high prices as the trade would bear?

Mr. JOHNSON. Absolutely; they have done it.

Senator McLEAN. Is it your idea that if you could be encouraged so that you could compete on some sort of a fair basis that you can in a few years lower the cost to the American consumer?

Mr. JOHNSON. Yes, sir. The price of Ceylon graphite increased 300 per cent during the war, and our consumers paid the price. We can produce a superior article, supply the demand, and lower the cost to the consumer after we are established.

Senator REED. Yes, and so did everything else increase in price. Let us see, how many sources of supply did you say there are—Ceylon and Madagascar?

Mr. JOHNSON. Ceylon and Madagascar principally.

Senator REED. What was the price of graphite before the war?

Mr. JOHNSON. The average price of graphite before the war was approximately 3 or 3½ cents per pound for all grades. During the war foreign graphite sold as high as 30 cents per pound.

Senator REED. What is it to-day?

Mr. JOHNSON. The average price of foreign graphite to-day, since thousands of tons have been dumped on the market, is 2 cents a pound.

Senator REED. What are you selling at?

Mr. JOHNSON. We are selling our graphite at an average price of less than 4 cents a pound.

Senator REED. But you are selling it for more than they sold it before the war?

Mr. JOHNSON. We are not selling it; that is the trouble. We have a million and a quarter pounds in our warehouses; we can not meet that competition.

Senator REED. Let us stick to the point. The statement you made just a moment ago was that before the war they sold their graphite for 3½ cents a pound, that is, the foreign graphite, and you are not able to make it now for less than 4 cents per pound.

Mr. JOHNSON. No, sir; we could not sell it at less than 4 cents a pound.

Senator REED. So that before you ever came into existence this foreign monopoly could have controlled our market, according to the statement that you had a minute ago. Nevertheless, with full ability to control our market, they were selling for a half cent a pound less than you are able to make it now?

Mr. JOHNSON. But during the war that graphite sold at a greatly increased price.

Senator REED. So during the war did wages go up about three times, so did wheat go up, cotton went up about four times, and everything else went up.

Mr. JOHNSON. On the other hand, the manufacturers of graphite products have been protected with a 20 per cent tariff.

The artificial graphite industry of Niagara Falls was developed and has prospered under tariff protection. At first, when this graphite was put on the market, it was considered a joke by importers and manufacturers. Look at the industry to-day. Look at the rapid development of the artificial graphite industry under a protective tariff.

Senator REED. I thought perhaps you represented Niagara Falls. They make a great deal of graphite at Niagara Falls, do they not?

Mr. JOHNSON. That is artificial graphite; it is used in storage batteries, electrodes, anodes, etc., and does not compete in any way with either the imported graphite or the domestic graphite. I do not represent the artificial graphite manufacturer.

Senator REED. What do they sell that for?

Mr. JOHNSON. I have not any figures on the price; they are not published.

Senator REED. Does it compete with yours?

Mr. JOHNSON. No; it does not compete with us, because it is used for an entirely different purpose. It is a very fine powder produced by electricity in electrical furnaces, which we can not duplicate, and no one else can from the natural graphite. But the manufacturer has developed this business under a protective tariff.

Senator REED. Let us see, what business did they have before the war—was there a graphite industry in this country then?

Mr. JOHNSON. There was no graphite-producing industry to speak of. There were two or three little plants which fooled around trying to get out high-grade graphite, but could never do it.

Senator REED. They had a protective tariff, then?

Mr. JOHNSON. The American producers have had no protective tariff.

Senator REED. When did they get the protective tariff under which you say it developed?

Mr. JOHNSON. The manufacturers?

Senator REED. Yes.

Mr. JOHNSON. I believe it was under the Underwood bill.

Senator REED. How much was it?

Mr. JOHNSON. Twenty per cent ad valorem.

Senator REED. Did they begin to prosper under that?

Mr. JOHNSON. Yes, sir; and they are now asking for 15 per cent additional.

Senator REED. And they prospered under 20 per cent tariff that was based upon the foreign valuation, and they now ask for 35 per cent tariff based upon the American valuation, which would be about twice or three times the foreign valuation. So you want to have your tariff multiplied by about 5 or 6, although you prospered under the 20 per cent tariff?

Mr. JOHNSON. We did not. I am speaking for the American producer.

Senator REED. I am speaking for the American producer; I am not speaking of you individually, of course.

Mr. JOHNSON. The manufacturers have prospered, but the producers have not.

Senator REED. You just represent the miners of this material?

Mr. JOHNSON. I represent the producers of American graphite, mining, milling, and refining.

Senator REED. When the manufacturers prospered did the millers prosper?

Mr. JOHNSON. They are not in the manufacturing class.

Senator REED. And who is it that is not included in the manufacturing class?

Mr. JOHNSON. The producers of American graphite, the men who mine it from the ground, mill it, and refine it, and put it in the form of finished products and sell to these manufacturers of crucibles, etc.

Senator WATSON. The manufacturers to whom the graphite that you produce is sold?

Mr. JOHNSON. Yes; there are two distinct classes, American producers and manufacturers.

Senator REED. Was there any such business as yours—that is, the producers—before the war?

Mr. JOHNSON. No; with a few exceptions of little experimental plants. To-day there are 53 well-designed plants built all over the country; before the war there were three.

Senator REED. And you built them up during the war on war prices?

Mr. JOHNSON. Yes, sir; but with high-priced machinery, labor, and freight to do it with.

Senator REED. And you did that without any tariff?

Mr. JOHNSON. We did that without any tariff as a patriotic duty to furnish graphite, which could not be brought in, owing to embargoes and because of the appeal of Government representatives; also by inducements offered by the manufacturers.

Senator REED. Apparently as a patriotic duty. You did not think there was any money in it?

Mr. JOHNSON. When we started we did; yes. We expected protection the same as the manufacturers of our product are getting to-day. We were promised protection by the Government representatives.

Senator REED. Who promised you that?

Mr. JOHNSON. We were promised that by the men from the Department of the Interior, who came down to the mines and urged us to build large plants and increase production.

Senator REED. I want to know who they were who promised that by Congress?

Mr. JOHNSON. Of course, they did not make that promise directly from Congress, but we were encouraged by the offer of protection we would get if we invested our money in the industry and built the plants. Graphite was included in the war minerals bill and was rated as a key industry.

Senator REED. You spoke about how the foreigner raised his price during the war. What did you sell for during the war?

Mr. JOHNSON. No. 1 flake graphite last year sold for an average of 9 cents a pound.

Senator REED. Well, but during the war?

Mr. JOHNSON. During the war it sold for 14 to 15 cents a pound. Foreign Ceylon graphite sold for 15 to 30 cents per pound.

Senator REED. And you went up just like the others?

Mr. JOHNSON. We went up because the graphite was scarce, and they were offering yearly contracts at a premium.

Senator REED. Certainly; and you took it as a patriotic duty?

Mr. JOHNSON. Certainly, just the same as all the rest of them took it.

Senator REED. I do not blame you for that.

Senator DILLINGHAM. Mr. Johnson, in starting out you stated you had a statement to make to the committee. You have not been permitted to give it. Have those questions brought out everything you wanted to say?

Mr. JOHNSON. They have not.

Senator DILLINGHAM. If not, I would like to hear you make your statement.

Mr. JOHNSON. In view of the fact I assumed I would be allowed 15 minutes to make my statement here, I prepared a brief on the graphite subject, including my own brief abstracts from the report of the Tariff Commission and the hearings before the Ways and Means Committee in 1919.

I have prepared a chart similar to this, showing the general status of the domestic and the foreign graphite industry and the manufactured products. I have also shown the average cost of production of American flake delivered to the market.

I have shown a picture of the average typical American graphite plant. Ten per cent tariff will wipe out these 53 plants and put

them out of business; 35 per cent tariff means that they will have a chance to survive and operate.

Senator SMOOT. Was this put into the record in the House?

Mr. JOHNSON. No; this was not; this is a brief I have just made to put into the record here.

Senator DILLINGHAM. Have you copies for members of our committee? If you have it, I would like to have it put into the hearings, if possible.

Senator McLEAN. The witnesses preceding you said that electric graphite could not be used for the purpose of lining furnaces.

Mr. JOHNSON. For crucibles? We naturally get considerable opposition. The chief opposition we have to contend with is the crucible industry, and some men making foundry facings and similar things tell us that it can not be used for crucibles. I would like to read a letter I have from a company who has been using only American graphite for making crucibles [reading]:

PHILADELPHIA, PA., August 18, 1921.

DEAR MR. JOHNSON: In reply to your letter of recent date, regarding the success we are having with your Texas graphite, we are very glad to advise you that same is working out very good. We found that we can use this graphite very successfully, using 100 per cent American flake graphite in our mixture and are selling our product to the biggest user in this country, who report to us that they are averaging about 85 heats, in carload lots.

For your information, we have secured as high as 148 heats from crucibles made from your product. Would also state that as far as we have gone, American flake is very satisfactory to us and we shall continue to use same indefinitely.

Please quote me your best price on carload similar to the car last shipped.

Yours, truly,

THE ELECTRIC REFRACTORIES CORPORATION,  
L. M. WILWARD, *Secretary-Treasurer.*

In the investigations made by Dr. Stull it was shown that crucibles can be made satisfactorily of American graphite.

Senator SMOOT. Do you mean to say there has been no complaint on the part of the miners against crucibles made during the war from American graphite?

Mr. JOHNSON. On the part of miners?

Senator SMOOT. Yes.

Mr. JOHNSON. There has been no such complaints.

Senator SMOOT. Of course, I know there has been. I know that, because my mining company has called my attention to it many times. I am only telling you that I know there has been that complaint.

Mr. JOHNSON. There have been several complaints by the users of crucibles.

Senator REED. Well, the miners are the users of crucibles?

Mr. JOHNSON. But not the miners of graphite?

Senator REED. I did not say the miners of graphite; I said the miners of metals in the West, where we use these crucibles for assaying the ore taken out of the mines, who use crucibles extensively.

Mr. JOHNSON. Are those crucibles made of graphite the same as the crucibles used in the steel and brass industries?

Senator SMOOT. Our crucibles are made from graphite, and they have to be very good, of course. I am surprised to hear you have not had any complaint.

Senator REED. The witness misunderstood you, and I for a moment did also. The witness thought you were speaking of miners of graphite, and you spoke of the complaint of miners of other materials who had to use the graphite in crucibles.

Mr. JOHNSON. I misunderstood the Senator's use of the term "miners." There was one reason we had considerable complaint about the use of crucibles. Shortly after the war broke out the English cut off the importation of Ceylon plumbago. France placed an embargo on Madagascar graphite. The Klingenberg clay imported from Bavaria and used in the manufacture of crucibles was cut off by the blockade. No experimental work or any other work in a practical way had been made with mixing American clays. Therefore we were up against not only the use of American graphites, but were up against the use of American clays. We were completely cut off from the use of imported clays as well as imported graphite. That is what stimulated the American graphite industry and also the American clay industry. So that the quality of crucibles made during that period can not wholly be laid to the American graphite. We have made great improvements during the last two years in mining, milling, and refining processes, so that now we are making a much higher grade product and a more uniform and standard product.

Senator SMOOT. I have not heard any complaints from the mines of late, but I do know that for a while they had awful trouble. They would start an assay and they never knew whether they would get it out or not.

Mr. JOHNSON. I think if you will investigate you will find that that was due as much to the clay as to the graphite.

Senator SMOOT. That may be so.

Mr. JOHNSON. We had trouble due to the impurities, such as iron, in the clay as well as the graphite, which made weak points in the crucibles. So that the experience of the crucible manufacturers during that period can not wholly be laid to the American graphite.

Furthermore, the production of Madagascar graphite has increased from 16,000,000 pounds in 1914 to 70,000,000 pounds in 1919, of which 20,000,000 pounds were imported into this country. This shows that flake graphite is being used to a very large extent and is substituted for Ceylon graphite.

Senator McLEAN. I suppose graphite is rather a small item in the total cost of the steel product, is it not?

Mr. JOHNSON. Very small. We are not objecting to a tariff for the manufacturer. We have registered no complaint about that. But we simply can not exist as producers with the 10 per cent tariff, and with a 35 per cent tariff we can exist. That is a great deal less than asked for in the hearings before the Ways and Means Committee, which was equal to 85 per cent. I was not personally in favor of such a high tariff, but we are entitled to 35 per cent; that is, we will have to have at least that much in order to be able to exist and compete on equal terms with the foreign product.

We furnished graphite during the war, and if the industry does not get protection so that it can exist, and we can not operate our plants again, what are you going to do if we have another war?

Senator REED. We are going to completely disarm in about 90 days.

Mr. JOHNSON. Oh, yes; that sounds good. In my brief which I submit I show a form of Canadian plumbago guaranteed; in other words, we had not only to guarantee what we were doing with the raw material but what we were doing in the finished products manufactured of graphite.

**BRIEF OF HERBERT B. JOHNSON, GENERAL MANAGER SOUTHWESTERN GRAPHITE CO.**

Graphite is a mineral of vital importance in the manufacture of munitions in war time.

Graphite is essential in the production of steel, brass, bronze, alloys, and other metals manufactured in crucibles. Also used in many other industries.

This domestic key industry, built up in five years under pressure of war-time conditions, now needs favorable protective tariff to survive and compete with foreign producers who are favored with rich deposits, cheap labor, and low freight rates.

Producing of graphite is one of the key industries.

Ten per cent tariff will not reopen the 52 graphite mills in the United States. It will wipe them out.

Thirty-five per cent tariff will put American producers on fair competitive basis with foreign producers and save this important industry.

**ESTIMATED AVERAGE COST OF AMERICAN GRAPHITE DELIVERED TO CONSUMER.**

Average cost of plant with production of 3,000,000 to 4,000,000 pounds per year, including property, construction, machinery, equipment, experimental and research work, \$175,000 to \$250,000.

Average grade of American deposits, 4 per cent graphitic carbon, or 80 pounds per ton of crude ore.

Average recovery of finished products, 50 per cent, averaging 74 per cent graphitic carbon content, or 54 pounds per ton of crude ore, including crucible flake and dust products.

	Per ton.
Mining cost.....	\$1.20
Milling cost.....	1.10
Refining cost.....	.90
<b>Total.....</b>	<b>3.20</b>

	Cents per pound.
Production cost of graphite products.....	5.92
Hauling, handling, and freight to market.....	1.50
Taxes, insurance, interest, amortization, and depreciation on investment....	1.34
<b>Total cost per pound of graphite.....</b>	<b>8.76</b>

Ten per cent tariff is equal to approximately difference in freight rates of American and foreign graphite to market, approximately 33 per cent of cost of hauling, handling, and freight to market, approximately 30 per cent of cost of taxes, insurance, interest, amortization, and depreciation charges.

Ten per cent tariff is inadequate and means the wiping out of the 53 plants.

**GRAPHITE TARIFF.**

Graphite has been on the free list since 1872.

For many years large deposits of graphite have been known to exist in the United States, but these were not considered marketable or of any commercial value on account of the low carbon content of the ore.

No satisfactory, practical, or economical method of concentration for purifying the low grade ore had been developed; there was no comparison or competition with the rich foreign deposits; therefore, no necessity of tariff protection or revenue possible from this source.

Prior to 1914 American graphite was not considered satisfactory for the manufacture of crucibles, electrodes, carbon brushes, foundry facings, and many other products

made of graphite, due to the low grade of the American deposits and the objectionable impurities contained therein.

Before 1914 practically all the graphite and clay used in the manufacture of crucibles was imported from Ceylon and Klingenburg, Bavaria, respectively.

All formulas and specifications used by the American manufacturers and users of graphite specified Ceylon graphite because it was the only source of supply known to be of commercial value. Ceylon graphite had been used for many years, and had been generally accepted as the standard. Experiments in the manufacture of graphite products had all been made with Ceylon graphite, which was used in all compounds, mixtures, and formulas. Consequently, the American graphite industry prior to 1914 was built up and established wholly on a basis of using foreign products as raw materials, such as Ceylon and Mexican graphite, and clays used for binder imported from Klingenburg, Bavaria.

The war greatly upset and changed these conditions, and the American manufacturers found that the embargoes, blockades, and submarine menaces not only cut off this source of supply, in some cases completely, but the increased freight rates and insurance and brokerage charges tripled the cost of their raw materials.

Until the United States entered the war, in 1917, the use of Ceylon and Madagascar graphites by American manufacturers was unrestricted as long as guarantees could be furnished to the British and French Governments that the products into which these graphites entered would not fall into the hands of the enemy.

#### FORM OF WAR-TIME CANADIAN PLUMBAGO GUARANTY.

The MINISTER OF CUSTOMS, *Ottawa, Canada.*

In consideration of your consenting to the delivery to us of the plumbago which we have purchased or shall hereafter purchase from \_\_\_\_\_, we hereby give you the following undertaking, which shall remain in force so long as Great Britain is at war with any European power:

(1) We will use the said plumbago solely for our own manufacturing purposes.

(2) All orders received by us for plumbago crucibles or plumbago in a form suitable (whether after refining or otherwise) for the manufacture of, or for use as, crucibles, foundry facings, or lubricants to be sent to countries other than the United Kingdom, France, or British possessions shall be executed from stocks maintained by us in the United Kingdom or France or be executed by shipments to the United Kingdom or France and reshipment from there, under license to be obtained for export therefrom.

(3) We will not execute any orders for plumbago crucibles or plumbago in a form suitable (whether after refining or otherwise) for the manufacture of, or for use as, crucibles, foundry facings, or lubricants to be sent, either directly or indirectly, to any country or State at war with Great Britain.

(4) We will not sell to any person in the United States any plumbago crucibles or plumbago in a form suitable (whether after refining or otherwise) for the manufacture of, or for use as, crucibles, foundry facings, or lubricants without satisfying ourselves that there is no intention on his part to export, or resell the same for exportation, otherwise than by shipping to the United Kingdom or France and reshipping from there, under license to be obtained for export therefrom.

(5) We will present to you on demand the original contracts or other documents evidencing the sale by us of any plumbago crucibles or plumbago in a form suitable (whether after refining or otherwise) for the manufacture of, or for use as, crucibles, foundry facings, or lubricants.

Dated at \_\_\_\_\_, \_\_\_\_\_, 191—.

#### MADAGASCAR GRAPHITE FOR THE UNITED STATES.

For some time prior to the beginning of the war the graphite situation of Madagascar for various reasons had become somewhat demoralized. It was therefore desired by the colonial government that an attempt be made to interest American importers in Madagascar graphite as a probable means of relief. A beginning was made and several direct shipments went forward prior to the war and a few shipments after the war. In October, 1914, however, a decree was issued by the Madagascar authorities prohibiting the exportation of graphite from the colony except for France, England, Russia, and Belgium. This decree was issued notwithstanding the fact that there did not appear at that time to be any serious demand from Europe for the large stock of from 8,000 to 10,000 tons of graphite estimated to be on hand in the island. This remained the situation until February, 1918, when the French ministry of colonies decreed that all graphite shipped from Madagascar should be billed to Marseille and

that only after the needs of France had been supplied would authorization be given for shipment of this mineral from Marseille to any foreign country.

*Exportation to the United States.*—In October of the same year there was published in the official journal of Madagascar a notice stating that according to new instructions from the ministry of colonies, issued in agreement with the chief staff of munitions, the regulations governing the exportation of graphite from the colony were changed so as to permit the surplus of the local production to be exported to the United States via Marseille. At the same time it was stated that graphite for England might be shipped direct under certain conditions. In view of the present tonnage situation, the State Department was requested to endeavor to obtain the consent of the French authorities to the direct exportation of graphite from Madagascar to the United States, and has now been advised that the French ministry of armaments is disposed to grant a favorable hearing to applications for such shipments.

Our imports in long tons of unmanufactured plumbago or graphite from France and Madagascar during the fiscal years (ending June 30) 1913-1917 were as follows:

[Long tons.]

	1913	1914	1915	1916	1917
France.....	16	38	451	2,232	2,929
Madagascar.....		18	152		
Total.....	16	56	603	2,232	2,929

The above report is based largely on reports submitted to the Bureau of Foreign and Domestic Commerce by American Consul James G. Carter at Tananarive, Madagascar, who was largely instrumental in starting the direct exportation of Madagascar graphite to the United States.

On declaration of war in April, 1917, these guaranties became unnecessary, as they were superseded by broader American defense measures.

Under the President's proclamation of August 27, 1917, and supplementary list published by the War Trade Board, graphite crucibles, graphite electrodes, graphite, flake graphite, and plumbago were placed on the list of commodities whose conservation was necessary on account of the limited supply and needs of the United States in its successful prosecution of the war. Consequently, these articles were not exported, except by special license of the War Trade Board.

Toward the end of June, 1918, in view of the necessity for conserving shipping for the direct military program and after stocks of overseas graphite in the hands of crucible makers, refiners, and dealers were found sufficient to last about six months, it was decided, after July 2, 1918, to restrict completely the importation of overseas graphite for the rest of 1918. This order was followed on August 10, 1918, by a request from the War Industries Board that all crucible makers use 20 per cent domestic flake graphite in their crucible graphite mixtures for the rest of 1918 with an increase of 25 per cent for 1919. This request carried with it the statement that applications for import licenses of manufacturers not complying with the provisions of the request would not be approved by the War Industries Board.

The Government realized fully the possibility of being completely cut off from the supply of raw materials of vital importance as war minerals, thus directly and seriously affecting the manufacture of munitions and ordnance, and not only took steps to conserve the stock of supplies on hand, but urged strongly the rapid development of the domestic deposits with the promise of Government help in every way possible.

This emergency not only worked severe hardships on the American producers who were constructing large milling plants in isolated sections of the country, confronted with scarcity of labor, high wages, high cost of machinery and equipment, also freight embargoes and delays, but necessitated the changing of formulas and mixtures which the manufacturers had been using for 30 years, and this experimental work seriously affected the life of crucibles, not only on account of using American graphite, but the necessity of using American clays. Very little research work had been done on either product and very little was known about the qualities or actions of these products in actual practice. It was therefore fitting and advisable that the Bureau of Mines should thoroughly investigate not only the use of domestic flake graphite in crucible manufacture, but also the preparation of the graphite and the clays, as well as the proper mixture to increase the life of the crucibles important and vital in the production of munitions and ordnance.

The investigations were very helpful both to the American producer and manufacturer, and were conducted in three phases, as follows:

1. An examination of the deposits in Alabama and other States and a survey of the methods of mining and preparations used. In this connection methods of sampling and analyses were noted and experiments made to determine a standard method of sampling and a rapid but accurate method of analysis.

2. Experimental work on concentration and refining of domestic crucible graphite to improve the quality of the product and lessen the waste.

3. Experimental work in crucible manufacture to determine the properties of domestic flake and the maximum proportions that might be used without impairing the quality of the crucible. This work was accompanied by photomicrographic study of crucible structure.

These investigations were made at Pittsburgh station of the Bureau of Mines, Salt Lake City, Utah, station, and Columbus, Ohio, station, respectively, and are covered in Bulletin No. 112, "Mining and Preparing Domestic Graphite for Crucible Use," Department of the Interior, Bureau of Mines; also Bulletin No. 3, Vol. II, published by the American Ceramic Society. The crucibles were made at the plant of the Vesuvius Crucible Co., of Swissvale, Pa., and were made in standard machines, all conditions as equal to practical commercial work as possible. These tests demonstrated the fact that satisfactory crucibles could be made of American graphite and clays.

#### CRUCIBLES MADE WITH DOMESTIC GRAPHITE VERSUS CRUCIBLES MADE WITH FOREIGN GRAPHITE.

Dr. Stull, of Columbus, Ohio, conducted a series of tests for our Government where the graphite contents were varied from 100 per cent Ceylon to 100 per cent Alabama graphite. These results are reported on page 224, March, 1919, Journal of the American Ceramic Society, and are as follows:

	Heats.
100 per cent Ceylon.....	7.75
77.27 per cent Ceylon and 22.73 per cent Alabama.....	9.75
54.55 per cent Ceylon and 45.45 per cent Alabama.....	17.75
31.82 per cent Ceylon and 58.18 per cent Alabama.....	14.25
100 per cent Alabama.....	21.00

In 1915 the demand for graphite crucibles increased greatly, because of the placing of large foreign contracts for munitions and ordnance with American plants and because of the inferiority of crucibles made of clays other than the Klingenburg clay, the manufacturer fearing a shortage of foreign graphite offered high prices and very favorable contracts for the supply of American graphite.

This stimulated the development of the American deposits. Thousands of people were urged and encouraged to invest money in the development of the domestic industry by Government reports and representatives, also by attractive prices and urgent appeals of the manufacturers who sent representatives to encourage the producers and offered very attractive contracts.

This activity attracted conservative business men and the best engineering ability, and in spite of many handicaps and hardships rapid progress was made, not only in increasing the production, but in developing methods and combinations of processes which produced graphite in commercial quantities superior in quality to the foreign graphite. The Crucible Steel Co. and the Bridgeport Crucible Co. paid premiums for high-grade graphite and made contracts for supplies a year in advance and their records will show that very satisfactory crucibles were made of American graphite. Statements to this effect were made by their representatives, which were great encouragement to the American producer, who felt that he was doing his part in winning the war.

The Joseph Dixon Crucible Co. responded quickly in the emergency. They had been operating their plant in New York State using old traditional and antiquated methods of concentration for many years. These methods of operation, while satisfactory and profitable in the production of graphite used for lubricating purposes selling at 40 cents per pound, could not possibly be made use of on a competitive basis with the foreign prices for crucible flake graphite which had increased 300 per cent.

They sent to Alabama their most experienced experts; also employed expert engineers to study new methods used, and after most careful study junked their plant in New York State and constructed a new modern plant, using a method proved successful in Alabama milling practice, and during this period invested \$200,000 in the Quenelda Graphite Co., then the largest operating company in Alabama, on condition

that the output should be sold exclusively to the Dixon Crucible Co. The Quenelda Graphite Co. was later consolidated with several other companies known as the Quenelda Graphite Corporation, and an effort made through the Chelsea Finance & Securities Corporation of New York to list the stock of the company on the New York curb. This effort, however, was not successful, and the slide rule profits and dividends shown in the prospectus were never realized. It is reported that this plant is now shut down and in process of receivership.

The report of the Tariff Commission and the exhaustive hearings before the Ways and Means Committee show very strongly that graphite is a mineral of vital necessity and importance during war, and that the domestic industry, which is in its infancy, not only needs tariff protection, but absolutely must have it to survive and meet foreign competition.

[Extracts from report of United States Tariff Commission, September, 1919.]

"The prices of imported graphite doubled in the early years of the war. The price of domestic flake increased correspondingly. At the war level (10 to 15 cents per pound) domestic mines were able to operate at a small profit, but the average cost of the best flake is close to 10 cents, as compared with about 4 to 8 cents per pound for the Madagascar product at New York." (Shelley, J. W., Graphite in Madagascar; Mining Magazine, vol. 14, p. 327, 1916. P. 8.)

"Some difficulty was experienced after the outbreak of the war in finding a domestic clay to take the place of the Bavarian clay formerly used, but domestic clays have been found and satisfactory crucibles have been made from domestic clay and 100 per cent domestic graphite."

"Recently Madagascar graphite has been replacing Ceylon material in the European markets, and American crucible makers have had considerable success, both in mixing up to 40 per cent of the domestic flake with Ceylon material and in utilizing 100 per cent Alabama flake." (P. 1.)

"There is, however, one deposit in Montana which has lately been producing graphite that is being accepted by crucible makers as equal to the Ceylon material. The quantity ultimately available has not been proved, but is believed by the operators (letters in auxiliary files, United States Tariff Commission) to be sufficient to supply domestic demands for many years to come. Alabama flake is also accepted by certain companies as satisfactory crucible material, and has shown even superior results in crucible tests reported by Dr. Stull in the Journal of the American Ceramic Society, March, 1919." (P. 16.)

"Ceylon.—The Ceylon deposits are believed, however, to be approaching exhaustion.

"Madagascar.—This African island probably has the world's best future supplies of flake graphite. The deposits are large, conveniently situated, remarkably rich—containing 50 per cent or more of graphite—and are capable of greatly increased production. From 1914 to 1917 the output trebled. Anticipating the decline in production from Ceylon, British crucible makers as well as the French now obtain their graphite supplies from Madagascar. Madagascar plumbago is of increasing importance in the United States, but the Madagascar flake is more like the domestic flake than is the Ceylon lump." (Mineral Resources, 1913, Vol. II, p. 18.)

"In normal times the domestic graphite-mining industry is not in a position to compete successfully with unrestricted imports from Madagascar and Ceylon. The domestic product costs more and must be sold at a lower price. In both Ceylon and Madagascar the deposits are of large extent and so free from impurities that comparatively little treatment or refining is necessary. Most of the domestic flakes as found disseminated in low-grade deposits requires comparatively complicated machinery and processes to prepare it for market. It has the further disadvantage of being thinner. The Ceylon flake especially has had some technical and much popular reputation as being more desirable for making crucibles. At present Alabama flake producers claim, and are seeking to establish, that war experiments have shown that such a reputation and its resulting differential in prices are unwarranted, so far as their product is concerned.

"Labor in the Far East is much cheaper than in the United States and, partly by virtue of the natural advantages of the deposits, has no difficulty in producing in quantity.

"In spite of the great distance from the American market, graphite from these islands used to be sold continually in the United States at prices that allowed no profit to domestic producers. Before the war the highest grade of Ceylon graphite was sold in New York at less than 10 cents a pound, as against a maximum of about 8 cents for domestic flake. The gradual exhaustion of the deposits and increasing

cost of production in Ceylon are more than offset by the rapid development of Madagascar deposits. Canada is the only other country from which flake graphite is imported, but the amount is too small to exert any marked influence on the domestic markets, and its quality is similar to that of the American product.

"Many of the Alabama plants are situated 6 to 9 miles from railroads and in a region where wagon roads (clay) are difficult to maintain. For certain companies, therefore, the transportation problem is serious. But the gravest handicap is the universally low grade of the deposits. Even if the price of 10 cents per pound can be obtained for No. 1 flake—nearly 50 per cent higher than before the war—only the most efficient plants will be able to survive. Improvements in treatment of ore and refining of the product are strengthening the position of the producers, and the possible establishment of plants for the manufacture of graphite finished products close to the mines and the consequent ready sale of by-products (No. 2 flake and dust) would be of even more assistance; but it is an open question whether the industry, which has so lately been established, can maintain itself against the competition of foreign producers having better natural resources." (Pp. 24 and 25.)

"The Texas industry is favored by nature to an even greater degree. Its main handicap is the lack of outlet for by-product grades of flake." (P. 25.)

"For domestic flake graphite the supply exists and can be obtained.

"Until business in the United States has resumed its normal peace-time trend, some method of control or regulation will be necessary to prevent the collapse of certain industries, which the lessons of the present war have taught should not be permitted to die." (P. 25.)

The necessity and importance of graphite is just as vital in the manufacture of steel, brass, and other alloys used in the manufacture of munitions as manganese ores and concentrates, molybdenum ore and concentrates, tungsten ore and concentrates, ferromanganese, titanium, nickel, cobalt, vanadium, quicksilver, and others.

The world's supply of high-grade graphite is controlled largely by England, which controls Canadian, Australian, and Ceylon producers, and holds large concessions in Madagascar. Canada and Australia are protected by reasonable tariff; Ceylon and Madagascar need no protection, because there are no manufacturing industries of importance to protect.

The graphite producers of Canada are encouraged and protected with a tariff of 17½ per cent on crude graphite and 32½ per cent, including war tax, on manufactured or ground graphite imported into Canada.

The graphite producers of Australia are protected with a tariff of 25 per cent on graphite imported into Australia.

At the present time there are 52 out of 53 graphite plants shut down completely; only one mine and mill in operation in the United States to-day. We are absolutely dependent upon England and France for the supply of high-grade graphite which comes from Ceylon and Madagascar.

The House increased the duty on quicksilver from 7 to 35 cents per pound by request of the War Department, which said it was necessary to encourage American quicksilver mines, which had decreased from 51 to 14 from 1917 to 1920. "Government protection to the industry is essential," said Secretary Weeks.

The Ceylon and Madagascar producers have advantages over the domestic industry at the present time which only favorable tariff protection at this time can equalize; that is, cheap labor, low freight rates, and rich deposits.

*Comparison of wages per week.*

	United States.	England.	Japan.	Germany.	Ceylon.	Madagascar.
Process men.....	\$31.03	\$18.17	\$4.00	\$4.34	\$1.68	\$3.96
Common labor.....	18.15	13.32	4.50	5.52	.60-.70	1.40

Against this the domestic producers have had to contend with high freight rates, high scale of wages, and high cost of equipment installed in their plants. They have taken their losses the same as manufacturers in other industries and are now only asking for sufficient protection to enable them to sell their goods and keep their expensive plants in operation. Graphite is the finished product of the domestic producer and requires just as expensive machinery, equipment, and skill to extract from the ore as the manufacturer of graphite products requires to manufacture crucibles, electrodes, foundry facings, brushes, and many other products made of graphite.

During the war we were dependent upon foreign graphite and we paid the price. Ceylon graphite increased in price over 250 per cent from 1914 to 1917, as shown by statistics published by the Geological Survey. (Graphite in 1919.)

*Average prices of Ceylon graphite c. i. f. New York, 1914-1919.*

[Cents per pound.]

Year.	Lump.		Chip.		Dust.		Remarks.
	First grade.	Second grade.	First grade.	Second grade.	First grade.	Second grade.	
1914.....	61-91	71-81	71-71	61-7	41-51	31-4	Low, first half; high, second half.
1915.....	91-20	8-14	7-14	61-12	71-91	61-91	Do.
1916.....	20-23	14-21	131-20	111-17	91-12	91-10	Do.
1917.....	23-32	21-23	20-23	17-19	11-13	10-12	High level maintained throughout year.
1918.....	231-151	22-14	211-121	181-11	12-101	10-9	High, first half; low, second half.
1919.....	14-151	12-13	10-11	8-9	61-71	6-6	Low throughout year.

The wages and cost of living in Ceylon did not increase over 250 per cent, although the Ceylon producers and importers must have noticed some effects on their profits. Who paid the price? The United States Government, largely, in the additional cost of munitions which could only be furnished through the melting of steel, brass, and other alloys in crucibles made of graphite.

The freight and insurance rates on Ceylon and Madagascar graphite increased over 200 per cent during the war, and the supply was very uncertain, due to submarine danger at all times. Ceylon and Madagascar are located at great distance from our market and in case of war we can easily be completely cut off from this supply, and if the American industry is wiped out, where is our graphite coming from? How shall we manufacture alloys which are vital in the manufacture of munitions?

Now is the time to protect American graphite as well as tungsten, molybdenum, manganese, and other important domestic minerals. We have made a start, but 10 per cent is not enough to interest any capital in the industry or reopen the 52 mines and mills that are idle and not producing. We are not asking for a prohibitive tariff. Give us the same protection that the manufacturers have; that is, 35 per cent ad valorem, and we can and will operate our plants. We are making an earnest plea for a fair opportunity to compete with the foreign producers and we can do this by producing a higher grade product with our modern machinery which will meet all demands of the trade. This is not theory, but has been demonstrated in practice.

At the hearings before the Ways and Means Committee the graphite producers pleaded for a tariff equal to approximately 3.1 cents per pound in order to survive against cheap foreign labor and low freight rates. These hearings were held for the discussion of bill introduced by Mr. Hehin, and after full consideration of the facts regarding the status of the industry presented by the producers representing New York, Montana, Pennsylvania, Alabama, Texas, Colorado, and Massachusetts, and the report of the Tariff Commission, a new bill (H. R. 11815) was introduced by Mr. Fordney recommending the following schedule:

"First. Crude crystalline graphite ores, 1 cent per pound of ore for ores containing 50 per cent or under of graphitic carbon; 2 cents per pound of ore for ores containing over 50 per cent of graphitic carbon, the term crude graphite ores being defined for the purposes of this act as ore which has not been subjected to any process of refining or concentration which changes the graphitic content of the ore as mined.

"Second. Lump and chip crystalline graphite (plumbago, silver lead), 3 cents per pound of graphite, the term lump and chip being defined for the purposes of this act as larger crystals of graphite, more or less broken up in mining and treatments, of a size which will not pass through a screen with openings one-quarter of an inch square.

"Third. Flake crystalline graphite (plumbago, silver lead), crude concentrates, and refined flake, 6 cents per pound of graphite, the term flake being defined for the purposes of this act as smaller crystals of graphite, more or less broken up in mining and treatment, of a size which will pass through a screen with openings one-quarter of an inch square.

"Fourth. All other products, manufactured materials, and compounds containing graphite, crystalline, or amorphous, advanced by manufacturing beyond the state of crude ore, not specifically provided for in this act, in addition to any duties assessed and collected under existing law, 5 cents per pound for the graphite contained therein."

This schedule not only specifies rates which would amply protect the domestic producers, but also includes additional protection for the manufacturers of graphite products who have had a tariff protection of 20 per cent ad valorem for some time, and the tariff proposed in the new bill increases this to 35 per cent ad valorem.

The House committee, however, reduced the proposed tariff on graphite to approximately five-tenths of 1 cent per pound, or 10 per cent, which just about equals the difference in freight rates, and is most inadequate.

*Freight rates.*

Ceylon to New York (long ton) (40 shillings).....	\$7. 14
Madagascar to New York (long ton) (120 shillings).....	21. 42
Texas to New York.....	12. 00
Alabama to New York.....	15. 00
New York to Chicago.....	12. 60
New York to St. Louis.....	14. 70
New York to Cincinnati.....	11. 00

In view of these exhaustive hearings and favorable reports, and considering the reasonable protection given to steel products, alloys, articles manufactured of graphite and other minerals which are directly associated with graphite in the manufacture of munitions and considered of vital importance, it is very difficult to determine what facts the committee had for consideration which would recommend this great reduction of tariff protection. This reduction means the absolute wiping out of this American industry which required five years to build up during war times at the urgent request of Government representatives.

It is reported that the graphite deposits in Ceylon are being rapidly exhausted.

Germany and Japan have been using flake graphite exclusively in their crucible mixtures for years. English crucible manufacturers have secured important concessions in the Madagascar graphite mines, and England and France have manufactured crucibles from Madagascar flake which meet every test, and are allowing most of Ceylon graphite to be sent to the United States.

That flake graphite is entirely suitable for crucible mixtures is proved conclusively by the astounding growth of the Madagascar flake graphite industry, which increased in production from 16,000,000 pounds in 1914 to 70,000,000 pounds in 1918, and over 20,000,000 pounds having been imported into the United States in 1919 and sold to the manufacturers of graphite products at an average of \$0.059 per pound.

CEYLON GRAPHITE—THE TRADE WITH AMERICA.

[From Ceylon Observer, weekly edition, Apr. 13, 1921.]

The following extract from the Board of Trade Journal was cabled to the secretariat to-day:

"In the case of graphite, the crucible makers of the United States have hitherto relied upon Ceylon as their main source of supply, importing some 15,000 tons annually from that island. Imports during the war were largely increased, but shortage of tonnage prevented the transportation of an adequate supply from overseas and domestic mining was stimulated. Domestic output reached its maximum in 1918, when 6,431 tons of flake graphite were produced from American deposits. Latterly, according to the report 'Montana has been producing graphite that is being accepted by crucible manufacturers as equal to the Ceylon material.' Moreover, it seems that the lists recently made by the American Ceramic Society have shown that 'as good service can be obtained from the domestic as from the Ceylon material.' If these statements be well founded, the domestic deposits might be expected to compete heavily with the Ceylon product in future, provided the costs were equalized either by more efficient methods in the American mining regions or by an import duty on plumbago, which is now on the free lists; but operating costs in all the American mining districts are high because of the heavier cost of labor and relatively high percentage of impurities present in the domestic flake. In the Alabama field transportation difficulties present an important obstacle to development. The report concludes that, under normal conditions, 'the domestic graphite mining industry is not in a position to compete successfully with unrestricted imports from Madagascar and Ceylon.' Though the deposits in Ceylon are becoming gradually exhausted and the costs of production in that island increasing these factors are more than offset, so far as the American domestic producers are concerned, by the rapid development of the deposits in Madagascar. The commercial production of graphite in the last-

mentioned country, which began in 1909, had reached 70,000,000 pounds in 1918. In that year the producers' union of Madagascar are stated to have offered to supply the United States annually with 15,000 to 20,000 tons of flake graphic at 5 cents per pound f. o. b. Tamative (for graphite containing 85 per cent carbon). Freight brokerage, and other overhead charges would have brought the price to the American consumer up to 6.7 cents per pound. Efforts to find a market in the United States for Madagascar plumbago appear to have continued since the war, and it is reported that large tonnages were offered in April, 1919, at 7 cents per pound delivered in New York."

What the American producer vigorously objects to is this substitution of Madagascar flake graphite for the Ceylon product by manufacturers in the United States when we have 52 plants completely shut down, each one of which can produce a flake graphite product superior in every way to the Madagascar graphite.

During the past year over 10,000,000 pounds of Madagascar flake graphite have been dumped on the American market at an average price of 2 cents per pound, which is less than half the production cost in Madagascar. What was the object? To wipe out the American producers before they get organized or established. This is competition that American producers can not possibly meet, any more than the American dye and other industries could compete with the German methods before the war.

The domestic graphite producers can not compete in price with these foreign producers and importers unless they are given adequate tariff protection.

Tariff bill H. R. 11815 provides a differential rate. Section 2 applies to Ceylon lump. Three cents per pound is approximately 35 per cent of its value. Section 3 applies to Madagascar and other flake graphites. Six cents per pound is approximately 100 per cent of production cost of Madagascar.

The crucible manufacturers came before the committee and objected to a tariff on foreign graphite, emphasizing in particular the Ceylon product, but saying nothing about the Madagascar flake, which they have used since 1914, in increasing amounts, over 50,000,000 pounds having been imported since that date.

No tariff protection and these methods of deluging the American market with foreign flake at prices below cost wipes out the American producer, thereby leaving the American market thereafter monopolized and controlled by foreigners. It is most unjust to allow the American producers to be thus completely wiped out in return for the large investments, strenuous efforts, and splendid services they rendered to the Government when our country needed American graphite.

The artificial graphite manufacturers have developed a wonderful business under tariff protection. This is shown by the production record of the Acheson Graphite Co., of Niagara Falls, N. Y.:

	Pounds.		Pounds.
1915.....	5,084,000	1918.....	9,184,272
1916.....	8,397,281	1919.....	8,163,177
1917.....	10,474,649	1920.....	7,397,749

This record shows that when artificial graphite was needed during the emergency of war it was immediately forthcoming.

At first artificial graphite was regarded as more or less of a joke by the importers and some manufacturers. They thought it could never replace or compete with Ceylon or Mexican graphite. But for five or six years, because of its purity, it has been and is now considered as the very best product obtainable for the manufacture of carbon brushes, electrodes, anodes, and storage batteries.

Tariff protection is responsible for the tremendous growth of the artificial graphite industry. Tariff protection is responsible for the successful and profitable growth of the crucible industry and that of other manufactured graphite products.

Remove this tariff protection and, as Mr. McNaughton, of the Joseph Dixon Crucible Co., stated before the Committee on Ways and Means, "the industry would die." That is, foreign manufacturers of crucibles and other graphite products would simply swamp the American market with their goods manufactured with low-cost child labor at prices impossible for the American manufacturer to meet.

A 10 per cent tariff on graphite will not reopen any one of the 52 graphite mills in the United States which are shut down. The industry will be wiped out.

Why should we allow the foreigner to ruin an essential key industry and prosper in doing it? Why should the American producers be denied the safety and adequate protection that is given to the American manufacturers of graphite products?

Give the same protection to the American producers that the manufacturers enjoy and watch the development of this important key industry. Give the graphite industry a chance to creep, walk, and grow strong and self-supporting and American

skill, prowess, and ability will soon give a favorable account of themselves and be ready to serve our country whenever called upon.

At the conclusion of two days' hearings, September, 1919, before the Ways and Means Committee, and after listening to the earnest plea, presentation of facts and testimony of the American producers, also the objections of the crucible manufacturers and importers of graphite, the chairman of the committee made the following statement during testimony of Mr. Bailey, representing the American Mining Congress:

"I want to say to you that it has always been my opinion that any man who asked for protection on his product and free trade on his neighbor's product was inconsistent and should receive but little consideration at the hands of Congress, and I believe I am right in that opinion.

"Some men are very selfish and because they must buy a certain material as a part of their raw material, which is their neighbor's finished product, ask to have them kept on a free list that he might, in his position, buy a little cheaper but still ask for protection on his own product. I do not care very much for a man of that kind."

Mr. Bailey: "I agree with you."

This opinion is whole-heartedly indorsed, not only by American producers, but by every American. The very foundation of our Government is based upon equality for all.

No representatives of crucible foundries, no consumers of graphite products such as foundry facings, carbon brushes, storage batteries, paints, pencils, lubricants or other manufactured products appeared in opposition to the tariff asked for by the American producers to save the industry.

No jobbers, dealers, or consumers of crucible products, such as steel, brass, alloys and precious metals appeared against the bill, with the exception of the Crucible Steel Co., which manufactures its own crucibles.

The only opposition encountered was from a few selfish crucible manufacturers, importers and jobbers of graphite used in the manufacture of graphite products.

They would condemn the American producer of graphite as being unfit to exist and object to any tariff protection for the American graphite producers, but at the same time the manufacturer of graphite products pleads and receives an increase of 15 per cent ad valorem from 20 to 35 per cent (par. 216, II. R. 7456) additional protection to their business, and the foreigner exports the raw material at prices lower than we can produce.

The American producers and the consumers of the manufactured products have not registered any complaint or objection to this 15 per cent increase in tariff protection, but the American producers do object strenuously to the selfish attitude taken by this small minority among the thousands of producers and consumers composing the American graphite industry, who would enrich themselves, enrich the foreign producers and willfully destroy the 53 plants capable of producing American graphite which is equal to any foreign graphite.

Experience during the recent war proved conclusively that America can not possibly afford to be wholly dependent upon any foreign supply of any key war mineral!

The action of the English, French, and Canadian Governments, also the proclamation of the President August 27, 1917, show the absolute necessity and importance of controlling not only the distribution of graphite, but the products manufactured of graphite, especially during war times.

We are not asking for a prohibitive tariff. We do not want to exclude the foreign product any more than the manufacturer does by asking for an increase of 15 per cent in his tariff protection, but we do petition earnestly for at least equal protection with our neighbor, the manufacturer.

Give the American producers at least 35 per cent ad valorem tariff protection, but for the love of our country, and standards of fairness and justice, don't let the selfish few and the foreigner kill this important American key industry by the imposition of only 10 per cent tariff.

ABSTRACT TESTIMONY AT HEARINGS OF PRODUCERS AND MANUFACTURERS BEFORE  
WAYS AND MEANS COMMITTEE ON BILL H. R. 5941, INTRODUCED BY MR. HEFLIN.

[Mr. McNaughton, Dixon Crucible Co.]

Mr. MOORE. Mr. Conklin stated he was able to sell, although he did not indicate it was at a great profit, at 9 cents per pound. To obtain that from foreign countries you would have to pay 6 cents per pound duty. I want to know whether that duty is so high as to prevent importation of that particular kind of graphite. Do you know whether it is a prohibitive tariff?

Mr. McNAUGHTON. I can not answer the question without certain amplifications with regard to the crucible business itself.

Mr. MOORE. Are you familiar enough with it to make a comment upon those questions I put to Mr. Conklin about the 9-cent American graphite, when you are paying 14 cents for foreign graphite of apparently the same grade?

Mr. McNAUGHTON. I would answer that question in this way: That during the war time we have paid fully 30 cents per pound for certain grades of graphite, and we could buy the domestic graphite for 15.

Mr. MOORE. May I ask you why you did that?

Mr. McNAUGHTON. There was not enough produced in this country to begin to meet our requirements.

Mr. OLDFIELD. You do not think the graphite industry in Alabama ought to be protected?

Mr. McNAUGHTON. I do not.

Mr. OLDFIELD. Do you think your industry ought to be protected?

Mr. McNAUGHTON. The crucible industry?

Mr. OLDFIELD. Yes, sir.

Mr. McNAUGHTON. It will die if it is not.

[Mr. J. W. Todd, Crucible Steel Co.]

The CHAIRMAN. We had a hearing on this bill, and somebody came here and opposed a duty on magnesite, but it finally developed that those gentlemen that opposed it owned a mine in Austria. They brought in some steel man here to say that the magnesite brick was not as valuable when made from American magnesite as if made from foreign magnesite. When we pinned the gentleman down to the fact made in that statement, he did not know that the bricks that he used were made out of foreign or domestic magnesite. He was told that it was domestic. Since that time he has sent word to me that he wanted to retract that statement, he did not know what he was talking about. He said the bricks he was using were as good as he ever saw. He didn't know whether it was the fault of the man making the brick or the magnesite out of which it was made, or whether it was made out of foreign or domestic, but he came here to ask this committee not to make protection for domestic magnesite so necessary to be produced in this country. Isn't it true that graphite is a key to American industry during war, and we need domestic magnesite (graphite) and, if so, Congress ought to protect that industry against foreign industry for our own protection?

Mr. TODD. I don't know whether the American graphite should be protected or not. I don't know its cost, but I do know it shouldn't be protected unless that protection carries with it a protection on the finished product in which it may be used.

[Mr. E. C. Hargrave, engineer, Byers, Pa.]

Mr. HARGRAVE. What about the graphite business? A few years ago, before the war, there was lots of graphite in this country, but not a great deal being produced. And what did they do? They went back and found some rich beds of graphite, and they took it out and practically panned it, to make a little graphite. And they found they had the graphite in the country, and money was induced to go into that business, millions of dollars. And then they commenced to use the low-grade products. They used the best devices of flotation, air separators, electric separators, in order to work that product, and to-day the question is solved in this country. And I come to you to-day, gentlemen, with a product that can be made in quantities, provided we are protected.

Mr. MOORE. Where is yours mined? .

Mr. HARGRAVE. Chester County, Pa.

Mr. MOORE. In what part of Chester County?

Mr. HARGRAVE. At Byers, in the Pickering Valley.

Mr. MOORE. Byers?

Mr. HARGRAVE. Yes, sir.

Mr. MOORE. How much of a plant have you there?

Mr. HARGRAVE. We have spent \$60,000.

Mr. MOORE. In mining operations?

Mr. HARGRAVE. In mining operations.

Mr. MOORE. In reducing processes?

Mr. HARGRAVE. Yes, sir.

Mr. MOORE. Have you a complete plant there?

Mr. HARGRAVE. We have what we call one unit, and the reason I am here is that this summer I have interested large capital to come in with a view of building 10 units, a new plant that will cost \$500,000.

Mr. MOORE. Are you sufficiently equipped to mine, reduce, and sell to the man who makes the crucibles?

Mr. HARGRAVE. Yes, sir; we sell to them.

Mr. MOORE. You are prepared to do the whole thing from mining on?

Mr. HARGRAVE. Yes, sir. There are gentlemen here that buy our graphite, that have bought large quantities of it.

Mr. MOORE. How long have you been in business there?

Mr. HARGRAVE. In 1917 an engineer came to me and asked me if I would be interested in going into this graphite business, and made me certain figures. Later I, with a gentleman from New York, furnished him the money to equip this plant, and he put in a plant which ran nine months. The plant had a capacity of about 1 ton per day. After nine months running it was not very successful, not as successful as we thought it ought to be, and this gentleman who was associated with me asked if I would not become responsible for its operation. I then went in the Pickering Valley and examined the plants running there, and adopted largely our processes from one of the large plants, and put in this one unit that I speak of, with some little variations. It has been, I was going to say, an almost perfect success. I think the gentlemen here to-day from the graphite district will say they never have seen such an exhibition of graphite as the product of this plant.

When the armistice came we were just figuring to go on and double the plant. We had all the arrangements made. When the armistice came, and since then in last February, we shut it down. Then we commenced to figure that we had to do the same with low-grade copper; that we had to figure on the steam shovel; that we had to make ten times the amount; that instead of having 30 or 40 tons a day we must handle 600 or 700 tons a day.

One of the principal ones was the Crystal Co. I am going to say, furthermore, that when we found we needed \$500,000 more in that mill, we started in and spent six or eight thousand dollars to prove what we could do. The engineers from several big crucible companies made inquiries as to what we could do with our product. They said the war forced them to use 20 per cent American graphite, but they whispered in our ear, every one of them, that they were using about twice as much. What I mean is that a larger percentage of American graphite was being used than they were compelled to use by the War Trade Board.

Mr. MOORE. While the war was going on your business was profitable?

Mr. HARGRAVE. Yes, sir.

Mr. MOORE. With fair prospects?

Mr. HARGRAVE. Yes, sir.

Mr. MOORE. Now you are closed down?

Mr. HARGRAVE. Yes, sir.

Mr. MOORE. Doing no business?

Mr. HARGRAVE. We are doing nothing. This investigation has been going on with a view of building this large plant, and on September 11 I got a letter from the man in charge saying that because of the large quantities of Madagascar graphite that could be put on this market at practically 5 cents a pound, they refused to furnish the money, and said the industry would have to be abandoned.

Mr. MOORE. You have \$60,000 invested in this enterprise at present?

Mr. HARGRAVE. Yes, sir.

Mr. MOORE. And you say you were negotiating for a larger investment?

Mr. HARGRAVE. Yes, sir; \$500,000.

Mr. MOORE. How far had you proceeded toward obtaining additional capital?

Mr. HARGRAVE. I thought I had it, and I will make it plain to you gentlemen. The gentleman interested was Mr. W. H. Smith, of Philadelphia, the big copper man; the Hayden Co., of New York; the Dorr Co., of New York; and the Dorr Co. engineer who made the examination, and they reported that every estimate that had been given them had been fully carried out in the investigation, but that the market for graphite was so uncertain under the conditions in regard to Madagascar graphite that they decided they could not go on with the enterprise.

Mr. MOORE. Then you stopped with your \$60,000?

Mr. HARGRAVE. Yes, sir; and we lose it.

Mr. MOORE. What have you to say with regard to the quality of your output and the Madagascar graphite. Which is superior?

Mr. HARGRAVE. Ours is superior to the Madagascar.

[Mr. H. B. Johnson, general manager Southwestern Graphite Co.]

Mr. JOHNSON. What we are anxious to do is to create a market for our product and to be able to sell it on an equal basis with Madagascar.

Mr. MOORE. Does the fact that large stocks were on hand, both foreign and domestic, according to this bulletin, influence you in supporting this bill?

Mr. JOHNSON. No, sir.

Mr. MOORE. Then you are arguing for the right to do business in time of peace as well as in time of war?

Mr. JOHNSON. Absolutely, for the reason that this investment was gone into as a business proposition and not as a war baby.

Mr. OLDFIELD. It is not your intention to stop foreign imports? You want to be put on a competitive basis with your foreign competitors?

Mr. JOHNSON. That is all we are asking.

Mr. OLDFIELD. You do not want to stop foreign imports? That is not what you are after?

Mr. JOHNSON. No, sir. We are after a chance to show what we can do to operate a plant and make a reasonable profit.

Mr. OLDFIELD. And compete with your foreign competitors?

Mr. JOHNSON. Yes, sir.

Mr. BACHARACH. Do you contend your graphite made in this country compares favorably with the Madagascar?

Mr. JOHNSON. Absolutely.

[Mr. T. A. Just, president T. A. Just Co., Chester Springs, Pa.]

Mr. MOORE. So it is well known that there are generous deposits of graphite in that valley?

Mr. JUST. Yes, sir. The question I see in this whole thing, if you will pardon me, is rather more of human interest than technical interest, when you come down to the element of whether you people are going to permit our labor in our district to compete with the labor being used in India and Madagascar. With the permission of the Chair, I would like you to look at this picture. There is an article also written by one of our big crucible men in a magazine he was editing at the time. You will see there children 6 and 8 and 10 years old making graphite in Ceylon. I am paying common laborers \$4.50 a day, and giving them a house to live in and a garden. The highest paid labor in Madagascar receives 1½ francs a day. In India it is less than half of that, 10 or 12 cents. The gentleman, upon whose office wall the duplicate of that picture is hanging, says that he is against this bill, and he is a producer of American graphite. But on the picture is his name as being the owner and producer of that graphite with those children in Ceylon, and he is the biggest importer of Ceylon graphite that comes into this country. So again I say that this resolves itself into a human interest.

I designed the machine that separates that in some 12 years of labor. I have spent in the business \$225,000, over \$125,000 of my own money. So that I am not either a speculator or a promoter in that sense.

I am not willfully opposing my friends the crucible people, because they are admirable people, and I have got to keep on good terms with them because they are buying my product; but I have to oppose them here to-day, because you either give us a tariff or we die, after 12 years' labor and a quarter of a million dollars expenditure. And, gentlemen, it would be the cruelest thing in the world to compel this industry to die after we are able to produce an article second to none of the quality of flake in the world.

The CHAIRMAN. Do you approve of the rates set forth in this bill?

Mr. JUST. Most emphatically I do. It puts us on a par with the 10-cents-a-day laborer, with our system of handling it, with our mechanical skill and intelligence and our American education, to produce a quality of goods far in excess of the average flake, provided we get this needed protection. Now, gentlemen, I am not going to waste any more of your time, excepting in conclusion to say that the War Board brought me before it, with Mr. McDowell, the chemical engineer in charge of that division, and several other of these gentlemen, and I asked the specific question, "If I put in fifty or sixty thousand dollars more in this business, when you are in dire need of this graphite, which you say you are, what position is this Government going to take to protect me in this additional investment?" And Mr. McDowell said in reply, "Unquestionably, I can not obligate my country. That is a function of Congress. But you gentlemen must know that this country will stand by those who stood by her in the hour of need."

And, gentlemen, I put seventy-five thousand cold dollars more in my plant, because I felt that that industry had proved itself, that we were going away ahead, and I say to my friend Mr. Hargrave that if you do not give us this duty it will crush these people out of business; it will not make this electric-furnace business put them out of commission, because our graphite will not militate for or against that. If the general progression of business makes that electric furnace cheaper than the other, it will be the electric furnace, irrespective of this duty and not because of it. That is a ridiculous statement to make.

And I want to say to you gentlemen, if our country needed us once, by heavens, it will need us again.

I am asking for the protection in this bill so that I can keep my men on a parity with those children, when my men are working for three or four dollars a day. That is the answer to that.

[Statement of Mr. Floyd Weed.]

Mr. WEED. Graphite is produced in Alabama from ores that yield an average of 30 pounds of finished product per ton of crude ore treated. The cost of production per pound is from 6 to 8 cents. This means that the total cost of mining, milling, refining, marketing, depletion, and depreciation approximates \$2 per ton of crude ore, a cost that compares favorably with mining and milling operations anywhere.

The CHAIRMAN. Have you all your overhead expenses here?

Mr. WEED. Everything in that.

The CHAIRMAN. Taxes and insurance and everything?

Mr. WEED. Taxes and insurance. So we are not asking for this tariff measure to support inefficient operations.

Of the 30 pounds of graphite recovered, 20 pounds is No. 1 crucible flake and 10 pounds is No. 2 flake and dust products.

No. 1 crucible flake, mixed with Ceylon graphite, is used by all but two or three American crucible manufacturers.

It is used to a limited extent in lubricants.

The other products can be used for nearly every purpose to which graphite is put, with the exception of lead pencils.

In competition with No. 1 flake are Ceylon lump and chip and Madagascar flake. As Ceylon lump and chip are accepted or demanded as the base for all crucible mixtures, speaking only of domestic practices, they are competitive only so far as their prices affect the domestic price, and the tariff on these products is asked for only to offset the differential against the domestic product imposed by the crucible men, for if our product was placed on a parity with the average price of Ceylon lump and chip of relative grades we would not at this time need this duty, so section 2 is proposed to offset this trade discrimination.

With Madagascar flake, which with other flake products is covered by section 3, the situation is different, for there is an actual difference in cost of production of not less than 3 cents per pound between that and the domestic, and with Madagascar now selling at 8 cents and Ceylon at 14 cents, of the proposed tariff of 6 cents, 3 cents is to offset the difference in cost of production, and 3 cents to place it on a parity with the present price of Ceylon. The effect of this will be to discourage the substitution of foreign flake for domestic, and this would be accomplished without increasing the prices of the domestic flake to crucible manufacturers through the operation of this section, as the prices will be fixed through the operation of section 2.

In competition with the other graphite products are Ceylon dust, Madagascar flake, and amorphous products, and these are used as direct and complete substitutes. They are sold at such low prices, and so many manufacturers are directly interested in their importation, that domestic products from independent mines to find any market at all have to be sold at ruinously low figures, and the cost of production and profit borne almost entirely by No. 1 flake.

Computing the cost of No. 1 flake in this way, it costs the American producers 10 cents per pound to place it on the market without profit, and if the domestic industry is to survive the problem is to get a price higher than this for No. 1 flake, sufficient to insure a reasonable profit, or to make a market of the other products that will in effect carry part of the cost of production, and distribute the charges among all the manufacturers, rather than on the crucible manufacturers alone.

The proposed tariff will do this, without imposing an unreasonable charge on any one class of manufacturers, and will keep alive a most vital industry, without abnormal stimulation.

Unless this is done, the industry will be confined entirely to a few manufacturers who make their profits entirely from the manufacturing end.

To analyze briefly the opposition that has developed to this bill: The American capital invested in amorphous mines is that of American manufacturers of graphite products. The profit is made on the manufacturing end. The price of the crude ore is so low that there is no chance of American mines operating.

During the summer we were given a quotation on Mexican amorphous of \$70 per ton, or 3½ cents per pound. At the same time we bought in the open market a 1-pound can of the same material for 40 cents, and the jobber said it cost him 26 cents. The difference of 22½ cents per pound represents a margin of safety they have in the combined mining and manufacturing enterprise, which the miner who is not a manufacturer has not.

Mr. WEED. This bill will not affect the manufacturers of graphite products using imported material in their competition in foreign markets, for they get a 99 per cent drawback on duties under our present tariff law.

[Mr. Edson]S. Bastin, geologist, United States Geological Survey.]

Mr. CHAIRMAN. Director Smith has already testified and presented some data on behalf of the Geological Survey, but a number of points have come up in the course of the discussion that I have made a few notes upon, and I may make some comments to aid in clearing up certain points.

With reference to graphite being a key industry and with reference to the war regulation of graphite imports, attention has already been called to the fact that imports of graphite were restricted in order to save shipping.

As a general rule all restrictions upon the imports of mineral commodities during the war were based upon the fundamental idea of saving ships, and the recommendations for such restrictions were made by the mineral section of the Shipping Board. The War Trade Board actually imposed the restrictions, but acted upon the recommendation of the mineral advisers of the Shipping Board. But another principle was really involved in the recommendation that 20 per cent of domestic graphite should be used in the manufacture of crucibles.

I happened to have called together the group of men who first discussed this proposal. They included representatives of the Shipping Board, the War Trade Board, the War Industries Board, the Geological Survey, and the Bureau of Mines. This informal meeting was called early in 1918. At that time it was apparent that the domestic graphite industry was in a critical situation and that some measures were necessary in order to keep that industry alive. At that time we did not know how the war was going to turn. The submarine menace was still uppermost in our minds. We did not know when the possibility of imports from Ceylon and Madagascar might be interfered with.

I think I know the spirit of the conference when we first discussed this matter, and it was this: That aside from and in addition to the necessity of saving ships it was the part of national wisdom to keep the domestic flake graphite industry alive as a war precaution, at least. We concluded that the fairest way to do this to all concerned was to specify that a certain minimum proportion of domestic graphite, 20 per cent, should be used in the manufacture of crucibles and that crucible makers should not be permitted to obtain imported graphite unless they showed evidence that they were using this 20 per cent.

Mr. MOORE. Was that to stimulate the industry in the United States or was it a precautionary measure only?

I do not know that I can say—it was both, in a way, Mr. Moore. It was a precaution, because we believed in the necessity of keeping that industry alive as long as we were uncertain as to the duration and outcome of the war. We did not feel that the country was in a safe position without the domestic graphite industry.

I cite this history to illustrate the fact that graphite was regarded during the war as distinctly a war mineral, a key commodity.

Mr. BASTIN. There is only one other point, Mr. Chairman, I wanted to mention. The question has been raised as to the relative merits of the Ceylon graphite as compared with the Madagascar flake and the domestic flake. It is very difficult for the impartial observer to evaluate this matter at the present time because it is difficult for him to separate the effects of technical differences or differences in the actual service given by the two graphites when embodied in crucibles. From the effects of prejudice in favor of a material which has been used during a long term of years and also the results the uncertainty of the American supply in past years, for it must be confessed that prior to the war crucible makers were not able to rely with any large degree of certainty upon the domestic supplies. But there is this much light thrown upon the relative merits of the Ceylon graphite versus the flake graphite; for we know

that during the war Great Britain and France depended almost exclusively on the Madagascar flake graphite for the manufacture of crucibles, and we have no information that the crucibles made by that graphite were not of a satisfactory grade. Furthermore, it would be very difficult for most laymen to tell the difference between the Madagascar graphite and certain grades of American flake graphite such, for example, as these from Pennsylvania which have been placed upon the table.

[Mr. George H. Bailey, American Mining Congress.]

Mr. BAILEY. George H. Bailey, of the American Mining Congress. I only have three or four remarks to make in regard to crucibles for making steel. There was some testimony given you this morning in regard to the possibility of that business being changed and being endangered from the electric furnaces. I can tell you that was not quite fair testimony and that at the present time there is nothing considered along that line interfering with the present crucible methods. That comes from a discussion had within the last three weeks with one of the most prominent manufacturers in the country. The possibility of using electric furnaces may go to other metals, but it will not reach steel for a long time, and until the electricity is very greatly cheapened.

There was some more testimony that I can not help but think was quite unfair here.

It is a fact that the foreign makers of crucibles, according to the testimony given you here, all use the flake graphite; England, Germany, I understand, and France; and we understand Japan uses the Korean flake graphite in making crucibles which are sold here in this country even after paying the present duty of 20 per cent ad valorem. That shows the bringing in of flake graphite established in the crucible business. It is possible that these gentlemen who are using the old formulas in creating their crucibles out of Ceylon graphite to a standard that they have established in the past, who hesitate to change, will be compelled by the force of foreign competition to go to using the cheaper graphite produced here in this country. You must remember again that it is entirely possible for the reason that the process by which this flake graphite is being produced now is new; and has been perfected within the past two or three years.

Now that brings up this point, that they will find a formula by which they can use the flake graphite in making just as good or a better crucible than they have been making, and then they will need this product.

Now, where does that leave the situation? You have here 53 plants. These gentlemen own them. And remember, these plants are all new, and if these gentlemen are not given some protection at this time they must lose them. Now, who would be the natural recipients for the donations that may be made of these great properties? We can safely assume it will be the people who have now found that they can use them in their manufacturing business. It is not a comfortable thing to look at, but will naturally follow. The people who know what can be done under present manufacturing process can use their plants if they should be taken away from these men by lack of a market, and with the assistance of the bankruptcy courts. So it would be only necessary, without the assistance of a tariff, to allow these going business enterprises, the owners lose their properties in the next two or three years, and the manufacturers take up such of them as would be most valuable and use these same properties to the same extent.

We have enough graphite in the United States and Alaska to run the world for a great many years. We have unusable quantities, you might say. And, as Mr. Just told you before lunch, in Alaska they find the same type of graphite as in Ceylon. So, you see, the whole market can be supplied from our country.

There is such a thing as wanting to encourage and make prosperous the communities in the different sections of the country, and it is for that we are here, and are glad to submit this matter on the testimony that you have received. We will give any further information you may ask at any time, and we ask you at all times to call up the American Mining Congress and we will submit any additional information you may require for your consideration.

The CHAIRMAN. I want to say to you that it has always been my opinion that any man who asked for protection on his product and free trade on his neighbors' product was inconsistent and should receive but little consideration at the hands of Congress, and I believe I am right in that opinion. Some men are very selfish, and because they must buy a certain material as a part of their raw material which is their neighbors' finished product, ask to have them kept on a free list that he might, in his opinion, buy it a little cheaper, but still ask for protection on his own product. I do not care very much for a man of that kind.

Mr. BAILEY. I agree with you.

[Analysis of opposition to H. R. 5941, submitted by Mr. A. B. Conklin.]

No representative of crucible foundries appeared against the bill, aside from the Crucible Steel Co. of America, who manufacture only their own crucible.

No jobbers, dealers, or consumers of crucible products of either steel, brass, alloys, or precious metals appeared against the bill.

The only opposition was from crucible manufacturers and importers or jobbers of graphite crucible products. The crucible makers were represented by Mr. McNaughton, of the Joseph Dixon Crucible Co., and Mr. Todd, of the Crucible Steel Co. of America.

Mr. McNaughton maintained that the Alabama development was unwarranted and ill advised, consisting of impractical experiments, the cost of which should not now be placed as a burden against the crucible industry.

After operating their mines at Ticonderoga, N. Y., for about 50 years with old traditional methods, the Joseph Dixon Crucible Co., in 1918, completed the installation of a modern graphite milling plant at Ticonderoga. The process they adopted was selected from our Alabama development, after their engineers carefully investigated the various methods used in our district through the courtesy of our operators, who afforded them every facility to reach a conclusion.

There is recorded in the records of Clay County, at Ashland, Ala., an instrument or mortgage dated some time in 1917, given by the Quenelda Graphite Co. to the Joseph Dixon Crucible Co. for a \$200,000 loan. Part of the consideration of this instrument was that all the crucible grade of graphite produced by the Quenelda and the Alabama Graphite Co. should be sold to the Dixon Co. It is commonly understood in Alabama that the sole motive of the Dixon Co. in furnishing this money was their desire to control the output of these two Alabama companies, who were then being operated by the same interests. Those were times when the crucible makers were zealously seeking the Alabama graphite.

[From the United States Geological Survey, Department of the Interior.]

#### GRAPHITE INDUSTRY IN 1920.

The quantity of domestic flake and amorphous graphite sold by producers in the United States in 1920 amounted to 9,510 short tons, an increase of 28 per cent over the quantity sold in 1919.

The value of the graphite sold in 1920 was about \$626,201, as compared with \$778,857 in 1919. These figures are based on reports made by producers to the U. S. Geological Survey, Department of the Interior.

Operators in Colorado, Nevada, and Rhode Island reported sales of 4,694 short tons of amorphous graphite in 1920 at an average price of \$10.60 a ton. This was \$3.52 per ton less than the average price in 1919.

The sales of crystalline graphite in 1920 amounted to 9,632,360 pounds, valued at \$586,443, as compared with 8,086,191 pounds, valued at \$731,141 in 1919. The average price per pound in 1920 was 5.9 cents; in 1919 it was 9 cents. Alabama led in the production of crystalline graphite, the sales in 1920 amounting to 4,894,648 pounds, or 51 per cent of the total quantity sold in the United States.

The sales reported from New York and Pennsylvania amounted to 3,552,687 pounds, or 37 per cent of the total in the United States, and the remaining 13 per cent was reported from California, Montana, and Texas.

The Acheson Graphite Co. reported the sale of 7,399,749 pounds of artificial graphite, which is manufactured at its plant at Niagara Falls, N. Y.

#### *Domestic graphite sold in 1915-1920, in short tons.*

Year.	Amorphous.		Crystalline.		Total.	
	Quantity.	Value.	Quantity.	Value.	Quantity.	Value.
1915.....	1,181	\$12,358	3,537	\$417,273	4,718	\$429,631
1916.....	2,622	20,723	5,466	914,748	8,088	935,471
1917.....	8,301	73,481	5,292	1,094,598	13,593	1,167,979
1918.....	6,560	69,483	0,131	1,454,799	12,991	1,524,284
1919.....	3,379	47,716	4,043	731,141	7,422	778,857
1920.....	4,694	49,758	4,816	576,443	9,510	626,201

*Graphite manufactured by the Acheson Graphite Co., 1915-1920, in pounds.*

1915.....	5,084,000	1918.....	9,182,272
1916.....	8,397,281	1919.....	8,163,177
1917.....	10,474,649	1920.....	7,397,749

*Graphite imported into the United States in 1920,<sup>1</sup> in short tons.*

Country of origin.	Quantity.	Value.	Country of origin.	Quantity.	Value.
Ceylon.....	9,204	\$1,077,290	Italy.....	137	\$5,072
Madagascar.....	4,710	285,383	Austria.....	58	1,195
Canada.....	2,170	157,015	Germany.....	30	2,502
Brazil.....			Other countries.....	317	20,087
Mexico.....	3,659	131,832			
Chosen (Korea).....	810	29,936			
				21,095	1,711,312

<sup>1</sup> These figures are preliminary and subject to revision.

**STATEMENT OF GEORGE F. PETTINOS, GRAPHITE PRODUCER AND IMPORTER, PHILADELPHIA, PA.**

The CHAIRMAN. Will you kindly state your name and residence?

Mr. PETTINOS. My name is George F. Pettinos; Philadelphia, Pa.

The CHAIRMAN. What is your occupation?

Mr. PETTINOS. Graphite production and graphite importations, and the manufacture of the crude graphite into the various things for which it is used.

The CHAIRMAN. You use the home article and the imported article, both?

Mr. PETTINOS. Yes, sir; I also have a mine of my own, which I would like to talk about.

I will state my views in the matter of this duty. I want graphite on the free list.

I own one of the oldest and best deposits of graphite in the United States, at Byers, Chester County, Pa.

I have imported graphite for years. I have manufactured and sold crucibles in Philadelphia. I have a factory at Spring City, in which I take all kinds of crude graphite and put it into shapes that can be used for the various purposes; and therefore I know something about the subject.

The CHAIRMAN. Is this a large mine of graphite in Chester County?

Mr. PETTINOS. I would say it is the largest mine in Chester County.

The CHAIRMAN. That may not mean very much.

Mr. PETTINOS. The property consists of 95 acres. The graphite is distributed over probably half of that, so far as borings will show.

The crucible industry, as we all know, consumes the major portion of graphite used in this country. There is no question about that, and probably when it comes down to the crystalline graphite, which is really the only quality which can be used for the manufacture of crucibles, it probably runs up near, we will say, 75 and perhaps 90 per cent in value of all the crystalline graphite that is used in this country. Therefore, the production of crystalline graphite in this country and the importations stand or fall with the crucible industry. The crucible industry requires Ceylon graphite, and there is no graphite in this country—my own mine included—that will produce

a material that can be substituted for the Ceylon quality, except in small quantities up to, say, 10 per cent.

This is the testimony of every crucible maker in the land, without exception.

Senator WATSON. Have they tried the Alabama or Montana varieties to ascertain whether they measure up to the Ceylon for quality?

Mr. PETTINOS. Yes, sir; I have tried it myself, as a crucible manufacturer. During the war I tried a mixture of 35 per cent of flake graphite with Ceylon graphite. I made 8,000 crucibles. I was forced to use as much of the flake graphite as I could on account of the shipping conditions affecting importations from the Island of Ceylon. The average of those 8,000 crucibles was five heats when they should have been 26.

Afterwards, I took clay of the same identical quality, and I used all Ceylon graphite. The average of these crucibles was 26 heats. And I will say that in the navy yard at Portsmouth, N. H., 20 of these crucibles showed an average of 30 heats. Every one of the manufacturers of crucibles will tell you they had the same experience in trying to use American flake.

It is true that the Bureau of Standards has looked into this question and has made laboratory experiments of great interest, so far as scientific results are concerned. But if I was a committee, I think I would take the testimony of the men who are in the business on a large scale, who have to satisfy their customers, and their bread and butter depends upon as to whether their product is suitable or not.

I am coming now to the point—

Senator WATSON (interposing). Are you gentlemen in anywise interested in the graphite deposits in Ceylon or Madagascar?

Mr. PETTINOS. Not myself; only so far as an importer.

Senator WATSON. You say you have no financial interest in those deposits?

Mr. PETTINOS. No; I buy their product, just as you would or anybody else, or any of the others who might open and own a mine.

I am coming to the point: The great competitor of the crucible is the electric furnace. The electric furnace to-day is on a par with the crucible as far as its costs and quality of production is concerned. If you handicap the crucible, the electric furnace will wipe the crucible industry out of existence. The Bethlehem Steel Co. some months ago used 10,000 crucibles a month; to-day they have cut every one of them out, just simply discarding their crucible furnaces, and they have equipped themselves with the electrical furnaces. I think that is enough to point to the direction in which this great crucible industry of a hundred years standing is going.

Senator WATSON. They did not do that on account of lack of graphite?

Mr. PETTINOS. No, sir; they did it because in their experience they found it a little bit cheaper to make their steel by the electric furnace than to use the crucible. Therefore, I say the electrical furnace is the great competitor of the crucible, and it is going to eventually eliminate crucibles entirely if the cost of graphite is increased by a duty.

You do not want to destroy an old-established industry. Give it its chance and let the survival of the fittest take place. In other words, if the electric furnace has the advantage of any handicap over the crucible, it will gain the preference and the crucible business will disappear.

Senator McLEAN. Was this change from graphite to electric furnace due to the tariff on the imported article?

Mr. PETTINOS. Oh, no; there has not been any tariff so far, you know.

Senator McLEAN. Are you talking about paragraph 211 and about the 10 per cent duty?

Mr. PETTINOS. Graphite has been on the free list for 50 years.

Senator McLEAN. Would it in the future in any way retard the increase in the use of the electric furnace—

Mr. PETTINOS (interposing). I did not quite catch that question.

Senator McLEAN. Would this 10 per cent ad valorem duty on your material retard the use of the electric furnace?

Mr. PETTINOS. No; it would increase the use of the electric furnace; it would handicap the crucible 10 per cent in favor of the electric furnace.

Senator McLEAN. Put it any way you desire. Is that addition of 10 per cent sufficient to protect your interests against the competition of the electric furnace?

Mr. PETTINOS. I do not want the protection. I am on the other side. I do not want to see this duty hamper the great industry that consumes the largest amount of graphite.

Senator McLEAN. I understand your position perfectly. But will the imposition of the tariff affect one way or the other the use of the electric furnace?

Mr. PETTINOS. It will if a tariff is put on graphite. The use of the electric furnace will increase, because the tariff will handicap the crucible just that much.

Senator Smoot. You stated that the crucible would cost 10 per cent more. Of course, you did not mean that?

Mr. PETTINOS. I think it will cost more than 10 per cent more, if there is a 10 per cent duty put on, because graphite is the base of the manufacture of the crucible. It is the material that costs the most.

Senator Smoot. It could not be 10 per cent on labor, nor could it be 10 per cent on the other products in the crucible. So it could not add 10 per cent on the crucible.

Mr. PETTINOS. It would probably add 10 per cent.

Senator Smoot. No; it could not. You are receiving to-day 20 per cent protection on the manufactured article under the Underwood bill?

Mr. PETTINOS. I believe so.

Senator Smoot. And this bill provides you what—35 per cent?

Mr. PETTINOS. I do not know.

Senator Smoot. I mean on the manufactured article—the crucibles themselves.

Mr. PETTINOS, I do not know.

Senator Smoot. I will say it does provide 35 per cent. Have you had very much competition from the importers of crucibles from foreign countries?

Mr. PETTINOS. No, sir; only a little bit from Japan during the war.

Senator SMOOT. What is the market value and selling price of products to-day?

Mr. PETTINOS. Which product do you mean?

Senator SMOOT. The product made from graphite or in which graphite is a component part.

Mr. PETTINOS. The price of the crucible averages about 10 cents a number. The number really is the size of the crucible.

Senator SMOOT. Yes.

Mr. PETTINOS. The market has dropped out of imported Ceylon plumbago to-day; it is down to 6½ cents. Amorphous graphite, in the crude, is worth, laid down at my mill, about 3½ cents a pound.

Senator SMOOT. What is your capital stock?

Mr. PETTINOS. I am an individual.

Senator SMOOT. You are running as a partnership with how much money?

Mr. PETTINOS. I operate as an individual; I have \$1,000,000, personally; I operate as an individual; I am in no partnership.

Senator SMOOT. Just as an individual?

Mr. PETTINOS. As an individual.

Senator SMOOT. And out of that \$1,000,000 capital, what did you make last year?

Mr. PETTINOS. Last year I made \$59,000.

Senator SMOOT. Net?

Mr. PETTINOS. Net; and I paid my income tax on that.

It might be well to just state in passing how many of these crucible makers there are—the number is just 13. There are 7 in Pennsylvania, 3 in New Jersey, 1 in Illinois, 1 in Massachusetts, and 1 in Connecticut.

The points I wish to impress are that the electric furnace is the great competitor of the crucible to-day and that the major portion of graphite in this country is absorbed by the crucible manufacturers and the production and importation of graphite stand or fall with that industry.

Senator SMOOT. In a 70-pound crucible how much graphite do you have?

Mr. PETTINOS. Only No. 60 is used in the steel melting, so that would be the brass. The weight of a 70 crucible—I can not remember the exact figures.

Senator SMOOT. It is about 17 pounds.

Mr. PETTINOS. The weight would be about, I would say, 39 pounds, or perhaps 38 pounds total; and anywhere between 43 per cent and 50 per cent of that is graphite.

Senator SMOOT. That is what I say, about 17 pounds; that is what I asked.

Mr. PETTINOS. Yes, sir; that is right.

Senator SMOOT. You say on that 17 pounds in a 70-pound crucible it could not possibly be 10 per cent?

Mr. PETTINOS. You are quite right, Senator.

Senator SMOOT. So that it would be about one-seventh of 10 per cent, which is 1½, which it would add to each pound of graphite in this crucible.

Mr. PETTINOS. I would like to go back to the electric furnace. In 1908 there was no production of steel ingots by the electric furnace. In 1917 there were 304,543 tons against the production of 128,716 tons through the crucible. That tells the tale.

Senator SMOOT. But would not free graphite or no duty upon graphite or graphite importations manufactured with graphite stop that?

Mr. PETTINOS. Oh, no, sir; this is a physical condition.

Senator WATSON. That is what I am trying to find out, what that has to do with graphite. If this electrical furnace is coming anyhow and the electrical furnaces are driving out the crucible, graphite has nothing to do with it.

Mr. PETTINOS. The more you add to the cost of the crucible the quicker the industry will be driven out; is not that so?

Senator McLEAN. Have you any figures showing the cost of reducing ore to metal by the electrical process and by the graphite crucible?

Mr. PETTINOS. The cost of both are practically on a par. I have no details, but I will say this: The automobile is probably driving out the horse, but I think it would be bad to start to kill all the horses.

Senator McLEAN. At the same time you could not give them eternal life by putting a tariff on them.

Mr. PETTINOS. But let them give us their usefulness as long as they can, and then when their usefulness ceases we will all ride in automobiles.

The lead-pencil manufacturers use amorphous graphite, and they can not use any amorphous graphite that is produced in this country. The great percentage of amorphous graphite used by the lead-pencil manufacturers comes from Mexico, and of course any tariff on that will hit the lead-pencil makers.

I would just like to say that in 1919—

Senator SIMMONS (interposing). Do I understand you as opposing a tariff on the raw material?

Mr. PETTINOS. I am against it, because I say it will destroy the very means or agents that consume the greater portion of it.

Senator SIMMONS. Are you advocating a tariff upon the finished product?

Mr. PETTINOS. No, sir; I have not asked for it.

Senator SIMMONS. You do not want a tariff on this?

Mr. PETTINOS. It does not interest me in either case, but I do not want to see the graphite industry handicapped with a tariff.

Senator SIMMONS. You are not asking any tariff for the manufacturer?

Mr. PETTINOS. No, sir. The exports for 1919 by the lead-pencil manufacturers amounted to \$3,565,347. At this particular time I think this country does not want to curtail export trade if possible. That is all I have to say.

Senator SIMMONS. I think I understand you, but I am not sure. I understood you as making this point, that the danger to your industry does not come from cheap imports?

Mr. PETTINOS. Why, no.

Senator SIMMONS. But the danger to your industry, you think, is from the competition in reference to making steel in electrical furnaces and not with graphite crucibles?

Mr. PETTINOS. The danger is adding to the cost of production of the industry—the crucibles. If you put a duty on that material that crucibles are made out of, then that great competitor, the electrical furnace, will wipe the industry off the face of the earth.

Senator SIMMONS. In other words, you are afraid if you put a duty thereon it will increase the cost of producing the product, and lessen your ability to compete with the electrical furnace.

Mr. PETTINOS. Absolutely.

Senator SIMMONS. But would you rather let your mine close down than your manufacturing establishment?

Mr. PETTINOS. That is it exactly. If I could sell all the product of my mine to the crucible maker I would have a fortune.

**BRIEF OF GEORGE F. PETTINOS, GRAPHITE PRODUCER AND IMPORTER, PHILADELPHIA, PA.**

I am well fitted to give your committee information of value as to the effect that a duty on graphite would have on our industries because—

(1) I own and have worked one of the best and oldest graphite deposits in the United States at Byres, Chester County, Pa.

(2) I have imported graphite for years.

(3) I have manufactured and sold crucibles at Lehigh Avenue, Philadelphia, Pa.

(4) I have a factory at Spring City, Pa., where I take the crude graphite and refine it for all purposes. I have been in the graphite business since 1892, practically 30 years.

The crucible manufacturers consume about 80 per cent of all the crystalline graphite used in this country; hence the graphite production of this country, and the graphite importation, stand or fall with the crucible industry.

Ceylon graphite is the base of the manufacture of the crucible, and there is no graphite produced in this country that can be substituted for it that will make a satisfactory crucible, and this is the testimony of every crucible maker in the land.

The electric furnace is the great competitor of the crucible, and to-day stands on a par with the crucible in cost and quality of production. Any addition to the cost of the crucible in the shape of a duty on the raw material that must be imported will sooner or later wipe out the crucible industry of 100 years standing and the electric furnace takes its place. This will take away any possibility of the thousands of smaller foundries, who can not afford to install the electric furnace, of competing with the large works who can.

The Bethlehem Steel Co. some months ago used 10,000 No. 60 crucibles a month, and now they do not use one, because they have discarded all their crucible furnaces and have installed electric furnaces.

(1) In 1908 the production of steel ingots by the electric furnace was nothing. In 1917 the production by the electric furnace was 304,543 gross tons, and the production by the crucible was 126,716 gross tons.

The above illustrations are enough to show what will happen to the crucible industry that consumes 80 per cent of the graphite if further costs are added in the shape of a duty. It is true that the crucible makers have found that 10 per cent domestic graphite can be mixed with the Ceylon graphite, but if more than that is used the results are disastrous in proportion to the additional amount added. If the crucible makers could use the domestic product which costs one-half the price of the Ceylon, they would be a set of fools not to do so. A duty on graphite will penalize the crucible, and give the electric furnace the advantage, and sooner or later the 80 per cent consumption of crystalline graphite is wiped out without giving revenue or protection.

The lead-pencil manufacturers can not use any of the amorphous graphite produced in this country, and they are hard hit by duty. Mexican amorphous graphite is used entirely for making lead pencils with the exception of a comparatively small amount of Ceylon graphite used in making one class of pencils.

(2) The lead-pencil manufacturers of the United States exported \$3,565,347 of their pencils and pencil leads in 1917. This is not the time to increase their costs by a duty on their raw materials just when foreign trade is so necessary.

(3) The fact of producers of graphite in this country asking for protection on a material that sells for twice the price as theirs is something new in tariff principles.

Graphite has been on the free list for 50 years, and former legislators have realized that this condition has made the great crucible and lead-pencil factories what they are to-day.

I am not in favor of putting a duty on an important raw material that can not be produced in this country. A duty on graphite will automatically wipe out the big use of graphite and give no revenue to the Government nor any protection to graphite production in this country.

**STATEMENT OF CHARLES E. KERN, REPRESENTING DEALERS IN GRAPHITE AND GRAPHITE PRODUCTS.**

The CHAIRMAN. Mr. Kern, you are here again on graphite?

Mr. KERN. Senator, I am going to be very brief. I just want to speak about this crucible and electrical furnace business.

The CHAIRMAN. You are in the crucible business?

Mr. KERN. No; I am connected with the graphite interests. I am their counsel. The point is that the electrical furnace is something that can be used only by the large manufacturers.

The CHAIRMAN. We know all that.

Mr. KERN. There are probably 5,000 foundries that use crucibles to-day. Most of them could not put in the electrical furnace because the electrical furnace can not be provided at less than \$25,000, and they are the ones who would be discriminated against if we increase the price of the crucible by a tariff on graphite; that is the point I wish to make. We wish to have graphite kept on the free list.

There is only one other thing I desire to say: For eight months I have made it my business to inquire to find a crucible made of domestic graphite. I have not been able to discover a crucible that was ever used anywhere in this country made of domestic graphite; and I have made every effort to find it.

The CHAIRMAN. That has already been stated to the committee.

Mr. KERN. May I say another thing? The statement was made here yesterday that crucibles could be made of domestic graphite. As a matter of fact I have tried to find a single instance in which a crucible has been made with more than 10 per cent of domestic graphite that would give a normal number of heats, and I have been unable to discover such a crucible. I have worked very diligently for that purpose. I have written letters to many people and have inquired broadcast, and I think I would have learned of it if such had been the case. I know that the Government officials at the navy yard here during the war put in their specifications a requirement that the crucibles delivered to them should be made 100 per cent Ceylon graphite.

I will submit a brief and also a brief by Mr. Jonathan Bartley, formerly superintendent of the Joseph Dixon Crucible Co., showing the result of his seven years' experiments in a fruitless attempt to make crucibles from domestic graphite.

(The brief of Mr. Bartley will be found on p. 3966, Pt. V, of tariff hearings before the House Committee on Ways and Means.)

Senator SIMMONS. You think that the crucible plays no part in this question because it is not made out of the domestic graphite?

Mr. KERN. I fear I have made myself entirely misunderstood; I did not mean anything like that.

Senator SIMMONS. I understood you to say that you could not make these crucibles of domestic graphite. That is what you said. Then, I do not see why, if that is so, the crucibles bear any relation to the controversy that we have before us.

Mr. KERN. Oh, yes; the point is this: Representative Heflin, now Senator Heflin, introduced a bill in the House providing that a protective tariff be placed upon graphite up to 6 cents a pound.

Senator SIMMONS. That is the question that is before us.

Mr. KERN. The point is, that it is impossible to protect the domestic graphite by any kind of a tariff, because no matter how high the tariff may be it can not force the use of this domestic graphite in crucible making. We must have the Ceylon graphite. About 85 per cent of the imported crystalline graphite goes into crucibles. Of all the graphite used in the United States about 45 per cent goes into crucibles.

Senator JONES. Then your point is that a tariff on graphite would be detrimental to the industry rather than a protection?

Mr. KERN. Absolutely; it would simply hamper the crucible industry without protecting anything, because there is nothing in this country that can be used to make crucibles of.

Senator SIMMONS. I thought when you first started out that you said that domestic graphite was not used in the manufacture of crucibles at all, and now you modify it by saying that probably 10 per cent is used.

Mr. KERN. I meant that no crucible was made of anything like 100 per cent domestic graphite. The largest amount of domestic graphite that can be used is 10 per cent mixed with the clay.

**BRIEF OF CHARLES E. KERN, REPRESENTING DEALERS IN GRAPHITE AND GRAPHITE PRODUCTS.**

I represent graphite dealers and manufacturers who are endeavoring to bring about a revival of business in the crucible industry. While they are trying to keep prices down they are now threatened with a tariff on graphite which will increase their costs, although for more than 50 years graphite has been on the free list.

The crucible makers do not ask for any tariff protection. They see their greatest advantage in a quick revival of business and they believe this can be accomplished best by keeping down manufacturing costs. They believe this is the worst time to take graphite off the free list because it will add to their costs.

In the face of this effort they find that the Alabama graphite interests, which is practically another name for the Quenalda Graphite Co., are here trying to obtain a duty on graphite. This Quenalda Graphite Co. claims to own 60 per cent of all flake graphite deposits in the United States, which makes it one of our greatest monopolists of a natural product. Ninety per cent of all graphite deposits of the United States will be found in Alabama.

This graphite monopoly of Alabama bases its claim for a tariff on the alleged competition of cheap oriental labor, but labor is not a factor in this case because the Ceylon graphite has always sold for from 50 to 100 per cent more than the Alabama product. This is because the Alabama product can not be used to make crucibles beyond a small mixture that is used along with the binding clay. No crucible made of domestic graphite and fit for use has ever been put on the market, although the cheapness of Alabama graphite would make it enormously profitable. For several years there have been mysterious rumors that there would be such crucibles but the trade has never known of them.

Domestic graphite deposits have been known during the many years we have had graphite on the free list, and there is no new argument for giving protection to that product.

No other industry is asking for protection from products that sell in this country for a higher price than the domestic article. No matter how high the tariff may be, it can not force crucible makers to use an unfit raw material. It might hamper their business by adding cost, but it can only serve the Alabama interests as an advertisement. The tax can not increase the consumption of Alabama graphite.

Increased cost of crucibles will work to the disadvantage of manufacturers who have small capital. The electric furnace and the crucible have been going nip and tuck in the matters of cost efficiency, but if expense is added to the crucible by a tariff tax which does not apply to electric furnaces there will be a positive advantage for manufacturers of large capital, because they can change to the electric furnace. Men operating on a small scale will of necessity continue to use the crucible if they remain in the business.

Alabama graphite is valuable for making lubricants and paints, and for these purposes it is practically without competition, from high prices during the war. They

are not now suffering any more than is the crucible industry, which looks to lowering costs as a means for reviving its business.

Our graphite trade with Ceylon is now giving return cargoes to American ships that carry our products to the Orient.

It has been suggested that we should develop our graphite deposits as a preparation for war, but until some one can make a satisfactory crucible of this graphite it can not serve in war time. Necessity caused the most thorough tests of this material in crucible making during the recent war and proved that it was unfit for that purpose, beyond a small mixture along with the binding clay.

We trust the crucible industry will be permitted to continue with the conditions under which it was built up.

**STATEMENT OF H. M. RIDDLE, REPRESENTING THE ASBURY GRAPHITE MILLS, ASBURY, N. J.**

Mr. RIDDLE. We have one of our mills in the northern part of the State of New Jersey. We have been in the business for 26 years, grinding, refining, preparing, or manufacturing graphite for foundry facings, stove polish, electrical, and other purposes; and I want to say to you, gentlemen, that in all my experience of 26 years I have found no graphite that will take the place of the Ceylon product. I ask that Ceylon graphite be allowed to come in free of duty.

There are 4,000 foundries in this country. More than half of them use Ceylon graphite, and it is impossible to make good castings without that product.

Senator McLEAN. What do the other half use?

Mr. RIDDLE. Some do not use facings; they may use coal facings.

**BRIEF OF H. M. RIDDLE, REPRESENTING THE ASBURY GRAPHITE MILLS, ASBURY, N. J.**

A very serious situation confronts not only the manufacturer and refiner of foreign crystalline graphite but all users of this material, including nearly 4,000 foundries in the United States, stove-polish manufacturers, and the large crucible and electrical interests.

The Fordney bill, as passed by the House of Representatives, calls for a 10 per cent ad valorem duty on foreign graphite. Let me beg you to use your best endeavor to have foreign graphite come in free of duty. There has never been a duty on foreign crystalline graphite, for the simple reason that we can not get along without this material.

There is something about the texture of Ceylon graphite that American graphite does not contain. Aside from that, there is only about 2 per cent of graphite in the American rock as mined, while the Ceylon product comes to us from 60 per cent to 98 per cent pure. Just think of this difference!

During a portion of the war our mills had the contract to supply the United States Navy with all the graphite they used for lubricating purposes. We experimented with every form of graphite mined in this country. We sent a man into the Alabama field and the Canadian field. We were especially anxious about the Alabama field, hoping the American product might answer our purposes, but our experiments proved there was absolutely no graphite to be found that would take the place of the Ceylon product.

There was a vein in Canada which came nearer the Ceylon product than anything we were able to find, and we, as well as all other refiners in the country, were put to our wits end to get a graphite that would work during the war. Fortunately, some of us had a supply of Ceylon graphite on hand, and by mixing this with the Canadian and the American product we were able to pull through, but the prices we had to ask were simply exorbitant.

There are 19 refiners of Ceylon graphite in America, and their business is at a standstill. Aside from these, the thousands of foundries and other interests which can not possibly get along without Ceylon graphite are overburdened. We know this, because they can not pay their bills, and everything connected with iron is at its lowest ebb. Our business this month is about 10 per cent of what it was last year at this

time. This gives you an idea of the iron business in general, because we usually are the first to feel any change for the better in a business way.

You are, no doubt, aware that the smallest motor operating an electric fan, as well as the largest one propelling our stupendous battleships, is lubricated by a brick or brush composed principally of Ceylon graphite, and the graphite contained in this brush must be from 96 to 98 per cent pure. There is no other graphite that will perform this work.

Our experience with American graphite leads us to believe that it is injurious to the health of the men who work in it, for the reason that the dust is of a different nature than the Ceylon dust, because of the rock contained in it. The waste in refining is also very great, as it is next to impossible to hold the American graphite in any container. You throw a bag of it on the floor, and before you can look up it is in the air.

Let me assure you, there is nothing in America to take the place of the Ceylon product. If the duty is imposed the price to all consumers of iron will be increased accordingly, and not only to the iron manufacturers, but the manufacturers of crucibles, stove polish, and electrical appliances will have an additional burden placed upon them, and you are aware that these interests are large in our country, running into many millions of dollars.

Let me ask, if the gold found in the United States did not make good money would you place a duty or tax on the gold we import from South Africa to make American money?

In view of the above facts, will you not do your best to have graphite admitted into this country free of duty?

**STATEMENT OF GEORGE A. SHARPE, ASHLAND, ALA., REPRESENTING THE ALABAMA GRAPHITE PRODUCERS.**

Senator SMOOT. Give your name for the record, please.

Mr. SHARPE. George A. Sharpe, Ashland, Ala. I represent the Alabama graphite producers.

Mr. Chairman and gentlemen of the committee, I have a brief here which I would like to submit and just a few remarks to offer on two points.

Senator SMOOT. It will be printed. What duty do you want?

Mr. SHARPE. We want the schedule as originally introduced, running from 1 cent a pound on crude graphite ores up to 6 cents a pound on the finished product; that is, 1 cent a pound on crude up to 6 cents a pound on flake. I have this schedule set out in my brief in full. I favor a tariff on American graphite because we have unlimited quantities of graphite in this country, and because the quality of the graphite we have in this country is as good for practically all purposes as any other graphite produced anywhere.

In the testimony given this morning by Mr. Pettinos he stated that the manufacturers of graphite crucibles do not want or need a tariff on their manufactured products at all. The same statement was made by Mr. McNaughton of the Dixon Co. in his testimony before the Ways and Means Committee.

The crucible makers have been enjoying a tariff of 20 per cent ad valorem on their graphite products for years. Now, although they do not want or need even that 20 per cent they are reported out in this bill H. R. 7456, under paragraph 216, on a basis of 35 per cent ad valorem on the same graphite products. In other words, although they do not need it at all they have had it increased. They have had it increased 75 per cent above what they had before. Now they say that if the producers of graphite get even the small 10 per cent reported out for them in this same bill it will encourage the electric furnace and ruin the crucible business. If the consumers of graphite crucible will turn to electric furnaces because of 10 per cent, what

will this 35 per cent do? If 10 per cent will ruin the crucible business, what will happen to it on the 35 per cent basis?

The other point which has been raised—and it has been raised and harped on from the very beginning—is that American flake graphite will not make a good crucible of itself. The crucible makers only concede that a small portion of American flake may be used in crucible mixtures. I propose to show the committee that American flake graphite will not only make a good crucible of itself, but that it will make a better crucible than a crucible made of Ceylon graphite, which the crucible makers claim to be the best and in fact the only graphite for crucible use. It is time to expose this fetich of the crucible makers. Mr. Kern said he searched the entire United States in a diligent effort to find a crucible maker who was making crucibles out of American flake graphite, and he could find none.

His search was careless because he overlooked the Electro-Refractories Corporation of Buffalo, N. Y. This concern is making crucibles out of nothing but American flake graphite, mixed with American clay and other American materials; in other words, they are making an all-American crucible. They are selling from 1,500 to 2,000 of these all-American crucibles a month to one of the largest consumers of graphite crucibles in the United States. Instead of getting 26 heats to the crucible, as Mr. Pettinos testified this morning was the limit for a Ceylon crucible, this large consumer is getting an average in carload lots of 85 heats to the crucible.

Senator WATSON. That letter is already in the record?

Mr. SHARPE. Yes. I am simply comparing the number of heats that crucibles made from the American material yields with the number of heats obtained from the use of the Ceylon product which so many of our crucible manufacturers advocate.

Senator WATSON. Is that the only establishment in the United States using the American graphite?

Mr. SHARPE. That is the only one I know of at present.

Senator WATSON. If they can do that, why don't more use it?

Mr. SHARPE. I think they will. This result was obtained by the Electro-Refractories Corporation of Buffalo, N. Y., and is in keeping with and supported by the reports of Dr. Stull, of the Bureau of Mines, in which he says that Alabama flake graphite tops the list for crucible use. If we get the tariff we ask—from 1 cent on crude up to 6 cents on flake—we shall be satisfied. Flake is the particular grade which goes into crucibles, and with our tariff the consumer will get a better and a cheaper crucible. I will prove this to you. Take a No. 70 crucible, which contains about 17 pounds of graphite. If we charge the full tariff of 6 cents a pound to this it would mean an additional cost of \$1.02 for the crucible.

Senator SMOOT. That is the No. 70 goods?

Mr. SHARPE. Yes; the No. 70 crucible, containing 17 pounds of graphite, would cost \$1.02 additional. If that crucible is made of Ceylon graphite it will stand not more than 30 heats. Mr. Pettinos, a crucible maker, says 26 heats, but we still say 30 heats for good measure and to be perfectly fair to the foreign material. If that crucible is made of American flake graphite, it will stand 85 heats, according to the people who are using them. They have gotten as high as 148 heats, but they are averaging 85 heats in carload lots, so we will use 85 and be conservative.

In a No. 70 crucible each charge of metal will weigh about 90 pounds. Melted in the Ceylon crucible, taking a total of 30 heats, we then get a total melt of 90 by 30 equals 2,700 pounds of melted metal.

Melted in the American flake crucible, taking a total of 85 heats, we get a total melt of 90 by 85 equals 7,650 pounds of melted metal.

I thought crucibles were selling to-day for 7 cents a number. Mr. Pettinos says 10 cents, but we will again be fair and use 7 cents. The price of a No. 70 Ceylon crucible is therefore \$4.90; add the full tariff of 6 cents per pound, which we ask on flake, \$1.02, and we have for the cost of the American flake crucible \$5.92. Melting 2,700 pounds in the Ceylon crucible, at a cost of \$4.90, means a cost of 0.18 cent per pound of metal melted. Melting 7,650 pounds in the American flake crucible at a cost of \$5.92 means a cost of 0.08 cent per pound of metal melted, less than one-half the cost of melting in a Ceylon crucible.

Senator WATSON. Have you some one from that institution to testify?

Mr. SHARPE. Nothing but a letter placed in the record yesterday by Mr. Johnson signed by the secretary-treasurer of the company.

The facts which I have laid before you will be appreciated by the consumer of crucibles. The crucible makers, of course, having educated the consumers to the idea that the crucibles made from Ceylon graphite are the best, naturally do not wish to disturb it, especially, because of the shorter life of the Ceylon crucible, when they can sell the consumer twice as many Ceylon crucibles as they could American flake crucibles. So by granting us the schedule we ask in our bill, and adding on the full 6 cents per pound which we ask on our flake, the consumer will be able to buy his crucibles at half the present cost, the inroad of the electric furnace which the crucible makers fear will be checked, an important American industry will be preserved and developed to the safety and independence of the Nation, and employment will be provided for thousands of American citizens.

That is all I have to say, and I thank you for the hearing.

**BRIEF OF GEORGE A. SHARPE, REPRESENTING THE ALABAMA GRAPHITE PRODUCERS.**

Before the World War the development of the extensive bodies of graphite ore in Alabama was insignificant because of the fact that the graphite could not be profitably produced in competition with the cheap, free oriental product. There was then a total investment in the State of only about \$150,000 and a producing capacity of only about 1,500 tons of graphite a year.

During the war the requirements of the country in graphite were extremely heavy, and it would have been unfortunate if we had not had an adequate supply of our own, because the usual foreign sources of supply were cut off by reason of the shortage of bottoms. The Government turned to Alabama, where 90 per cent of the American deposits of graphite is located, and appealed for the graphite to meet the vital needs of the country and its allies. In every possible way they encouraged investment, the erection of new mills, the extension of old mills, and the development of the Alabama graphite deposits generally to the limit. The cry was for graphite and still more graphite. They called the Alabama operators to Washington; sent and kept on sending representatives to Alabama from the Bureau of Mines and the Geological Survey to urge production and still more production. They promised us prices in keeping with our cost of production, but we never received them; they refused to fix prices for graphite; they included us in the Mineral Control Act, under which we were to receive adequate protection for two years after peace was signed, but that bill never became operative; they settled with many other producers of war minerals for their losses incurred under similar circumstances and refused to consider our

claim, and instead of protecting us on the large stocks of graphite which we had on hand ahead of requirements at the signing of the armistice, and which were produced at peak war costs, on the 16th day of January, 1919, two months and five days after the armistice, they removed the embargo which they had placed against the importation of the foreign graphite and allowed thousands of tons of this foreign product to be dumped into New York at a fraction of the cost of our accumulated stocks. This ruined us completely. Every graphite plant in Alabama shut down and a great many of them were forced into bankruptcy. These plants are still closed and will remain closed unless we get adequate protection against the unfair competition of the Orient through the medium of a tariff, though it is by no means certain that there will be no more war. At the end of the war our investment in graphite mines and mills in Alabama was between \$4,000,000 and \$5,000,000 and our producing capacity had risen to over 15,000 tons of graphite a year.

We prepared a schedule showing our needs in the way of protection, and our bill was first introduced by Mr. Heflin and afterwards reintroduced in somewhat modified form by Mr. Fordney. On the 20th of April, 1921, our needs were finally presented to the Ways and Means Committee by the Southern Tariff Association in the following form:

*Schedule.*—Crude graphite ores, crystalline or amorphous, 1 cent per pound of ore for ores containing 50 per cent or under of graphitic carbon; 2 cents per pound of ore for ores containing over 50 per cent of graphitic carbon. Lump and ship crystalline graphite 3 cents per pound of graphite of a size which will not pass through a screen with openings one-fourth of an inch square. Flake crystalline graphite, 6 cents per pound of graphite of a size which will pass through a screen with openings one-fourth of an inch square. All other products, manufactured materials and compounds containing graphite, 5 cents per pound for the graphite therein, in addition to any duties assessed and collected under existing law.

This schedule as presented by the Southern Tariff Association is exactly what we want and what is necessary to enable us to operate. It means an average of about 3 cents per pound on all imported graphite and will merely put us on an even footing with the foreigner in our own market, and that is all we ask.

When we first appeared before the Ways and Means Committee in September, 1919, to state the case for the producers of Alabama graphite, and to show why it was necessary to have protection for the graphite industry if it was to survive, we were opposed only by the crucible makers and the importers of foreign graphite. These men conceded that Alabama flake graphite was superior to any other graphite for lubricating purposes, but they all contended that it was quite unsuited to the purposes of crucible manufacture of itself, and were of various opinions as to the quantity of Alabama flake that could be successfully used in crucible mixtures. They made these statements but they have never been able to produce facts or figures to substantiate them. On the other hand, we met their argument with the following facts:

1. Dr. Stull, of the Bureau of Mines, was selected by the Government, at the request of the Alabama graphite producers, to carry out a series of parallel tests to determine whether or not Alabama flake graphite would make a good crucible of itself, and how such a crucible would compare with crucibles made from foreign graphite. The result of Dr. Stull's tests, made on the floor of the foundry, showed that Alabama flake graphite, of itself, made not only a perfectly satisfactory crucible, but made a better crucible than any foreign graphite.

2. The Jonathan Bartley Crucible Co. asserted, and advertised the fact to the American public, that a crucible made of American flake graphite mixed with American clay was superior to any other crucible, and did not hesitate to sell these all-American crucibles under that representation.

3. All foreign crucible manufacturers everywhere had changed their formula which formerly called for the use of Ceylon graphite, and for some years has used nothing but flake graphite, similar to the American flake, in their crucible mixtures, and were consequently making better crucibles.

4. The Japanese have for a long time been shipping Japanese crucibles into the Birmingham (Ala.) district, made from flake graphite similar to Alabama flake, and have been selling them f. o. b. Birmingham, after paying a duty of 20 per cent ad valorem, for from 1 cent to 1½ cents per number cheaper than the factory price of the American crucible makers who use the Ceylon graphite. The Japanese crucibles stand an average of 50 per cent more heats than the crucibles made from the Ceylon graphite.

5. Mr. Guthrie, the practical head of the crucible department of the Crucible Steel Co., of America, made the open statement before a number of reputable producers in Ashland, Ala., that a perfectly good crucible could be made from 100 per cent Alabama flake, that he had demonstrated this, and that if his company could

be assured of the necessary quantity of the quality called for by their specifications, they would change their formula and use nothing in their crucible mixtures but Alabama flake. Mr. Guthrie repeated this statement in his testimony before the Committee on Mines and Mining, United States Senate, 65th, H. R. 11259, page 284.

6. Some of the crucible manufacturers, who object to Alabama flake because of the flat shape of the flake particles, are now using the more modern rolls system of crushing the Ceylon graphite and are thereby actually producing a flake so similar to the Alabama flake that, as Dr. Stull remarks, the resemblance is startling.

7. The crucible makers were not even able to agree on the quantity of Alabama flake which they thought could be successfully used in crucible mixtures.

The crucible makers attempt to belittle the result of Dr. Stull's experiments on the ground that they are laboratory tests and therefore unreliable, and claim that the only practical test of a crucible is on the foundry floor. Our answer to that is that Dr. Stull's tests were made precisely where the crucible makers say they should be made—on the foundry floor.

Mr. Jonathan Bartley, in his testimony before the Ways and Means Committee, flatly denies the statements and advertisements of the Jonathan Bartley Crucible Co., although the company had successfully sold their all-American crucibles to the American public under their representations of superiority. This fact should be sufficient answer to Mr. Bartley's personal testimony.

The only other attempt to refute the facts with which we support our argument for the use of Alabama flake in crucibles was made by Mr. Mathews, president of the Crucible Steel Co. of America, in his testimony before the Ways and Means Committee. This attempt is rather weak in that it doesn't fairly meet our argument, and our answer to it is that the statements of Mr. Guthrie, made openly at a time when there was no talk about a tariff on graphite and frankly repeated before the Committee on Mines and Mining, are entitled to rather more consideration than the present argument of the company.

In his testimony before the Ways and Means Committee Mr. George Pettinos, a large importer of foreign graphite and an investor in foreign graphite fields, introduced the question of electric brushes and attempted to show that flake graphite was totally unsuited to this purpose, but the assertions and advertisements of the Joseph Dixon Crucible Co., who are successfully using flake graphite for this purpose, completely answer the argument of Mr. Pettinos.

For the most part the crucible makers and the importers of foreign graphite do not attempt to meet the facts advanced by the producers of American graphite at all, and where they do make the attempt they invariably contradict each other and their own argument. The evidence all the way through shows that the crucible makers and importers of foreign graphite have entirely failed to substantiate their statements, and completely vindicate the contention of the producers of American graphite.

More recently the manufacturers of foundry facings have come to the assistance of the crucible makers and importers in the effort to defeat the tariff on graphite, and they have adopted a very ingenious but not particularly ingenious method of attack.

The users of foundry facings are of course, the foundry men, and the manufacturers of foundry facings have sent letters to practically all of them in the country urging them to write vigorous blind protests to their Senators and Congressmen against the proposed tariff on graphite. One of these letters is on record with the Ways and Means Committee together with a complete exposure of its subtleties. The letter cleverly informs the foundryman, who will probably not see a copy of the graphite schedule himself, not by direct statement, but by subtle innuendo, that the producers of American graphite are seeking a tariff of 8 cents a pound on the grade of graphite used in foundry facings, which the writer of the letter, if he has read the bill himself, must know is not true. The only answer this seems to call for is exposure.

And that is the sum and substance of the opposition to the effort of the producers of American graphite to get merely enough protection against the cheap foreign product to enable the American graphite mines to operate. The opposition to the tariff is backed by men who made millions of dollars out of graphite products during the war, and who themselves are protected on their manufactured products, while the producers of the graphite went broke and into bankruptcy. This opposition has so far succeeded that our graphite bill has been reported out by the Ways and Means Committee on a basis of 10 per cent ad valorem, which, of course, is no basis at all.

In the testimony taken before the Ways and Means Committee Mr. McNaughton, representing the crucible makers, made the statement that the crucible makers cared nothing for the 20 per cent protection which they enjoyed, but in the tariff bill H. R. 7456 paragraph 216 not only preserves to them their 20 per cent which they admit they do not need, but it increases it to 35 per cent. The producers of graphite in Alabama do need the protection they ask for, and none of the 37 mills in the State can operate at a profit without it.

**STATEMENT OF EARL J. DAVIS, REPRESENTING THE UNITED STATES GRAPHITE CO., SAGINAW, MICH.**

Senator SMOOT. You have a brief, I presume?

Mr. DAVIS. I have; but there are one or two additions that I want to submit to the committee. May I have the privilege of making some additions to that brief?

Senator SMOOT. Yes.

Mr. DAVIS. I would like to reserve that privilege.

I am Earl J. Davis, of Saginaw, representing the United States Graphite Co. of Saginaw, Mich. This concern has been in business for a period of about 30 years. They own and operate mines in Mexico. The graphite in which we are interested is just the amorphous graphite. They go down to Mexico for their product for the reason that there is no product known to us in this country that will satisfy the purposes for which we use amorphous graphite. They furnish probably 95 per cent of the graphite that is used for lead pencils. We have gone in and tested practically all the known forms of graphite in the United States and we do not find any that we can use satisfactorily to compare with the Mexican graphite.

The reason that we go down there is that that is a product that is best adaptable to our purposes.

Senator SMOOT. You want free graphite?

Mr. DAVIS. Free amorphous graphite, Senator.

If we could use the American amorphous graphite we would be buying it in this country, because it sells here, according to the latest pamphlet of the Geological Survey, for about \$10.60 a ton. The freight on the Mexican product alone is more than \$16. So that our going down there for our graphite is not a matter of choice.

These are American-owned mines produced by American capital, and we bring the graphite here and manufacture it and put our product on the market.

I think that practically covers the situation; and if I am allowed to submit a few amendments to my brief I should be very glad to do that.

Senator SMOOT. Very well. You may. Thank you.

**BRIEF OF EARL J. DAVIS, REPRESENTING THE UNITED STATES GRAPHITE CO., SAGINAW, MICH.**

There are two kinds or varieties of graphite, viz, (1) flake or crystalline; (2) amorphous.

The flake or crystalline graphite is used chiefly for making crucibles.

Amorphous graphite is turned into such graphite products as paints, lubricants, stove polish, foundry facings, motor and generator brushes, graphite for pencil making, powder glazing, etc.

According to the latest records of the United States Geological Survey there was imported by the United States during the years 1913 to 1920, both inclusive, only about 62,251 tons of amorphous graphite, of which amount the United States Graphite Co., of Saginaw, Mich., used about 63 per cent, or nearly two-thirds.

Graphite has been on the free list for more than 50 years. For 30 years the United States Graphite Co., of Michigan, has owned and operated in the State of Sonora, Mexico, an amorphous graphite mine, shipping the crude ore to their factory at Saginaw.

In this connection we might state that the United States Graphite Co., of Saginaw, Mich., is the world's only manufacturer using exclusively amorphous graphite in the preparation of its various products, a fact possible only because of the superior quality of the amorphous graphite owned and mined by themselves in Mexico.

Amorphous graphite of the quality suitable for their purposes can not be obtained in the United States. This is evidenced by the fact that during the 30 years of its existence the United States Graphite Co. has, in the hope of finding a source of supply adaptable to their purposes in our own country, investigated hundreds of graphite deposits in the United States, but without success. Some years ago, for instance, they took an option on the graphite mines in Gunnison County, State of Colorado, which mines produce probably the best amorphous graphite mined in the United States, and had shipped to their plant in Saginaw, Mich., several hundred tons of the ore, which they tried to use in the preparation of those graphite products hereinbefore mentioned, but with unsatisfactory results. This concern has investigated all graphite deposits known in the United States, and after exhaustive tests extending over many years have satisfied themselves that the amorphous graphite mined in this country can not be satisfactorily used in the manufacture of their products. This is entirely due to the inferior quality of American amorphous graphite, which is freely offered at very low prices.

A pamphlet just issued by the United States Geological Survey entitled "Graphite Industry in 1920," a copy of which is submitted herewith (see p. 1512), among other things says: "Operators in Colorado, Nevada, and Rhode Island reported sales of 4,694 short tons of amorphous graphite in 1920, at an average rate of \$10.60 a ton. This was \$3.52 per ton less than the average price in 1919." Most of this tonnage was produced in Rhode Island. The freight alone on amorphous graphite mined in Mexico and shipped to Saginaw, Mich., is \$16.70 per ton. Then why should this company go down into Mexico, particularly under present distressed conditions, pay this heavy freight, and invest their money in these Mexican mines if the lower-priced American amorphous graphite could be used by them? Is it not quite apparent therefore that there are in this country no miners of amorphous graphite whom a tariff would benefit?

In order to get some idea of the revenue which a tariff on amorphous graphite would bring to the Government we will take the figures of the pamphlet referred to above, which show that in the year 1920 there was imported only 4,469 short tons of amorphous graphite. The House bill provides (par. 211, p. 39) a duty of 10 per cent ad valorem on graphite, and accordingly any revenue the Government may get from amorphous graphite will be very small, and two-thirds of it would be levied on American-owned graphite mined in Mexico with American money and would fall directly on the United States Graphite Co.

Further than this, it is reasonable to presume that if the United States Government places an import duty on amorphous graphite then Mexico will retaliate with an equal or higher export duty on this graphite, which would mean that any revenue which the United States Government may collect through a tariff on amorphous graphite would be a smaller amount than this company would have to pay under such conditions.

The United States Graphite Co. invested its money some 30 years ago in mines in Mexico and in a large plant in Saginaw and have become the largest importers of amorphous graphite and one of the largest manufacturers of graphite products in the United States. This concern is not a war baby that came into existence by reason of high prices and excessive demands for graphite during the war, but is an old company established solely on its merits.

It seems plain therefore that amorphous graphite should be on the free list.

The Fordney bill, however, as passed to the Senate, reads (par. 211) as follows: "Graphite or plumbago, crude or refined, not specially provided for, 10 per centum ad valorem."

As there are no "special provisions," it is suggested that amorphous graphite be either placed on the free list or the words "except amorphous graphite" be substituted for the phrase "not specially provided for."

#### SUPPLEMENTAL BRIEF.

##### PRICE FOR 1920 AMORPHOUS GRAPHITE.

Colorado, Nevada, Rhode Island: Product sold at \$10.60 per short ton on an average. (See pamphlet, Geological Survey, dated Mar. 29, 1921.)

Mexico product valued at \$36.03 per short ton. (Freight alone from Mexico to Saginaw, Mich., is \$16.70 per ton.)

Chosen (Korea), valued at \$36.95 per short ton. (See pamphlet, Geological Survey, dated Mar. 29, 1921.)

## Statistics regarding amorphous graphite, 1915-1920.

Year.	Mined in Mexico by United States Graphite Co.	Imported (high grade).			Domestic (low grade), mined in United States.
		From Mexico.	From Korea.	Total.	
	Tons.	Tons.	Tons.	Tons.	Tons.
1913.....	4,370	4,435	4,170	8,605	2,243
1914.....	3,977	4,259	6,327	10,586	1,725
1915.....	2,062	1,680	2,373	4,053	1,181
1916.....	4,826	5,331	5,375	10,705	2,622
1917.....	8,234	7,570	2,462	10,032	8,301
1918.....	4,356	5,600	568	6,168	6,560
1919.....	3,896	5,508	126	5,632	3,379
1920.....	2,764	3,659	810	4,490	4,694
Total.....	34,489	38,040	22,211	60,251	30,705

Tons.

American-owned Mexican graphite mined and imported by the United States Graphite Co. (as above).....	34,489
Korean graphite imported by the United States Graphite Co.....	4,887

Total imports account United States Graphite Co. (8 years)..... 39,376

Percentage of amorphous graphite mined and imported during 8 years by the United States Graphite Co., 65 per cent.

The United States Graphite Co. also purchased as much of the domestic amorphous as could be utilized in the manufacture of certain products.

## Average value per ton domestic amorphous.

1918.....	\$10.59
1919.....	14.12
1920.....	10.60

The United States Graphite Co.: (1) Uses amorphous graphite exclusively. (2) Owns its mines in Mexico. (3) Operates these Mexican mines with American money. (4) Uses 65 per cent of all amorphous graphite coming in United States. (5) Tariff will not aid producers of American amorphous graphite, because it can not be successfully substituted for imported amorphous graphite for manufacturing purposes.

The imported graphite possesses peculiar physical characteristics which render it superior for use in certain of the more important graphite products--pencils, motor and generator brushes, lubricants, etc., etc.

Now, while it may be somewhat difficult for a layman to clearly understand just what is meant by this term "physical characteristics," their importance is only too well understood by persons experienced in the manufacture and sale of graphite products and particularly those who, having engaged in the business over a long period of years, have endeavored to find a source of supply here in the United States.

It will help, however, to an understanding to explain that for commercial purposes the purity of graphite is usually determined by placing a given weight, generally one-half gram, in a platinum crucible, placing same over a flame and burning off the "carbon contents." Then the ash (silica and other substances which will not burn) is weighed and the remainder ("carbon") is called graphite. Thus, if say 15 per cent of the weight placed in the crucible will not burn, then the remainder (85 per cent) is called "graphite."

The point which we wish to make is this:

There are a number of forms of carbon; for example, coke, coal, diamonds, and graphite are each different forms of carbon.

If, then, the amorphous graphite mined in the State of Colorado, for instance, when tested in the above manner assays about the same as Mexican graphite, namely, 80 to 85 per cent carbon contents, it might seem to a layman to possess an equal manufacturing value; whereas, as a matter of fact, it can not be successfully substituted for Mexican graphite in that it does not possess the necessary physical characteristics. That is to say, while having about the same carbon content (80 to 85 per cent), it physically resembles coal or coke more than graphite—is not, for example, slippery, and consequently little more satisfactory as a lubricant than coal would be. Neither

does it afford a bright luster or polish when rubbed on to a surface, and for such reason is not suitable for stove polish or powder glazing. And it is about as suitable for pencil leads as would be coke or coal.

The purpose of these statements which we have just made is to help make clear to this committee the position in which a tariff on amorphous graphite would place a long-established industry, and particularly one concern, the United States Graphite Co., of Saginaw, Mich.

#### STATEMENT OF FLOYD WEED, BIRMINGHAM, ALA.

Senator SMOOT. You desire to talk on graphite?

Mr. WEED. Yes, sir.

Senator SMOOT. Will you make your statement as brief as possible?

Mr. WEED. We have not had a hearing.

Senator SMOOT. No; you have not.

Mr. WEED. We expected a notification from the committee but did not get it until Wednesday of this week, and I came here just as quickly as I could.

Senator SMOOT. If you have any kind of a brief that you desire to file we shall be glad to have it.

Mr. WEED. I brought one, but I decided not to file it, because the subject has been covered so thoroughly. There are only two or three points that I want to bring out; three phases, and I will let it go at that.

Senator SMOOT. All right.

Mr. WEED. It has been said by those opposing a tariff on graphite that the tariff will increase the cost to many of the basic industries of the country, the inference being that these increases will re-establish high prices.

The facts are that the prices of graphites in the forms used by manufacturers supplying these basic industries are to-day in some instances less than one-half the lowest prices ever known in the industry. In all instances they are much below the prewar levels.

We contend that the imposition of the rates asked for will only reestablish the prewar prices and, in respect to prewar conditions, will not increase costs in the slightest degree.

Another phase: We are asking for this tariff to prevent the further unrestricted importation of enormous war accumulations. All countries manufacturing graphite products before the war were dependent upon imports in whole or in part for their base material, and the origin of the supplies was completely in British and French territory. When England and France imposed embargoes on exports in 1914, extraordinary efforts were made throughout the world to increase production.

I will not go over what happened in the United States. That has been touched upon. Suffice it to say that our capacity was increased five to seven fold and new and improved methods were evolved which would have made the industry highly efficient if it had been able to function.

The Central Empires, Germany and Austria, shut off by the blockade, made themselves independent of foreign supplies, and in 1918 produced one-half the entire world's output. Germany alone produced 64,000 tons against 35,000 tons credited to Madagascar and 27,000 tons credited to Ceylon. France in Madagascar increased production from 7,000 tons in 1913 to 35,000 tons in 1918. In Indo-

(China she built up an industry from nothing in 1916 to 15,000 tons in 1918.

Great Britain met her requirements and accumulated a surplus equivalent to a full year's supply for this country.

Following the armistice the removal of the embargoes and restrictions threw the American market wide open to these surpluses and these enormous accumulations, and they were dumped on our market until it was glutted. They are still hanging over to-day.

If any benefit were to accrue to the American public through having unrestricted access to this abundance of cheap foreign material commensurate with the losses that would be sustained by the domestic industry a possible argument might be advanced for admitting it, but it is certain that no material reduction in prices of graphite products will reach the public, as its cost is a minor factor in the total cost, and of the graphite products that reach the public as such the cost of the raw graphite is negligible.

I have here a brief table showing what the cost of graphite means to the public.

A box of flake graphite selling for 75 cents contains 5 cents worth of graphite. A box of amorphous graphite selling for 40 cents contains 2 cents worth. A gallon of graphite paint selling for \$2.50 contains 6 cents worth. A box of graphite grease selling for 15 cents contains one-half a cent's worth. A package of pencils selling for 50 cents has one-tenth of a cent's worth of graphite.

The committee has had presented to it a calculation that I made some time back of the cost of smelting in a graphite crucible. Without going into details, it is one-fortieth of a cent a pound.

The following table was prepared to show that the rates asked for will only reestablish prewar prices—

Senator SMOOT. Do you want to put that in the record?

Mr. WEED. I can put this whole thing in. I am just speaking from it.

Senator REED. There is no need of repeating it.

Mr. WEED. The present price of the lump is 3½ cents. The prewar price was an average of 7 cents. That is true all the way down the line. Madagascar, 2 cents to-day; 6 and 7 cents before the war.

We ask for 3 cents on lump and 6 cents on flake; 4 cents on the flake to bring it back to prewar prices and 2 cents, making 6 in all, to discourage importation.

Senator SMOOT. Lump 3 cents and flake 6?

Mr. WEED. Of which 4 cents on the flake is to bring it back to prewar prices. The 2 cents is to discourage the importation of this utterly needless product.

We do not need to import a single pound of flake graphite, and no one appearing before you has claimed that we do need to.

The other phase of the situation has been presented to the committee, and we believe it has been unfairly presented; that is, the troubles experienced during the war in the use of graphite crucibles.

The facts are these: These troubles started when foreign and domestic graphites were used as formerly. The German clays were off the market and domestic clays were being substituted. The fault was in the clay and not in the graphite.

In substantiation of that condition I can only refer you to the statement of the mineral resources of the United States in 1915 that

it preceded any of this trouble. It preceded the introduction of the domestic graphite. They say that "the Klingenburg clay was cut off. None of this clay was imported in 1915, and the accumulated reserves are now practically exhausted. American crucible makers have conducted extensive tests to determine the stability of certain American clays as substitutes, and many of them have husbanded supplies of Klingenburg."

It goes on in more detail, but it shows it was a live question in 1915. In 1917, two years later, it was still a live question.

They say that "the difficulties encountered since 1914 in finding supplies of clay have now been largely overcome. A part of the great demand for crucibles has been due to the fact that crucibles made with domestic clays did not stand as many heats as those made with the Bavarian clay."

Finally, one of the witnesses before you made specific reference to the trouble in the Portsmouth Navy Yard, the trouble that was experienced there with graphite crucibles. Here are the facts [reading]:

"In June, 1916, many attempts to increase the life of the crucibles became discouraged, the only consolation being in the fact that the trouble was universal and up to maker and user to tax his wits to master the situation if possible. Something had to be done and done quickly to save the day. The writer undertook to solve the problem of preventing the flaking and cracking of the crucibles, and in one week's time succeeded in overcoming the difficulty. The life of the crucibles went up to 20 heats immediately.

"From January 1, 1917, to May 1, 1918, the supply department invoiced to the small plant 376 crucibles, giving a total average of 54 heats per crucible."

This shows that one of the principal factors in the use of the crucibles during the war period was that the crucibles were not properly prepared for use, were used while still green, and were carelessly used.

American graphite makes the best small and medium sized crucibles that it is possible to make. Only in the large sizes is it advantageous to use an admixture with Ceylon graphite.

### EARTHENWARE AND CHINA.

[Paragraphs 212 and 213.]

#### STATEMENT OF THEODORE JONES, PRESIDENT OF JONES, McDUFFEE & STRATTON CORPORATION, BOSTON, MASS.

The CHAIRMAN. Mr. Jones, you reside in Boston?

Mr. JONES. I do, sir; in Brookline.

The CHAIRMAN. What do you speak on—crockery?

Mr. JONES. Crockery and china; yes, sir.

The CHAIRMAN. That is paragraph 212. What is your occupation?

Mr. JONES. We are wholesalers of crockery and china.

The CHAIRMAN. What do you want in this bill?

Mr. JONES. Well, the present tariff, we believe, is high enough for the protection of the domestic potters. Several of them have told us so.

The CHAIRMAN. Who told you so?

Mr. JONES. Mr. W. E. Wells, of East Liverpool, Ohio, told me so.

Senator SMOOT. Do you mean that the Underwood rates are what you want?

Mr. JONES. Yes, sir.

Senator WALSH. Mr. Jones is one of the leading crockery merchants in Boston, and perhaps in the country.

Mr. JONES. If the American valuation plan were to be in use we would want the Fordney rates reduced.

The CHAIRMAN. We are going on the assumption that the American valuation is going to prevail.

Mr. JONES. Then, what we would ask would be that the rates be at least one-half what the present rates are under the ad valorem system.

Senator WALSH. Will you state your reasons for that briefly, Mr. Jones?

Mr. JONES. Briefly, that would produce more revenue than is produced to-day.

Senator WALSH. Under the provisions of this bill?

Mr. JONES. Yes, sir. I shall in a few days file a printed brief here, Mr. Chairman, but I think I can hurry matters by reading what I have to say, if you will allow me to do so.

The CHAIRMAN. Would you not rather have it printed in the record?

Mr. JONES. I shall have another brief printed; this is not a brief, but there are some facts in here that I want to bring to the attention of the committee.

The CHAIRMAN. How long will it take you to read it?

Mr. JONES. About eight or nine minutes.

Senator SMOOT. Before you go on with that, will you let me know what capital you have invested in your concern?

Mr. JONES. \$750,000.

Senator SMOOT. What profits did you make last year?

Mr. JONES. As my father said here once before, that was a subject on which he only talked with his wife.

Senator SMOOT. You are asking for certain things here, and I would like to know.

Mr. JONES. I have not the figures with me.

Senator SMOOT. You know approximately what your profits were for the last year.

Mr. JONES. I do not think that I ought to be asked to state that here.

Senator SMOOT. You refuse to do it.

Senator McLEAN. What percentage of your turnover is composed of imported goods?

Mr. JONES. I should say one-half. We are large dealers in American wares.

Senator McLEAN. Is that percentage largely high-class goods?

Mr. JONES. It is goods of all kinds, the cheapest, the medium, and the best.

Senator McLEAN. What percentage is high-class, what we call luxuries, high-class tableware and things of that kind?

Mr. JONES. The smaller proportion. I should think 20 per cent, roughly. We cater largely to the medium grades of ware, but we have the cheapest. We wholesale a very large amount of cheap domestic ware and the best grades of domestic ware.

The CHAIRMAN. Could you not call our attention to the salient features in the brief and then have it printed?

Senator SMOOT. I want to ask just one more question in that connection. Were your profits 50 per cent last year?

Mr. JONES. No, sir.

Senator SMOOT. They were more than that during the war, were they not?

Mr. JONES. As I said before, I have no. the figures before me. I will state this, Senator: Our business was established in 1810. My father was in that business for 63 years, and he was at the head of it nearly 50 years. I have been there nearly 38 years, and I can assure you that in the run of years there are no abnormal profits in that business. As a boy my father wanted me to enter that business, and I said, "Father, I would rather be in some other business because the profits are not large enough in this business."

Senator SMOOT. Your father's advice was very good.

Senator WALSH. Your father was a wise old gentleman and a good Democrat.

Mr. JONES. He was, sir. If you will allow me, I will read a few paragraphs from this paper which I have prepared.

The CHAIRMAN. Go ahead.

Mr. JONES (reading):

The potteries of the United States produce a very limited variety of the wares required by the consumers of this country, so that it is necessary for us to import many kinds of wares from abroad.

No well-conducted crockery and china business could be maintained without a stock of import wares. In fact, outside of the staple lines of English semiporcelain ware, the great bulk of imported goods is entirely different in character and quality from those produced in the United States—

Senator WATSON. Do you know why they do not produce them in the United States? Is it because they have not the clay, the raw material, or the skilled labor, or is it because they have not been protected?

Mr. JONES. They have been protected, sir.

Senator WATSON. Do you mean protected on all these things that they do not make?

Mr. JONES. Yes; I think they have.

The CHAIRMAN. Not on the higher grades, however.

Mr. JONES. I was coming to that point. Nearly every earthenware and china manufacturer in the United States imports more or less foreign clays. They mix them with the domestic clays; but they can not produce finished china or fine earthenware without the English clay.

Senator WATSON. That is to say, the highest grades of chinaware can not be produced from the American clay.

Mr. JONES. I believe that is true.

Senator WATSON. Then, they do not produce the highest grades out at East Liverpool, Ohio?

Mr. JONES. No, sir; not the highest grades, but they do not make much chinaware there.

Senator WATSON. Where do they make most of the china that is made in the United States?

Mr. JONES. There is a large amount of china made in Trenton, N. J.

Senator WATSON. Do you buy any of that and sell it?

Mr. JONES. Yes, sir; a large amount of it.

Senator WATSON. How does that compare with the foreign-made china?

Mr. JONES. The Lenox china is as fine as any foreign-made china. [Reading:]

One notable exception is the fine china made by the Lenox pottery of Trenton, which competes directly and successfully with the finest English chinas. The Lenox pottery enjoys the enviable position of having more business than their factory can take care of and has stated that they are unafraid of any competition and do not need any higher protection. Also some of the largest and most successful earthenware American manufacturers have stated that they need no further protection than they are having at present.

We recognize the great progress that has been made by the manufacturers in this country and which is evidenced by the following statistics:

*Comparison of imports and domestic production of earthenware and china.*

	Imports.		Domestic production.	
	1913	1920	1913	1920
Earthenware.....	\$3,047,000	\$4,200,000	\$15,066,000	\$39,300,000
China.....	6,900,000	6,630,000	2,424,000	11,066,000
Total.....	9,947,000	10,830,000	17,490,000	50,420,000
Increase..... per cent.....		9		190

*Exports from the United States.*

Earthenware and china:  
 1913..... \$550,000  
 1920..... 2,800,000

Increase, 400 per cent.

Senator WATSON. How many of the varieties that you sell can not be and are not being produced in the United States?

Mr. JONES. Well, the cheap grades of china are not being produced in the United States.

Senator WATSON. Why? Would they have to have foreign clay with which to make them?

Mr. JONES. I think they would, yes.

Senator WATSON. Could they not be made in the United States?

Mr. JONES. I think they could be made in the United States, yes, sir.

Senator WATSON. We have the raw material, have we not?

Mr. JONES. Combined with the foreign.

Senator WATSON. Well, the great variety of the products that you sell can be made in the United States, can they not, so far as the raw material is concerned?

Mr. JONES. I do not think they could without combining with the foreign clays.

Senator WALSH. And the extreme high grade is imported also, is it not?

Mr. JONES. It is, but the extreme high grade is made by the Lenox Co. in Trenton.

Senator McLEAN. Where do they get their raw material?

Mr. JONES. They import some foreign material.

Senator WATSON. Do you know what proportion of foreign or domestic raw material is used in the manufacture of the Lenox china, at Trenton, N. J.?

Mr. JONES. No, sir; I do not. The imports for 1920 were from the following countries:

France.....	\$800,000
Germany.....	850,000
Japan.....	4,300,000
United Kingdom.....	3,800,000
Other countries.....	1,100,000
Total.....	10,850,000

The CHAIRMAN. We have all that information. You can have that printed in your remarks.

Mr. JONES (reading):

In view of these figures, showing immense development and prosperity of the United States pottery industry, we, therefore, feel that we may dismiss the question of any additional protection being required, and believe that a moderate reduction of the rates on earthenware and china would result in bringing an increased revenue to the Government, and would, at the same time, assist in reducing the selling prices to the consumer. The present high prices are very onerous on the public, and the demand for reduction is loud and emphatic throughout the land.

We desire to register our most earnest protest and disapproval of the American valuation plan of assessing duties. We are absolutely opposed to any such method and for the same reasons expressed against the same proposition in 1908 and noted in tariff hearings of the Sixtieth Congress before the Ways and Means Committee, first print, No. 13, November 23, 1908. It is impracticable and unworkable.

As previously stated, only limited staple lines of English earthenware are directly comparable with American production and the vast variety of imports are not comparable.

Senator WATSON. I do not think it is necessary for you to submit anything on the question of valuation. We have been all over that and have adopted the American valuation plan.

Senator WALSH. Notwithstanding the Democratic caucus.

Senator WATSON. Notwithstanding the Democratic caucus.

Mr. JONES (reading):

If duty is assessed on these noncomparable imports at American valuation, it would mean an enormous increase in selling prices to the public at a time when reductions are hopefully expected and demanded.

The CHAIRMAN. The committee does not want to hear any more on the subject of American valuation, because they have passed on that.

Mr. JONES. All right, sir. [Reading:]

Whilst the rates of the Fordney bill are nominally lower than the existing tariff, they actually mean a heavy advance in the duty assessed.

The present rates are—on decorated earthenware 40 per cent and on decorated china 55 per cent on the foreign cost. We append statistics of importations which show that under the American valuation plan the rates on earthenware would vary from 48 to 64 per cent and on china from 88 to 125 per cent. This is not protection—it is prohibition, pure and simple.

For instance, as shown in this appended table of statistics of importation, an English Doulton china dinner set costs, landed, in the year 1914, \$13.74. At present, owing to the factory advances in England, the same set costs, landed, \$38.52, which is surely a sufficiently heavy burden for the consumer to bear. This at a duty of 40 per cent on foreign cost.

Under the American valuation plan, at 28 per cent duty on wholesale selling price, this same set would cost, landed, \$43.63 per set, which is equivalent to 64½ per cent duty on foreign cost, and this at a time when the consumer is expecting a reduction in prices.

We desire to emphasize the very striking fact that in all of the calculations that have been made so far, it is evident that the wholesale selling prices in the United States markets are very substantially more than double the foreign cost.

The Fordney rates are based on foreign cost plus duty only, ignoring all other costs and expenses (freight, insurance, selling expense and profit) which go to make up the wholesale selling price.

It is, therefore, obvious that any rates assessed on the American valuation plan should be less than half what they are at present on foreign costs.

Senator SMOOT. Of course, that statement is not correct as to the plan we are going to adopt. That is not what the Senate is going to agree to.

Mr. JONES. That is as far as we know, of course.

The CHAIRMAN. Have you made this statement before the Ways and Means Committee?

Mr. JONES. No, sir; I was before the Ways and Means Committee; but I did not make that statement. [Reading:]

Drastic reduction of the proposed Fordney rates must be made unless importations are to be largely prohibited. Frankly, the whole plan is deceptive—

The CHAIRMAN. My dear sir, we can not take the time this hot afternoon to listen to things on which we spent 10 days. Of course, we want to treat you with every consideration and courtesy.

Senator MOLEAN. I see that the importations have increased rapidly in the last year or two.

Senator SMOOT. Yes; I was going to ask him if he knew how much the imports had increased from June, 1918, to June, 1921.

Mr. JONES. I can only say that our importations have been very much less.

Senator SMOOT. I mean the importations to the United States.

Senator WALSH. I suppose it is difficult for the witness to separate his argument.

The CHAIRMAN. I know it is, and if the witness will only permit this statement to be printed I can assure him that it, together with all other statements that are printed, will have the most careful scrutiny of the experts and of those of the committee who can give attention to them. But it is not necessary to tell us the same old story about the deceptive character of valuation. That has been dingdonged into our ears for quite a while, and we are impressed with the fact that it does not make the duties look quite as big as under other circumstances. However, Mr. Jones, we want to give you every facility.

Mr. JONES. I have only a few more words to say.

The CHAIRMAN. Go ahead.

Mr. JONES (reading):

When this committee appeared before the Fordney subcommittee, Mr. Fordney stated that it was not their intention to enact rates under the American valuation higher in effect than the Payne-Aldrich bill. We demonstrate in the table of statistics that the proposed Fordney rates on china and earthen ware will in many instances be more than double those of the Payne-Aldrich bill and are utterly indefensible from any standpoint of fairness.

Senator WALSH. Are the sentiments that you express the sentiments of the wholesale dealers in crockery and china in America, so far as you know?

Mr. JONES. They are.

Senator WALSH. Is there an organization of wholesale dealers?

Mr. JONES. Yes, sir.

Senator WALSH. How many wholesalers are there in that organization?

Mr. JONES. Between 40 and 50.

Senator WALSH. How much of the crockery and china business do you think they do in the whole country, approximately, a half or three-quarters or more?

Mr. JONES. Do you mean as wholesalers?

Senator WALSH. Yes.

Mr. JONES. I should think that they did about three-quarters.

Senator WALSH. And the statement that you have left with the committee represents their views upon this tariff situation?

Mr. JONES. It does; yes, sir.

**BRIEF OF THEODORE JONES, REPRESENTING THE TARIFF COMMITTEE OF THE WHOLESALEERS OF EARTHENWARE AND CHINA.**

We address you on paragraphs 212 and 213. This committee represents wholesalers of earthenware and china throughout the United States, whose business is the distribution of both domestic and imported wares, and in both classes of these products we are all heavily interested.

We all buy and sell large quantities of the American goods, whilst at the same time we import and distribute foreign crockery and china, so that we feel we are in a position to discuss this question fairly and intelligently.

The potteries of the United States produce a very limited variety of the wares required by the consumers of this country, so that it is necessary for us to import many kinds of wares from abroad.

No well-conducted crockery and china business could be maintained without stock of imported wares. In fact, outside the staple lines of English semiporcelain dinnerware the great bulk of imported goods are entirely different in character and quality than those produced in the United States.

One notable exception is the fine china made by the Lenox Pottery, of Trenton, which competes directly and successfully with the finest English chinas.

The Lenox Pottery enjoys the enviable position of having more business than their factory can take care of and have stated that they are unafraid of any competition, and don't need any higher protection. Also some of the largest and most successful earthenware American manufacturers have stated that they need no further protection than they are having at present.

We recognize the great progress which has been made by the manufacturers in this country, and which is evidenced by the following statistics:

*Comparison of imports and domestic production of earthenware and china.*

	Imports.		Domestic production.	
	1913	1920	1913	1920
Earthenware.....	\$3,047,000	\$4,200,000	\$15,066,000	\$39,360,000
China.....	6,900,000	6,650,000	2,424,000	11,090,000
Increase (per cent).....	9,947,000	10,850,000	17,490,000	50,420,000
		9		190

**EXPORTS FROM UNITED STATES.**

Earthenware and china:	
1913.....	\$550,000
1920.....	2,800,000
Increase (per cent).....	400

Figures quoted above represent tableware, and do not include domestic production of sanitary ware. Chemical porcelain, and stoneware, yellow and rockingham ware, amounting to about \$55,000,000, on which lines there are practically no imports,

the freight alone on such wares being practically prohibitive. The total pottery production of the United States for 1920 was \$105,000,000, in comparison with imports of less than \$11,000,000, dutiable value.

The imports for 1920 were from the following countries:

France.....	\$800,000
Germany.....	850,000
Japan.....	4,300,000
United Kingdom.....	3,800,000
Other countries.....	1,100,000
	10,850,000

In view of these figures, showing immense development and prosperity of United States pottery industry, we, therefore, feel that we may dismiss the question of any additional protection being required, and believe that a moderate reduction of the rates on earthenware and china would result in bringing an increased revenue to the Government and would, at the same time, assist in reducing the selling prices to the consumer. The present high prices are very onerous on the public and the demand for reduction is loud and emphatic throughout the land.

If duty is assessed on these noncomparable imports at American valuation, it would mean an enormous increase in selling prices to the public at a time when reductions are hopefully expected and demanded.

As American factories do not produce these kinds of wares, it would bring no benefit to them, whilst on the other hand, reducing the Government revenue by decreased importations and also seriously crippling the crockery dealers of the whole country.

Whilst the rates of the Fordney bill are nominally lower than the existing tariff, they actually mean a heavy advance in the duty assessed.

The present rates are, on decorated earthenware, 40 per cent and, on decorated china, 55 per cent on the foreign cost. We append statistics of importations which show that under the American valuation plan the rates on earthenware would vary from 48 to 64 per cent, and on china from 88 to 125 per cent. This is not protection; it is prohibition, pure and simple.

For instance, as shown in this appended table of statistics of importation, an English Doulton earthenware dinner set cost landed, in 1914, \$13.74; at present, owing to the factory advances in England, the same set costs landed \$38.52, which is surely a sufficiently heavy burden for the consumer to bear. This at a duty of 40 per cent on foreign cost.

Under the American valuation plan at 28 per cent duty on wholesale selling price, this same set would cost landed \$43.93 per set, which is equivalent to 64 per cent duty on foreign cost, and this at a time when the consumer is expecting a reduction in prices.

We desire to emphasize the very striking fact that in all of the calculations that have been made so far it is evident that the wholesale selling prices in the United States markets are very substantially more than double the foreign cost.

The Fordney rates are based on foreign cost plus duty only, ignoring all other costs and expenses (freight, insurance, selling expense, and profit) which go to make up the wholesale selling price.

It is, therefore, obvious that any rates assessed on the American valuation plan should be less than half what they are at present on foreign costs, and drastic reduction of the proposed Fordney rates must be made unless importations are to be largely prohibited.

When this committee appeared before the Fordney subcommittee, Mr. Fordney stated that it was not their intention to enact rates under the American valuation plan higher in effect than the Payne-Aldrich bill. We demonstrate in the attached table of statistics that the proposed Fordney rates on china and earthenware will in many instances be more than double those of the Payne-Aldrich bill, and are utterly indefensible from any standpoint of fairness.

We still believe that the present system of assessing duty on the wholesale market value in the country of production is the only fair and proper method, and respectfully suggest that rates of 40 per cent on decorated earthenware and 55 per cent on decorated china based on foreign cost are ample to fully protect the American pottery interests.

We, therefore, earnestly urge that the present method of assessing duties be not changed, in the interest of all concerned—the consumer, the Government, as well as the distributing trade.

## Illustration of duty under American valuation.

Decorated English china.	Duty at 40 per cent.		American valuation, duty 28 per cent on wholesale selling price.	Duty under American valuation equals on foreign cost—
	1914	1921		
<b>Salad set, 1 dozen plates No. 7; 1 salad bowl, Wedgwood, Doulton &amp; Co.; (noncomparable with American product):</b>				
Duty paid.....	\$0.69	\$2.49	\$3.19	Per cent. 59
Total cost.....	3.19	8.12	8.83	
<b>Dinner set, 100 pieces, Copeland, Doulton, etc.; (noncomparable with American product):</b>				
Duty paid.....	3.98	11.12	16.53	64½
Total cost.....	13.74	38.52	43.93	
<b>Dinner set, 100 pieces, Johnson-Meakin-Grindley; (comparable with American product (K. T. K.-Pope Oose):</b>				
Duty paid.....	2.49	6.02	7.18	43
Total cost.....	9.27	22.31	23.47	
<b>Assorted crate for restaurant and hotel use, 30 dozen plates No. 5, 30 dozen plates No. 7, 20 dozen coffee mugs, 20 dozen fruits, 40 dozen cups and saucers, Maddock-Grindley; if comparable with American product (Shenango &amp; Carr China):</b>				
Duty paid.....	28.00	55.60	108.50	50½
Total cost.....	104.50	313.88	336.78	

Above comparisons are made on present wholesale selling prices. If these additional duties were paid, the wholesale price would be advanced accordingly and automatically still more duty assessed—an endless chain of higher prices.

## Illustration of duty under American valuation.

	Duty at 55 per cent.		American valuation duty, 40 per cent on wholesale selling price.	Duty under American valuation equals on foreign cost.
	1914	1921		
<b>Imported English china:</b>				
Assorted packages of ornamental birds, noncomparable with American product—				Per cent. 101
Duty paid.....		\$43.45	\$81.43	
Total cost.....		133.60	171.62	
Table china, 12 cups and saucers, 12 plates, 10-inch, Worcester, minton, etc.; noncomparable with American product—				88½
Duty paid.....	\$5.46	17.16	28.00	
Total cost.....	15.60	49.40	60.24	
<b>Decorated French china:</b>				
Assorted package of decorated French china, noncomparable with American product—				125
Duty paid.....	29.07	60.73	139.92	
Total cost.....	83.10	182.16	261.38	
<b>Decorated German china:</b>				
Dinner set, 100 pieces, "Electro"—				127
Duty paid.....	3.54	12.62	29.20	
Total cost.....	11.25	38.17	54.75	
<b>Decorated Bohemian china:</b>				
Dinner set, 100 pieces, "Carlton"—				130
Duty paid.....	2.40	7.07	16.78	
Total cost.....	7.87	21.75	31.46	

Above comparisons are made on present wholesale selling prices. If these additional duties were paid, the wholesale price would be advanced accordingly and automatically still more duty assessed—an endless chain of higher prices.

**STATEMENT OF DAVID WALKER, REPRESENTING MORIMURA BROS., NEW YORK CITY.**

The CHAIRMAN. Where do you reside?

Mr. WALKER. New York City.

The CHAIRMAN. What is your occupation?

Mr. WALKER. I am customs manager for Morimura Bros., importers of chinaware.

The CHAIRMAN. You are an importer?

Mr. WALKER. Yes, sir.

The CHAIRMAN. What do you want in this bill?

Mr. WALKER. I am addressing my remarks to paragraph 213.

The CHAIRMAN. What do you advocate?

Mr. WALKER. I want to be satisfied with the rate of duty upon the American valuation plan that will afford the same protection to the American industry that was given by the Payne-Aldrich law.

The CHAIRMAN. In your opinion, what amount of protection does the pending bill give?

Mr. WALKER. I have those figures here. It gives the rate of duty on some samples I will be glad to show the committee, and it equals 181 per cent.

Senator SMOOT. Did you say you were for the American valuation?

Mr. WALKER. I say I am willing to have the rate under the American valuation plan that gives the American industry the same protection as was afforded under the Payne-Aldrich law.

Senator SMOOT. There has not been a more active opponent to the American valuation than you, has there?

Mr. WALKER. Perhaps not, but I accept it as a good American.

The CHAIRMAN. This is an entirely logical position to be taken by Mr. Walker.

Mr. WALKER. I may say to the Senator from Utah that I was 17 years in the Government service and resigned the position of Government examiner four years ago, and my experience there taught me that you will never be able to make it work.

Senator SMOOT. You think it will not work with Japanese prices?

Mr. WALKER. I am speaking about the administration of the law. But I am accepting it, and all my remarks here are based upon it.

Senator McCUMBER. Are you a manufacturer?

Mr. WALKER. I am an importer only.

Let me say in passing that a record of the hearings before the Ways and Means Committee, Mr. Wells talking for the American Potteries Association, which can be found on page 578, that he will be satisfied with the protection of the Payne-Aldrich law; also page 579 of the printed hearings before the Ways and Means Committee; so I am taking it that that is a good starting point. I have here a plate which I have marked "Exhibit 1901," because that is our import number [exhibiting plate to the committee]. A great deal has been said about the low cost of Japanese production. I have here some printed sheets showing the scale of prices since 1914 up to the present time. You will notice that the years are placed at the extreme left. The cost price, taking the year 1914 as a basis, is, of course, 100 per cent, and you will find in 1921 the ratio of prices with prewar is 260. That is upon 90 per cent of our importations.

The upper point of the irregular line is resting on 260 per cent of the par value of 1914. The raise starts in the middle of the year 1916. There are some extra copies if other members of the committee should care for them.

Now, take this plate [indicating]. All my remarks are based upon a 100-piece dinner set. That [indicating] is Japanese soft biscuit porcelain. I have also prepared a set of sheets showing the whole history of that dinner set. It is not our best quality; it is not our cheapest; it is as honest and as fair a statement of facts as I am able to make. I do not believe in coming before the Finance Committee with statements that do not hold water.

The CHAIRMAN. What is this paper?

Mr. WALKER. I will explain it to you, Senator, in one moment. That dinner set comes packed three sets in a case.

The CHAIRMAN. It is a Japanese set, is it?

Mr. WALKER. Yes, sir.

The CHAIRMAN. What is this set over here [indicating the first diagram]?

Mr. WALKER. That is the general trend of the Japanese market in chinaware since 1914, and it is as nearly accurate as I could possibly make it.

## EXHIBIT 1901.

TABLE B.—Dinnerware, 100-piece set.

Cost per set.....	yen	22.182
Cost per case (3 sets).....	do	66.546
Size of case.....	cubic feet	15
Weight of case.....	pounds	290
Freight:		
Ocean, from Japan to Pacific coast.....	per 100 pounds..	\$0.85
Rail, from Pacific coast to—		
East of Chicago.....	do	\$2.665
West of Chicago.....	do	\$2.300

	Amount.	Per cent.
Cost of case, exchange at \$50, 50 per cent.....	\$33.273	100
Purchasing commission, 7 per cent.....	2.330	7
Packing and casing, 22 cents per cubic foot.....	3.300	10
Duty on cost, 55 per cent.....	18.301	55
Duty on packing and casing, 55 per cent.....	1.815	5.5
Freight (ocean, \$0.85; rail, \$2.665).....	10.194	31
Shipping, insurance, and landing charges.....	1.491	4.4
Landing cost per set (3 sets).....	70.704	213
Landing cost per set (3 sets).....	23.57	
Selling gross profit per set (including operating expenses), 29.4 per cent on selling price and 41.7 per cent on cost.....	9.82	
Selling price.....	33.39	
Selling price per case.....	100.17	

You take the cost at the present time as shown on this table, which is 22,182 yen, at the top; cost per case for the three sets, 66,546 yen; size of case, 15 cubic feet; weight of case, 290 pounds; ocean freight from Japan to Pacific coast, 85 cents per 100 pounds, and rail freight from the Pacific coast to east of Chicago, \$2.665, and west of Chicago \$2.300 per 100 pounds.

Coming down to the cost of the case—and I have taken the yen at 50 cents, which is scarcely correct, because the yen is 49.85, but it is so close to 50 cents that for the purpose of this calculation it is correct; we have no depreciated currency.

Exchange, 50 cents, makes the entire case cost \$33.273; purchasing commission, 7 per cent, \$2.33; packing and casing, 22 cents per cubic foot, \$3.30; duty on the cost, 55 per cent, \$18.301; duty on packing and casing, 55 per cent under the Underwood bill, is \$1.81; freight, ocean, at 85 cents, and rail, \$2.66, making a total freight charge of \$10.194; shipping, insurance, and landing charges, \$1.49, making a total landed cost of \$70.704 per case of three sets; and landing cost per set, \$25.57; selling gross profit per set of 29 per cent, including operating expenses—and let me say that 29 per cent covers overhead and selling cost; you might add the entrance and clearance charges at the port in our profit, and all included, making a gross profit of \$9.82; selling price, \$33.89; selling price per case, \$100.17.

If you apply the American selling price, we have to start out, first of all, to find what the American selling price is, and we are in somewhat the same position the man was yesterday on scientific instruments.

Senator SMOOT. You have "cost of case, exchange at \$50"?

Mr. WALKER. That means 50 cents per yen.

Senator SMOOT. I knew it did, by the figures.

Mr. WALKER. \$50 per 100 yen.

Senator SMOOT. And then you immediately add 100 per cent duty, that is for that changed value.

Mr. WALKER. How do I do that?

Senator SMOOT. That is what you do do.

Mr. WALKER. I add 55 per cent upon foreign cost of merchandise.

Senator SMOOT. I see you do that, but that is not what I am talking about, because the cost at 50 per cent is \$33.27.

Mr. WALKER. That is in dollars for the three sets.

Senator SMOOT. You carry it out and claim that is 100 per cent duty.

Mr. WALKER. No; I do not. Do not try to confuse me. One hundred per cent is the base. I have reduced all the costs of landing in terms of percentages.

Now, starting with my case and 100 per cent, I wanted to find out what my landing cost is in terms of my cost. The cost is 100 per cent; it costs 7 per cent to buy; it costs 10 per cent to pack; it costs 55 per cent duty; duty on cost of packing and casing 2½ per cent. You will find that freight and ocean is 31 per cent, and that the insurance, and so on, is 4.4 per cent; in other words, 213 per cent of the purchase of my dinner set is my cost landed.

Senator SMOOT. That is the reason I called the attention of the committee to the fact that the exchange on the money is not touched.

Mr. WALKER. It is absolutely fair. There is no exchange shown there.

Senator SMOOT. It is not the difference in the exchange value.

Mr. WALKER. A yen is not worth more than 50 cents. There is no exchange shown there.

Senator SMOOT. It is not the difference in the exchange value. A yen is not worth more than 50 cents.

Mr. WALKER. But \$33.27 is \$33.27.

Senator SMOOT. Go on, if that is the only way you figure it.

Mr. WALKER. That is the only answer.

Senator SMOOT. No; it is not. You are trying to put in 100 per cent value of the money at home, while 50 cents on the dollar is all

it is worth, and in making that plate they pay in yens when it is only 50 per cent.

Mr. WALKER. Senator Smoot, I will ask you a question, if I might. I pay \$33.27 for my three sets of dishes.

Senator WATSON. American money?

Mr. WALKER. American money, 100 cents to the dollar.

Senator SMOOT. In other words, you take \$33.27 of American money that you do pay and you can buy yen 66.54 worth, can you not?

Mr. WALKER. That is my first start off, Senator.

Senator SMOOT. That is what I say.

Mr. WALKER. There is my initial investment, \$33.27, American money. I want to find out what my other landing costs are, in terms of percentage. I can not eliminate that; I must call that some per cent of the total cost. It costs me 7 per cent to do this, and it cost me 10 per cent to do that, and then I find my landing cost is 213 per cent of my total purchase price, and you will find that if you will go to the bottom of the page, the total cost is \$70.70. Now, \$70.70 is 213 per cent of my original cost of \$33.27. What is the matter with it?

Senator WATSON. Exchange, 50 per cent, has no place in there?

Mr. WALKER. It has not anything to do with it.

Senator WATSON. Then why do you put it in?—

Senator SMOOT (interposing). That is, why did you add and make 213?

Mr. WALKER. I start with the cost of my dishes.

Senator SMOOT. It has nothing to do with it, and you add the whole price.

Mr. WALKER. Leave off the right-hand figures. My set of dishes cost me \$33.27, and the three sets cost me \$70.70.

Senator SMOOT. Instead of 213 per cent, it is 113?

Mr. WALKER. Yes; it is 113 per cent on top of my purchase price, if that is what you are trying to get at.

Senator SMOOT. That is what you are trying to get at.

Mr. WALKER. What is the difference between 213 of my purchase price or add 113 per cent to my purchase price? One is multiplication, the other is addition: the result obtained shows no difference.

Senator SMOOT. Just 100 per cent.

Mr. WALKER. There is not a bit of difference mathematically. I take exception to the Senator from Utah.

I want to find the rate of duty; I want to find out what my landing cost is. Supposing I had a case of that china to-day to enter at the customhouse at New York. I do not know what the duty is until I know the selling price; I do not know the selling price until I know the duty; I do not know the profit until I know what the landing cost is. But there are certain things we do know.

I know that the rate of duty under this bill is 40 per cent. On the price of that plate that you have there our profit is 29 per cent, including 10 per cent overhead, 10 per cent selling cost and some incidental charges for landing, making a total of 69 per cent. Now, 69 per cent of our selling price is our duty and our profit; therefore, 31 per cent, or the balance, must be our cost apart from duty and profit. That is clear, is it not?

Taking the charges on this set of dishes, leaving out, for instance, items four and five which show the present duty and just taking the

top three, merchandise, purchasing commission, and packing charges, and the lower two, freight charges and shipping charges, etc., you find you have \$50.59—that is the bare, naked cost of a case of merchandise laid down, without any duty added to it. Now, that represents 31 per cent of our selling price and it therefore follows that our selling price must be \$166.32, obtained by dividing 31 into \$50.59, as shown in the following calculation:

TABLE C.

Actual landed cost, without duty, \$50.59.  
Duty, 40 per cent of selling price; profit, 29 per cent of selling price; total, 69 per cent of selling price.

It is evident that the balance of the selling price, or 31 per cent of it, must be represented by the cost of the merchandise, which is \$50.59.

The total selling price is therefore \$166.32.

The duty is 40 per cent of \$166.32, or \$66.53.

The original cost of the merchandise is \$33.27; case and packing, \$3.30; total, \$36.57.

Now, a duty of \$66.53 on a value of \$36.57 is 181 $\frac{1}{4}$  per cent.

I have, then, a new selling price of \$166.32, on which a duty must be paid of 40 per cent. It does not take any expert to figure that 40 per cent of \$166.32 is \$66.53. The original cost of the merchandise as dutiable under the Payne-Aldrich bill would be cost plus packing. If you add those two together, you will find that the cost of the merchandise being \$33.27 and the cost of packing \$3.30, the total dutiable cost under the Payne-Aldrich bill is \$36.57; in other words, you are asking under this proposed bill to make \$36.57 of foreign value pay a duty of \$66.53, and if \$36.57 is compelled to pay a duty of \$66.53, then you are assessing a rate of duty of over 181 per cent, and there is no other way out of it.

I want to supplement and support a remark made by Mr. Jones, of Jones, McDuffy & Stratton, the other day, that the rate of duty should be about 20 per cent under the American-valuation plan. I have computed the actual duty that 20 per cent would raise, and it about equals the present duty of the present act. I have taken 60 per cent, the rate in the Payne-Aldrich law, based on foreign cost, and I find it means 21 $\frac{3}{4}$  per cent. The Underwood bill shows 20 per cent. Mr. Jones found 20 per cent for the Payne-Aldrich law, and I find 21 $\frac{3}{4}$  per cent.

I have some samples here I would like to show to the committee [distributing samples of plates upon the committee table].

Senator WATSON. Will you make that last statement over again?

Mr. WALKER. I would be glad to.

Senator WATSON. That last statement about the equivalent duty.

Mr. WALKER. You take the duty, as shown in Table D, of 60 per cent under the Payne-Aldrich law.

TABLE D.—Comparison of rate of duty between foreign cost and American selling price on average fancy china.

Table A proves 55 per cent duty on foreign cost is equal to 20 per cent on present American selling price.

Cost (yen).....	1.00
Landed cost.....	\$1.10
Profit, 36.4 per cent on landed cost, or 26.67 per cent on selling price.....	\$0.40
Selling price.....	\$1.50

Duty, 55 per cent on 1 yen. Cost (sen).....	55
Duty, 55 per cent on 0.10 yen. Packing and casing (sen).....	5½
Duty (sen).....	60½
Equivalent United States currency (cents).....	30½

Duty of 30½ cents is equal to 20 per cent on American selling price.

Table B proves 60 per cent duty on foreign cost is equal to 21.4 per cent on American selling price.

Duty, 60 per cent on 1 yen. Cost (sen).....	60
Duty, 60 per cent on 0.10 yen. Packing and casing (sen).....	6
Duty (sen).....	66
Equivalent United States currency (cents).....	33

To make same rate of profit, selling price should be raised to \$1.53½; 60 per cent on cost, or 33 cents, is equal to 21.4 per cent on selling price.

Mr. WALKER. You will find if you compare the price shown in the table submitted that the initial price of the set was around \$33; our selling price was \$100.17 per case of three sets. So it is pretty safe to say—and I find that is true as we run through our merchandise—and the selling price is about three times the foreign cost—foreign purchase price. Therefore, if we take \$1.50 as representing the selling price of a yen, I have this result: Duty at 60 per cent on a yen is 60 sen; 10 per cent for the packing and the duty on that is 6 sen, making a total of 66 sen, and reducing it to American currency is 33 cents. If you take the same rate of profit on the selling price under the Payne-Aldrich duty as we do under the present law, then we should sell that \$1.50 article for \$1.53. Sixty per cent on the cost, or 33 cents, is equal to 21.4 on the selling price; 21.4 per cent of \$1.53 will give you the same result as taking 60 per cent on the purchase price.

Senator SMOOT. That is, providing you make 200 per cent.

Mr. WALKER. There is no 200 per cent, Senator. Our profit is 29 per cent, and your statement is not borne out by any fact or any figure that I have shown. I will be glad to have the Senator show where it is.

The CHAIRMAN. Mr. Walker, your time has expired.

Mr. WALKER. If I may have just a word more, the Tariff Commission says in a statement I have before me—and I will give you the page. Tariff Information Surveys, revised, page 47—I will introduce these samples. Take these two patterns here [referring to sample plates on committee table]. There is American-made ware, and there [indicating] is the Japanese ware. It is practically the same pattern. The Tariff Commission said in its report that "Japanese chinaware is competitive in that it displaces domestic chinaware and earthenware. The prices charged for Japanese ware of similar decoration is fully 25 per cent higher than the domestic china, and three times that of earthenware."

Senator SMOOT. You have here the wholesale price on this No. 1 plate, \$13; retail price, \$25. Is that all the retailers make?

Mr. WALKER. That is the actual price as given.

Senator SMOOT. That is just a little less than 100 per cent and, of course, Mr. Jones gets not only the retail price, but 100 per cent. Here is one marked \$22.06 and that retails for \$40. No wonder the American people are burdened with debt.

Mr. WALKER. We sell this pattern of ours in 100-piece sets. Our set lettered D corresponding to exactly their pattern No. 4. We

wholesale ours for \$45.20; the retail price of the American pattern is \$40; selling price wholesale, \$22.06.

Senator CALDER. Do they sell that in this country for that price?

Mr. WALKER. This pattern 4 is domestic made and wholesales at \$22.06, retails for \$40; our wholesale is \$45.25. This shows the imported set is \$5.25 higher wholesale than the American retail price. There is no unfair competition there.

Senator SMOOT. This is a larger plate and a white plate.

Mr. WALKER. This sample 4 is American earthenware [indicating], and this [indicating] is chinaware—imported.

Senator SMOOT. That is exactly the reason; that is no comparison.

Mr. WALKER. I want to call attention of the Senate committee to the fact that that American earthenware plate is marked by the manufacturer "chinaware," as you can see by looking at the bottom; and I stood in a department store in New York and watched four customers come in and buy that as American china, and it is not American china.

Senator SMOOT. I can see that across the table, and I should think anybody could.

Mr. WALKER. They mark it for china, and they sell it for china.

I want to say this, in closing, that the American potters have dragged in old letters, 6, 7, 10, and 13 years old, in their vain attempt to show questionable practices on the part of American importers; and if I, as an importer, should attempt to put anything over the customs as crooked as that I would go to jail, and I ought to go.

The CHAIRMAN. The statute of limitations has run on it. [Laughter.]

Mr. WALKER. They are practicing that fraud to-day. I would be glad, if the chairman will permit me, to put this in better form and then submit it.

The CHAIRMAN. That may be inserted at the proper place in the record when you revise your statement.

### CHEMICAL STONEWARE.

[Paragraph 213.]

#### STATEMENT OF MAURICE A. KNIGHT, REPRESENTING MANUFACTURERS OF CHEMICAL STONEWARE, AKRON, OHIO.

Senator McCUMBER. You may state your name to the committee.

Mr. KNIGHT. My name is Maurice A. Knight.

Senator McCUMBER. Where do you reside?

Mr. KNIGHT. Akron, Ohio.

Senator McCUMBER. And whom do you represent?

Mr. KNIGHT. I am a manufacturer of chemical stoneware in Akron, and I represent the manufacturers of chemical stoneware in that city—two other manufacturers, the Acid Proof Clay Products Co., and the United States Stoneware Co.

Senator McCUMBER. And you speak of paragraph 213, relating to chemical stoneware?

Mr. KNIGHT. Yes; and I wish to refer to paragraphs 210, 212, and 215, particularly 213.

This is our first appearance. We have not been before the Ways and Means Committee of the House, and have never been before any

other tariff regulation body or tribunal, because we are so small. We are one of the most childish infant industries in existence.

We are asking for 200 per cent, or practically an embargo, which is quite startling, I assure you, quite paralleling the dye industry. We feel that we are of as much importance, and probably more so, to the country in peace or in war, than the dye industry.

Perhaps I should explain what chemical stoneware is. I dare say there are very few who have ever heard of it or know what it is. You may confuse it with sewer pipe, common jugs, or crocks, butter or meat tubs and things of that kind. It is not. Although it is made of clay, it is made in special shapes and designs, probably 80 per cent from blueprints. It is made entirely by hand from start to finish. We can not employ machinery only in some of the more common forms. It is not bulk production. We may make an order of 12 pieces; 100 pieces would be a very large order. There is not a week in the year in which we are not making something that has never been made before. It is used by the large manufacturers of acids, chemicals, dyes, and pharmaceuticals, and it is also used by plants which handle acids and chemicals and corrosive materials, such as steel plants in galvanizing, etc. It is something that even the purchasing departments of companies know very little of. They have to refer to the chemical engineers as to what is wanted.

In relation to the importance of the industry in war or in peace, I might mention the fact that Edgewood Arsenal, Nitro, West Virginia, and Muscle Shoals and poisonous gas stations could not have been built if it had not been for chemical stoneware. Poisonous gas could not have functioned without chemical stoneware, and we were slow in production and held up by the Government on deliveries because we were not large enough and big enough at that time to take care of the demand so suddenly, all because the tariff or protection we had before was not sufficient to allow us to get strong and build ourselves up. So the Government was forced to use other material, such as sewer pipe, and common ware, which only lasted a short time and needed replacement continually.

Now, chemical stoneware is the only material that will handle acids and chemicals, hot or cold, weak or strong. There are some materials that are made that will handle one acid of certain strength, under certain conditions, for a certain length of time, but chemical stoneware will handle any of those acids or chemicals or alkalis under all conditions. We to-day and a year ago are still furnishing the Edgewood Arsenal and Government stations like Indianhead and Edgewood Arsenal, and chemical manufacturers such as the General Chemical Co., the Grasselli Chemical Co., and the Du Pont Co. with this material.

There are only four of us in the business to-day. Three of the oldest concerns, that had been in the business for 25 years making not only this material but making some common stoneware or other clay products as a side issue to keep themselves going, have gone out of business. One was a concern in Brooklyn, Charles Graham. They went out of business. They were ready to go out before the war, and they went out as soon as the war was over. The first was R. C. Rhemmy, in Philadelphia, who went out before the war. Why? Because Germany and England both imported chemical stoneware into this country cheaper than they could make it. Then the next

was A. J. Weeks, of Akron, Ohio, in business for 25 years, and who went out as soon as the war was over. The reason they went out was that the protection afforded before the war was not sufficient to let them build themselves up into a strong organization.

Three of us that are left are located in the West at Akron, Ohio, whereas 75 per cent of our business is in the East. You will say if our business is in the East why are we not in the East?

We established ourselves in Akron because it was known as a clay center, on account of the clay and the labor and the factory building and kilns already built. The East was taken care of by importations from England and Germany. So these concerns in the East were first to go out of business.

The freight rate at the present time from our district to the East is 60 cents a hundred pounds less carload and 45 cents a hundred pounds in carload. Our labor is 80 per cent of our cost. That is startling. It costs 90 cents an hour. They are experts. They are men that can not be trained unless it is born in them, and it takes years to train them; even then they have to be able to read complicated blue prints. In regard to labor rates or wages, I refer you to an address in the issue of the New Jersey Ceramic by Mr. Burgess, of the United States Tariff Commission, pages 80 to 87. For instance, where we pay 90 cents an hour for chemical stoneware men, according to Mr. Burgess's report, 70 cents an hour for china, Germany pays 6 cents an hour for the same kind of work, and a good deal of it is done by women. They have been in the business a long time. Great Britain pays 18 cents an hour. We have reduced our wages 20 per cent since 1920, so that now we are paying about 75 cents an hour.

It is carried into this country as ballast, because salt water or anything of that kind does not deteriorate or damage it, because it is not deteriorated or damaged by acid and chemicals. We use no machinery in making it from beginning to end, other than grinding the clay. We should have a separate classification or heading setting forth just what chemical stoneware is. Paragraph 210 says: "Common, yellow, brown, or gray earthenware made of natural, unwashed, and unmixed clay, plain or embossed; common salt-glazed stoneware; stoneware and earthenware crucibles."

That is the way common stoneware is made up, and, as this chemical stoneware is also salt glazed, few people know what chemical stoneware is, and importers can get into the ports under "salt glazed," under "earthenware," and "crockery."

We are in the list with porcelain and other vitrified ware. The process of manufacturing is nothing like it. The labor is different, and the method of manufacturing. The only similarity is that it is made of clay, but it is made of a different kind of clay.

Senator WATSON. You think you are incorrectly classified?

Mr. KNIGHT. We think we are incorrectly classified.

Senator WATSON. Where should you be?

Mr. KNIGHT. We should be in a classification by ourselves. It would be difficult to determine what the American valuation is on chemical stoneware. That is one of the reasons I have asked for 200 per cent.

Senator SMOOT. Do you mean to say you want 200 per cent instead of 35 per cent?

Mr. KNIGHT. Absolutely.

Senator SMOOT. You had 60 under the Payne-Aldrich bill, and now you want 200?

Mr. KNIGHT. We believe that is the only way in which we can be built up and be in a position to take care of future demands by manufacturers of acids and chemicals and our Government in time of war.

The CHAIRMAN. That is a new doctrine in protective tariff, is it not?

Mr. KNIGHT. In what way, Senator?

The CHAIRMAN. It seems very new to some of us old protectionists that a duty should be an embargo.

Mr. KNIGHT. I am frank to say that we are green and ignorant on this. We could not figure out what the ad valorem or American valuation would mean to us, and we run a chance of getting our materials in under 10 or 15 per cent instead of 35. They have gotten into this country before in that way.

Senator McCUMBER. Is your raw material imported?

Mr. KNIGHT. No; our raw material is American.

Senator SMOOT. What do you request on gas retorts?

Mr. KNIGHT. Chemical stoneware of a certain class—

Senator SMOOT (interposing). What do you want on gas retorts?

Mr. KNIGHT. We do not want anything at all.

Senator SMOOT. Lava tips for burners. What do you want on those?

Mr. KNIGHT. No; we do not want anything under that. All I am bringing that forward for is that some of our materials could come in under 15 per cent. What we want is a separate paragraph for chemical stoneware and a definite definition of what it is.

Senator SMOOT. You referred to paragraph 210, relating to common yellow, brown, and gray earthenware: What request do you make on that?

Mr. KNIGHT. Chemical stoneware might come in under common salt-glazed stoneware. It has before, and the same way under earthenware. It has been done in earthenware at 25 per cent ad valorem.

Senator SMOOT. Chemical stoneware was under the same paragraph in the Payne-Aldrich bill as china, porcelain, and other vitrified wares.

Mr. KNIGHT. Yes.

Senator WATSON. Under paragraph 210 what rate are you asking for?

Mr. KNIGHT. We do not want the same rate or anything under 210. The point is that under 210, 212, and 215 there is an opportunity to bring in chemical stoneware by classifying it as salt-glazed stoneware or earthenware. It is hard to determine what chemical stoneware is.

Senator SMOOT. You want a separate definition of it?

Mr. KNIGHT. We want a separate definition of what chemical stoneware is. Take sewer pipe, which is vitrified and salt glazed. It would be classified as a nonabsorbent body. If it is sewer pipe, it is made by machinery, and a 24-inch pipe costs \$1.80. A chemical-stoneware pipe of the same size looks just like sewer pipe, just the same glaze as sewer pipe, but, being made by hand, costs us \$12 to manufacture. The German cost of a 50-gallon condenser is about \$4. Our cost, on account of the difference in labor, is \$40. They can make it for 10 per cent of our cost.

All our labor, as I said before, is expert, and the same thing as sculpture. He has to hand mold. The training is necessary.

We do not sell at retail or to the general public directly, or hardly indirectly; that is, our material is plant equipment; it is not a raw material that is used and then sold to the public. I think that is an important point when we are speaking of embargo or high tariff.

Senator McLEAN. Why should it cost you ten times as much?

Mr. KNIGHT. Because our labor is 90 cents an hour against the foreign labor at 6 cents an hour. The material is shipped from foreign countries as ballast, and there is no deterioration in shipping it; it is handled here on the eastern coast, and 75 per cent of the chemical business is in New Jersey, New York, and down through Philadelphia; and we have a 60-cent a hundred freight rate, which practically puts us out of business if we do not have a high tariff. Why did all these men go out of business who were in business before the war? They were in the East, and there are only four of us left, three in Akron, Ohio.

**BRIEF OF MAURICE A. KNIGHT, REPRESENTING MANUFACTURERS OF CHEMICAL STONWARE, AKRON, OHIO.**

*Foreword.*—There is now before the Congress of the United States, House bill 7456, in a paragraph of which a proposed duty of 35 per cent ad valorem is provided for chemical stoneware, also that chemical stoneware is not in a classification by itself but is grouped with other articles made from clay to which it is not related. The paragraph referred to is No. 213, on page 40.

*Argument.*—That this proposed duty of 35 per cent ad valorem is positively not enough to protect the American chemical stoneware industry from foreign competition, and that chemical stoneware should be placed in a classification by itself. Following we propose to submit reasons why our argument should be upheld and the suggested changes made.

*The chemical stoneware industry in the United States.*—Prior to 1914 there were engaged in this business about eight concerns of various size, all of whom had a hard struggle to compete with foreign aggression, and of whom four could not survive, and went out of business prior to the beginning of the war, or since. The remainder, being somewhat stronger, were able to survive but could not have done so for long, had not the war put a stop to foreign importation, and at the same time called on them for equipment for the chemical, dye, explosives, and poison gas plants. Four concerns still remain in business, being ourselves, the United States Stoneware Co., the Acid Proof Clay Products Co., and the General Ceramics Co. The first mentioned three are located in or near Akron, Ohio, the latter at Keasbey, N. J. Although we are still in business, there are all indications that we will not long so remain, if imports are permitted on a basis whereby it is impossible to compete, as we shall endeavor to show in subsequent paragraphs, and also, why the loss of this industry to the United States will mean more than just the actual loss of the chemical stoneware industry.

*Uses of chemical stoneware.*—Chemical stoneware is primarily used by the acid, alkali, dyestuff, pharmaceutical, chemical, explosive, poison gas, and allied industries as plant equipment, and is used by practically every industry in the country besides who use, handle, or manufacture corrosive chemicals. Chemical stoneware is not to be confused or confounded with ordinary or common stoneware used for clock cases, plaques, ornaments, toys, charms, vases, statues, statuettes, mugs, cups, steins, lamps, and the like, but is a distinct and separate type of material and used and made in large sizes as equipment for manufacturing, hence is an indispensable necessity for the industries above enumerated.

*Method of manufacture of chemical stoneware.*—Whereas common forms of stoneware as are sold in hardware, china and novelty stores, and the like, are made on machines where the human element has but little effect on the cost, and can therefore be turned out in quantities very cheaply without the extreme hazard or great percentage of loss incidental to the manufacture of the special and complicated pieces of chemical stoneware apparatus. The production of aforesaid common stoneware is based on quantity and not on quality; with chemical stoneware it is just the reverse, in that the pieces are hand molded or built up by hand, requiring expert labor specially trained after years of patient effort. Such expert labor is limited to probably 200 in the entire country who can be considered proficient, and whose present means of a livelihood would be taken away if the industry should perish, as they are experts commanding expert wages, and for whom the common stoneware manufacturers would have no use. Roughly about 50 per cent of these men originally came from England and Germany (the two main competitive countries), the balance being trained here after years of patient and expensive effort on the part of the manufacturers. The reason why chemical stoneware must be built up by hand instead of being made by machinery is: First, because the pieces are too large and complicated to be made on a machine; secondly, because there are no standard sizes or pieces but are mostly made to order and blue print to suit the customers' requirements; and

thirdly, in order to stand the abuse they receive in plant operation they must be very carefully and slowly constructed by expert workmen who know just the proper mixture and temper of the clay to use, and how the piece should be molded and pressed to withstand the work for which it is designed.

*Why is chemical stoneware a necessary industry?*—During the war, practically the entire output of the chemical stoneware plants here was taken by the explosive nitric acid, poison gas, and affiliated industries, and was placed in the priority class by the Government for that reason, as a necessary industry required to supply the above-mentioned industries with their equipment. Without the chemical stoneware industry places like Hopewell, Muscle Shoals, Edgewood Arsenal, and experimental poison gas stations could not have been planned or operated. The requirements for chemical stoneware were such that France, who before the war was mainly dependent on Germany and England for their chemical stoneware, made offers to buy the entire production for two years of some of the American plants in order that their manufacturers of war munitions could properly function. Numerous instances, in addition to Hopewell and Muscle Shoals, and poison gas stations could be cited, but we believe that the mention of these three places in this short brief is sufficient to clearly indicate the importance of the chemical stoneware industry to the welfare of the United States. This is a fact that is known to Government officials connected with this work—all the chemical stoneware manufacturers were from a year to 18 months behind on Government orders at the close of the war.

*Why is an ad valorem duty of 35 per cent considered insufficient.*—The two chief sources of competition at present are England and Germany, Germany ranking by far ahead of England, and to be considered in many ways, to be explained as follows, as the most serious competitor to be met. At present, the rate of exchange between Germany and the United States is in the ratio of about 1.4 cents is to 23.6 cents, 23.6 cents being the value of the mark in United States currency before the war. This gives a ratio of nearly 1,700 in favor of the German manufacturer, whose cost of labor, and the cost of living in Germany has not risen in proportion to the differential in exchange, it thus being possible for him to lay down goods in this country at what is an excellent profit to him, but an unlivable price for us. Previous to the war, and when conditions were normal in most countries, the German workman was earning from 20 to 40 marks per week (about \$5 to \$10), whereas his competitor in this country, the American workman, was earning about \$6 to \$8 per day in making chemical stoneware. Now, adding to that the fact of the exchange being in their favor, it can be readily seen that the American industry has no chance of surviving even with 35 per cent protection, and once out of business they will probably stay out of business for the reasons stated under the heading, "The chemical stoneware industry in the United States," and "Method of manufacture of chemical stoneware." Added to this is the cheap ocean freight rate, as the material is bulky and not affected by sea water or dampness, and the willingness of the foreign manufacturer, especially the German, to sell at cost or below at this time, if necessary, in order to drive out competition here, and thus leave the field free to later on charge prices that will not alone recuperate his losses in so doing, but furnish him an extra profit as well, as has been seen in quite a few other industries in the country. Therefore, in order that this chemical stoneware industry may survive and be ready to supply the industries of the United States with equipment required for the manufacture of explosives, poison gas, dyestuffs, nitric and hydrochloric acids, photographic supplies, pharmaceutical drugs and chemical, alkalies, and all of the other immense number of related industries, it should be protected with an ad valorem duty of not less than 200 per cent, and enacted immediately antidumping legislation prohibiting the sale of chemical stoneware at a price not less than the cost of production in this country.

*Why a separate classification?*—In paragraph No. 213, chemical stoneware is grouped with bisque and parian wares, clock cases, plaques, ornaments, toys, charms, cases, statues, statuettes, mugs, cups, steins, lamps, etc. As has been explained in the first part of this brief, the chemical stoneware industry is in no way similar to that of the articles enumerated in the paragraph, either in the method of manufacture or its use, and would therefore lead to confusion and misunderstandings should the bill become a law as it now reads. We therefore feel that in justice to the importance of the chemical stoneware manufacturers and the users of same, that it be given a separate and distinct classification.

*Summary.*—Some of the concerns who are now out of business, and others who are still making chemical stoneware, started in business 25 or more years ago making common stoneware, sanitary ware, or other products and added chemical stoneware to their line. In nearly every case, outside of some of the simpler pieces or those required in a hurry, they were unable to compete with the foreign competition, or in other words make chemical stoneware their entire production, being forced to manufacture some other lines to continue in business. As previously stated the

greater number could not even survive with the side line to help them through, but were forced to close and have not since resumed operations. Those that still survive are those who could manage to carry themselves until the outbreak of hostilities in Europe when foreign importations were cut off, so in a few words, the industry as it exists to-day is a real "infant" industry struggling hard to keep resumed and insufficient protection afforded which would unquestionably be the case with a 35 per cent duty. In the event that the industry is wiped out in this country, and should conditions be such that our key chemical industries would be called on for assistance in case of war, and the supply from Europe of chemical stoneware be shut off, conditions here would certainly be critical, as it would be impossible to start the chemical stoneware industry again (as is possible in some other lines) owing to the lack of skilled workmen as well as the special plant lay out and expert supervision. Besides, were the industry wiped out, the users of chemical stoneware during times of peace ultimately would be forced to pay exorbitant prices for their apparatus by the foreign manufacturers. A separate classification is required so that the entire matter may be clear and prevent chances of misunderstanding or possible purposeful misstatement of the nature of the goods, if bunched with other articles to which it is not related.

The manufacturers of chemical stoneware, hereby undersigned pray for an opportunity to appear before a congressional committee, fully prepared to present their case and to explain in more detail than is possible in the brief, the reasons for the desired increase in duty rates and a separate classification, as herein stated, and trust that the seriousness of the matter will cause it to receive from Congress the careful attention that it deserves, and that a hearing will be given so that the truth of our contentions may be plainly and fully brought out.

#### SUPPLEMENTARY BRIEF.

We beg your earnest consideration in placing chemical stoneware under a separate heading and definite paragraph instead of under paragraph No. 213 as it now stands under the Fordney bill, House of Representatives, No. 7456, as here it is classed with material that is in no way similar in method of manufacture, in kind of clay, labor, or in use and, further, so that there may be no misunderstanding at United States port of entry as to proper interpretation of chemical stoneware, so that it may not be confused with common yellow, brown, or gray earthenware, common salt glazed stoneware as now under paragraph 210, nor with earthenware and crockery ware, non-vitrified, etc., as under paragraph 211, nor with china, porcelain, and other vitrified wares as now under paragraph 213, or as gas retorts as under paragraph 215, as it has in the past and could in the future be confused unless we have a specific and separate classification setting forth correctly chemical stoneware.

Therefore, we respectfully suggest that the specific classification and separate paragraph or heading for chemical stoneware include the following:

"Chemical stoneware or earthenware acid proof and resistant to corrosive liquids and chemicals, salt glazed or unglazed, or glazed or enameled in any color, vitrified and nonabsorbent, or semivitrified or semivitreous, as well as bisque or chamott body or texture in all shapes, sizes, and designs, in complete units or parts thereof, finished or unfinished, assembled or unassembled."

Further, as chemical stoneware is principally about 75 per cent plant equipment or apparatus being set up or joining of many different pieces of chemical stoneware, such as pipe, vats, kettles, tanks, jars, receivers, faucets, valves and fittings, it is most essential that the duty on chemical stoneware be applied to each and every piece or article imported, assembled and unassembled, and parts thereof, finished or unfinished, such as grinding of joints or parts.

#### GLASS AND GLASSWARE (TABLE).

[Paragraphs 217, 218, and 230.]

#### STATEMENT OF W. A. B. DALZELL, MOUNDSVILLE, W. VA., REPRESENTING THE AMERICAN ASSOCIATION OF GLASS MANUFACTURERS.

Senator McCUMBER. Mr. Dalzell, the committee will be glad to hear from you.

Mr. DALZELL. Mr. Chairman, I am here representing the American Association of Glass Manufacturers. Their headquarters are in Pittsburgh, Pa.

Senator DILLINGHAM. In what paragraph are you interested?

Mr. DALZELL. I shall confine my remarks to paragraphs 217, 218, and 230. This association had its forty-sixth annual meeting last month; so it is an old association. It represents practically the entire interest of the table glassware manufacturers in the United States. The production of these factories amounts to about \$100,000,000 a year. Their pay rolls amount to \$55,000,000 a year. It is an industry in which labor constitutes more than 50 per cent, and it should, perhaps, have special attention, but we feel as though we have been sadly neglected because we have not come here, I suppose, and told our story and explained to you gentlemen what the trouble is.

Senator SMOOT. You have been here in the past a good many times.

Mr. DALZELL. This is the first time that I have appeared, Senator.

Senator SMOOT. Yes; but I mean your association.

Senator SUTHERLAND. Did your association appear before the House Ways and Means Committee?

Mr. DALZELL. Yes, sir; it did, but they do not seem to have paid any attention to us, and we hope that before we get through we will understand each other better. We take the raw materials in the United States and with this labor make the finished articles of glass that are in demand. We use only seven-tenths of 1 per cent of foreign materials in the manufacture of all this glassware.

Senator WATSON. What kind of glassware do you make?

Mr. DALZELL. Just table glassware; tumblers, water goblets, water bottles, oil bottles, all kinds of glassware that is used on dining tables in hotels, restaurants, and private families.

Senator SUTHERLAND. Is that what you call flint glassware?

Mr. DALZELL. Yes, sir; that is flint glassware. Ninety-nine and three-tenths per cent of this \$100,000,000 goes to increase the monetary value of the United States. It is that much increase every year, in this glass industry, and we think it is an industry that should be taken care of. We ask for 60 per cent.

Senator SUTHERLAND. Do you know what the importations have been of foreign wares in competition with your wares?

Mr. DALZELL. We do not.

Senator McLEAN. The record shows that there were imported in 1921, 8,450,000 pounds; in 1920, 3,634,000 pounds. Evidently the importations are on the increase. I do not see table glassware designated here specifically.

Mr. DALZELL. It is not mentioned in the tariff, although it is a very large industry.

Senator McLEAN. And you do not know what the importations are.

Mr. DALZELL. We can not get the information. That is one reason why we want the paragraph that we are told that our goods are classified under remodeled.

Senator SMOOT. There are very few importations, though, of glassware of that kind.

Mr. DALZELL. There are enormous quantities.

Senator McLEAN. I should suppose the importations would be very large.

Mr. DALZELL. I shall show you later on when I come to discuss the paragraphs that cover this table glassware. The statistics

state it as bottles in one instance and in another instance they state it under paragraph 230, the catch-all clause.

Senator SUTHERLAND. Do you suppose the importations will be as much as the total domestic production in this country?

Mr. DALZELL. Hardly.

Senator SUTHERLAND. Half as much?

Mr. DALZELL. You can guess as well as I can.

Senator SUTHERLAND. I was wondering whether you had an approximate idea of it.

Mr. DALZELL. I have no idea because there have never been any statistics taken, and that is one reason why we appear here; we would like to have the paragraphs that are supposed to cover this class of goods so mentioned. There are very few bottles coming into this country.

Senator SMOOT. The tableware and bar glassware imported into this country for 1920 amounted to \$39,347. The rate of duty was 45 cents and we collected a duty of \$17,256.15.

Mr. DALZELL. Senator, I believe there was more than that came in almost every month of the year.

Senator SMOOT. Well, that is what the Government statistics say.

Mr. DALZELL. I have been inquiring about that. One of the Government experts said he did not think there was any reliance to be placed on those figures.

Senator McCUMBER. How do you account for that?

Mr. DALZELL. I believe glassware and bar glassware are not mentioned in the tariff, so what paragraph do they take it from?

Senator SMOOT. They take it under the 45 per cent rate of duty and under the same paragraph here as globes and shades for gas and gas lights, and chimneys for gas lamps, trimmings for same, chimneys for oil lamps. They are all separated, and as they come in here they are accounted for just the same as every other item of importation that comes into this country. They are taken under the tableware and bar glassware; and that is the amount of importations for the year 1920 that I have already stated.

Mr. DALZELL. Not much bar glassware came in during the year 1920.

Senator SMOOT. Then, we will say that it is all table glassware.

Mr. DALZELL. There was very much more than that. I was only giving you the information that was given to me by the Government experts.

Senator McCUMBER. Where did you get your information, Mr. Dalzell, that is not open to the Government?

Mr. DALZELL. We see it around everywhere. Our factories are all idle and have been since this spring. There is hardly a furnace making blown table glassware in operation at the present time in the United States.

Senator McCUMBER. I suppose these statistics are for the calendar year 1920 and that these importations have mainly come in since the calendar year 1920.

Mr. DALZELL. Yes, sir; they seem to be increasing every month.

Senator SMOOT. Even in 1918, the importations, all articles of every description, including bottles and bottle glassware, composed wholly or in chief value of glass, blown, either in a mold or otherwise,

not specially provided for in the paragraph under this section, amounted to \$381,898. Now, that includes everything, blown glassware of every kind.

Mr. DALZELL. That is during the war period, too.

Senator SMOOT. Yes; during the war period, and that is the highest that we have ever had.

Mr. DALZELL. You see, European glassware is all made in the war zone.

Senator SMOOT. Then, we will go back to 1913. The amount in 1913 was \$273,782; in 1914 it was \$775,908.

Senator WATSON. Have you the amount for 1920?

Senator SMOOT. No. This is for 1920 of table glassware and bar glassware alone.

Mr. DALZELL. I think, Senator, you are agreeing with me, only we are looking at it from different angles. Now, let me read you paragraph 230:

Stained or painted glass windows, and parts thereof; all mirrors, not exceeding in size 144 square inches, with or without frames or cases, and all glass or manufactures of glass or paste, or of which glass or paste is the component material of chief value, not specially provided for, 30 per centum ad valorem.

They tell us that practically all our glassware is coming in under that paragraph.

Senator SMOOT. Then, under this paragraph that I have just read here, blown glassware, including not only what you have read there, but of the brown as well and all not specifically mentioned and provided for in this section, the amount, as I say, for 1918 was \$381,898.

Mr. DALZELL. Can you tell me how much comes in under that paragraph?

Senator SMOOT. This is the whole of it, not only including what you mentioned but every sort of blown glassware, and the amount that I gave you in the first place was simply on the table glassware and the bar glassware, but this is the whole of the blown glassware.

Mr. DALZELL. Oh, there must be some mistake about it, either undervaluations or something else. There is something wrong.

Senator SUTHERLAND. Do you attribute the present idleness of your plants and other similiar plants to the influx of foreign goods?

Mr. DALZELL. Principally to that.

Senator SMOOT. Were there as many purchases of your goods in the last three months as there were three months a year ago?

Mr. DALZELL. No, sir.

Senator SMOOT. Is not that where the trouble comes?

Mr. DALZELL. No, sir; there have been more importations in the last three months than there were three months a year ago.

Senator SMOOT. That is one of the reasons why you are closed up.

Senator McLEAN. Your competition comes from Austria, in a large measure, does it not?

Mr. DALZELL. Czechoslovakia, Belgium, and Germany.

Senator McLEAN. They make very fine glassware and make it very cheaply, do they not?

Mr. DALZELL. Yes, sir; their labor is very cheap. Statistics that I have—I can not vouch for them myself—show that over there the labor cost on a hundred pieces was 5 cents. In this country on similar goods the labor cost was \$1.65. So you can imagine how much tariff we would need to meet that.

Senator REED. You do not think that is a correct statement, do you? I do not mean you have not told what you think is true, but do you think this report which you repeat to us could possibly be correct?

Mr. DALZELL. I know the fact is that their wages were much lower than ours in 1914, and they have practically cut their wages in half in United States money; and our wages have doubled.

Senator REED. Our wages have doubled; their wages used to be half of ours, and they have them now so that they would be one-eighth of ours; but, as you stated a moment ago, they were getting 5 cents and we were paying \$1.65.

Mr. DALZELL. On special goods. Our men only make so much. There are lots of things that they will make in three hours; that is, they work a turn in three hours.

Senator REED. Do you not think it would be well for them to work a little longer?

Mr. DALZELL. We would like it very much, but we can not induce them to do it. We work under union rules.

Senator REED. If the union rules of America limit the labor that a man can produce so that he can get it out in three hours' work a day, and we have come to that sort of a condition, do you think we ought to pass a law to make up for any inequalities in the cost of labor that is based upon that sort of a condition?

Mr. DALZELL. Well, there are conditions surrounding it that perhaps you would think ought to be tolerated.

Senator REED. I work about 16 hours a day myself.

Mr. DALZELL. The president of the glass workers' union was scheduled to appear here, and you can take it up with him. Perhaps you can be of some assistance to us, Senator.

Senator REED. I am not making any war on labor, of course.

Senator MCLEAN. Is the character of labor very intense?

Mr. DALZELL. It is, sir.

Senator REED. Let me ask you this: You spoke of the difference in wages. Do you think there ought to be a tariff to make up for the difference?

Mr. DALZELL. No. If we came here asking for something like that we would have to ask for a thousand per cent or more. We are asking for only 60 per cent.

Senator REED. There is no thousand per cent difference in the cost of labor, is there?

Mr. DALZELL. Yes, sir; there is more than that, between German labor, Czechoslovakian labor, and United States labor.

Senator REED. More than a thousand per cent?

Mr. DALZELL. More than 60 per cent, I said.

Senator REED. I thought you said you would have to ask for a thousand per cent.

Mr. DALZELL. On most items; yes, sir. On lots of things we are paying in wages ten times as much as they are.

Senator REED. Do you think the difference in wages ought to be made up by a tariff?

Mr. DALZELL. I do not think we ought to ask the American workingman to work on wages that they pay every day over there and ask him to live under their standards. I believe in maintaining the American standard of living.

Senator REED. You would apply that to all of the American labor the same as you would in your own business, of course?

Mr. DALZELL. Certainly.

Senator REED. There is no American labor that you know of that does not get more than the labor abroad, is there?

Mr. DALZELL. No.

Senator REED. That means, then, that we have to have protection on everything?

Mr. DALZELL. Yes, sir.

Senator REED. Then how are we going to do any business with the world at all?

Mr. DALZELL. We make goods that they can not make elsewhere. Take our factory alone. We manufacture this blown ware and we also manufacture pressed glass, but they do not manufacture pressed glass in Europe to amount to anything. We do not ask you to make any special tariff on pressed glass because it is American ingenuity, and we export this pressed glassware, on which only a minimum amount of labor is required, to every civilized country on the globe; but some pressed glassware is imported which requires a large amount of labor to manufacture.

Senator REED. Part of this stuff that you compete with that comes from abroad is the result of foreign ingenuity, is it not?

Mr. DALZELL. Not any more than our own. We have as skilled workmen as there are in the world in the glass industry, and we can produce anything that other factories can, and we do produce the equal of any glass made in the world.

Senator McCUMBER. I would suggest to the witness that the time allotted to him has about expired.

Senator WATSON. He has not even gotten started yet.

Senator McCUMBER. I hope, then, we will allow him to finish in a short time, as there are a great many other witnesses yet to be heard.

Senator REED. I know; but, Mr. Chairman, I might as well say now, that, so far as I am concerned, if I sit on this committee a man is not going to be permitted to come in here and state his side of the case and the members of the committee not be permitted to get light from him. If you are going to have that sort of a hearing, we might as well adjourn.

Senator McCUMBER. I will say to the Senator that the matter was taken up some time ago and a resolution was passed by the committee limiting the time of each witness to 15 minutes. The hope was, of course, that the witness would be given as much of that time as possible to present his own case rather than having the time consumed by argument, and the present acting chairman is simply attempting to carry out the desires of the committee. The number of witnesses which are listed for each day's hearing are set down to conform to a schedule of 15 minutes for each witness.

Senator REED. Well, that may be, and I do not care to have any differences over it; but nothing can be conceived more ridiculous than a hearing where parties come in to present their side and no questions are permitted to be asked them. I can prove any case in the world if you will let me put my witnesses on in that way.

Senator McCUMBER. I think if we would follow the rule of allowing a witness to present his case first and delay our questions until he has gotten through, we may then find that possibly many questions have been answered and we will thus gain much time. I know every

Senator desires to expedite matters, and if we are going to give hearings on all these subjects to almost all who request hearings, we will have to limit the time of the witnesses or we will never get the bill reported.

Senator SIMMONS. I was not here when the rule was made, but I thought a proper conception of the rule was to give the witness 15 minutes to state his case and then not confine members of the committee to any definite time for cross-examination. Mr. Chairman, I think these hearings will be worth mighty little if these parties are permitted to come in and make their statements without any interrogatories on the part of the members of the committee. We might desire to develop certain facts as a test of truth.

Senator McCUMBER. The Senator can see that it is impossible for anyone to just say this half minute was taken up by the witness and the other half minute by a Senator in asking questions and keep any record of that kind.

Senator SIMMONS. What I had in mind was that we would let the witness go on for 15 minutes and then his statement would be concluded and any Senator could then ask him questions.

Senator McCUMBER. Even in that case we would have to have just half as many witnesses. But go ahead, Mr. Dalzell, and try and present your case.

Mr. DALZELL. We will take up paragraph 217.

Senator SMOOT. To complete my question—you need not answer it—the Government information says on the manufacture of blown and pressed glassware, consisting of blown tumblers, stem glassware and bar goods, lamps and lamp chimneys, cut glass, pressed jelly tumblers, and goblets, the production value was \$30,279,290 in 1914, increasing in quantity 16 per cent and in value 87 per cent in 1917. The value in 1918 was \$649,346. I just wanted to show that that is the information the committee has from the department.

Mr. DALZELL. There is one part of paragraph 217 with which we agreed, and it is what we think was intended—"Provided further, That the terms 'bottles,' 'phials,' 'jars,' 'demijohns,' and 'carboys,' as used herein, shall be restricted to such articles when suitable for use as and of the character ordinarily employed as containers."

Now, that is good. But at the beginning of the article it mentions "plain green or colored, molded or pressed, and flint, lime, or lead glass bottles," etc. That part of it is contradictory. That takes in the very best class of bottles that is made in the United States or abroad. We think that should be eliminated so as to confine it to the other paragraph and not have the paragraphs contradictory.

Senator WATSON. Confine it to what other paragraph? You mean confine it simply to the proviso?

Mr. DALZELL. No. Cut out the first line and the word "lead"; then start the paragraph with the words "glass bottles, vials, jars, and covered and uncovered demijohns." That is all we are asking on that; cut out the words "molded or pressed, and flint, lime, or lead."

Senator REED. May I ask a question. Would that cover goods that you can manufacture and ship abroad?

Mr. DALZELL. Some of it; yes, sir.

Senator REED. Well, you do not want a tariff on something that you can manufacture and ship abroad?

Mr. DALZELL. We do not want that. We want that cut out.

Senator REED. That is what you are asking to have cut out?

Mr. DALZELL. Yes, sir.

Senator SMOOT. It is the exact wording, however, of the Payne-Aldrich bill, and you want that cut out?

Mr. DALZELL. Yes, sir. We would like to have added the words "not to include bottles for table service use or thermos bottles," because we have been informed that they are coming in under that paragraph on account of the wording of it.

Senator DILLINGHAM. Where should that come in?

Mr. DALZELL. It should come in under paragraph 218. Now, I am through with paragraph 217. You will notice that paragraph 217 covers bottles. We come again to paragraph 218 and that is bottles. Where is table glassware? We have always been told that this is in paragraph 218 and the corresponding paragraph in the Underwood bill and the corresponding paragraph in all tariffs in recent years were for goods that we manufacture; but table glassware is not mentioned and bottles are repeated. We would like to have paragraph 218 changed from bottles to table glassware, and all articles of every description, not specially mentioned elsewhere, so that we can have intelligent statistics on table glassware.

I have discussed the matter with your experts and they tell me that this paragraph 218 is extended to and does cover not only decorated glassware but undecorated glassware. You will find in our brief that we have suggested that paragraph 218 remain just about as you have it; but in another paragraph, number 218<sup>1</sup>, we would call for undecorated ware, because all undecorated ware is thrown into paragraph 230 whenever there is a decision in the courts. That is the only way we know of that. The courts decided under paragraph 230. Instead of 45 per cent under the Underwood bill it is 30 per cent. There is no warrant for claiming that, because the court has said that the appraisers can not add one word or change the sense in any way. When you folks get through that is the end of it and they have to take it just as it is worded.

Further down in that paragraph it states: "*Provided*, That the foregoing containers of merchandise," etc. Your experts agree with us that all this glassware if it is not containers of merchandise it is not covered. There is one word left out there; that is the word "if." If it read: "*Provided*, That the foregoing if containers of merchandise," etc., it would make the paragraph of some account to us.

I will say that these paragraphs have been used for I don't know how many tariffs. It was back in the McKinley tariff. An occasional word has been dropped out, which makes them jokers. We are charged with getting a high rate of duty, but we are not. We are only getting a small rate of duty.

Senator SMOOT. If they are containers, I do not see what the difference is.

Mr. DALZELL. They are not containers.

Senator SMOOT. Then this does not apply. If you use the word "if" there, it would not apply.

Mr. DALZELL. We would like to have that reworded so as to cover this business.

Senator SMOOT. I think that is what is intended.

Senator SUTHERLAND. The language that he points out refers to the foregoing as though all articles were containers, whereas they are not all containers.

Senator SMOOT. Then it does not apply. It applies to containers as written.

Senator SUTHERLAND. It is clearly intended to cover them if they are containers.

Senator SMOOT. It is the same thing.

Senator SUTHERLAND. I beg your pardon, but it is not the same thing. It does not seem to me to be the same thing, nor does it seem to the appraisers or the courts.

Have the courts construed that along the line of your argument, Mr. Dalzell?

Mr. DALZELL. I understand the appraisers have, but they have never carried it to the courts because the courts say, "You have to take the bill as written by Congress and use the wording as it is; you can not add a word or leave one out." So what is the use of taking it to court?

Senator SMOOT. The basis of the ad valorem rate in this bill is that it is on content. If you will read the whole thing you will not want to put "if" in there. It says, "the foregoing containers of merchandise subject to an ad valorem rate of duty"—that is the qualification. Then it continues, "or to a rate of duty based in whole or in part upon the value thereof." Containers may come in with different articles of merchandise in them. It is only the containers.

Senator SUTHERLAND. But he states that unless these items are containers they are not covered. That is a condition and not a theory.

Senator McLEAN. His idea is that if they come in empty they do not get protection; is that right?

Mr. DALZELL. That is right.

Senator McLEAN. You are clearly right about that, as I read it.

Senator SMOOT. That is not the intention of the law.

Mr. DALZELL. We would like to have it brought up to the present day.

Senator DILLINGHAM. Have you made a draft of what you would like in your brief?

Mr. DALZELL. Yes.

Senator McLEAN. We will give that attention.

Mr. DALZELL. I have talked to your experts here. They said they would get together and go over it again a little later. They said that they would go over it when they had more time. They thought they could change this wording so as to make it stronger, if that was the wish of the committee—even stronger than I have made it.

Senator McLEAN. It would help if it were clear as to what it embraces.

Mr. DALZELL. Yes; it would be wonderfully improved. Now, the difference between the rate in paragraph 230 and in 218—

Senator SMOOT. What experts have you reference to? I am asking so that we can send for them.

Mr. DALZELL. The name of one is Mr. Davis, I believe.

Senator SUTHERLAND. Have you anything further?

Mr. DALZELL. Yes; paragraph 230. That is intended, as you can see, for stained and painted glasses or painted glass windows, and parts thereof; all mirrors, not exceeding in size 144 square inches,

with or without frames or cases, etc. We think that should be confined to sheet or plate glass, so that our own paragraph would be the "catch-all" clause.

Senator SUTHERLAND. Have you suggested the wording of that paragraph also in your brief?

Mr. DALZELL. Yes, we have.

Senator SMOOT. That is to give you a greater rate of duty?

Mr. DALZELL. Yes.

The Fordney bill provides for only 40 per cent ad valorem duty. We asked for 60, on account of the difference in wages paid in the United States and the wages paid in Europe and Japan, and so on. Anything less than 60 per cent will not be sufficient, even under the American valuation. Under American valuation, paragraph 402, it provides for "comparative and competitive."

Senator SMOOT. That has been changed entirely.

Mr. DALZELL. It has?

Senator SMOOT. Yes.

Mr. DALZELL. It says "comparative and competitive."

Senator SMOOT. That is out entirely.

Mr. DALZELL. If it were "comparative or competitive," it would help.

Senator REED. May I ask you one question on the point you were discussing?

Mr. DALZELL. Yes.

Senator REED. You get 40 per cent under the old law or under the present law, do you not?

Mr. DALZELL. Under the old law?

Senator REED. Well, what do you get under the present law?

Mr. DALZELL. 45 per cent.

Senator REED. And under the Fordney law you get 40?

Mr. DALZELL. Yes, 40.

Senator REED. And you want 60 per cent?

Mr. DALZELL. Yes, 60 per cent.

Senator REED. And 45 per cent was levied upon the European valuation, was it not?

Mr. DALZELL. Yes, sir.

Senator REED. The 40 per cent was contemplated to be upon the European valuation, was it not?

Mr. DALZELL. Yes, sir.

Senator REED. And you want 60 per cent on the American valuation, do you not?

Mr. DALZELL. Yes; 60 per cent on the American valuation.

Senator REED. What is the difference between the European valuation and the American valuation to-day?

Mr. DALZELL. Well, I am not thoroughly posted on that.

Senator REED. You are asking for 60 per cent. You say that is what you want. Therefore, you ought to be able to give us some idea of it.

Mr. DALZELL. I can give you a particular case.

Senator REED. Couldn't you tell us, in your line of business, speaking generally of it, whether it is twice as much or three or four times as much?

Mr. DALZELL. On the average our labor costs four times over foreign competitors' cost of labor.

Senator REED. Four times?

Mr. DALZELL. In some instances, yes.

Senator REED. Then, if we give you four times as much, or rather if we base our tariff upon a value which is four times higher than the European value, you would have a 240 per cent tariff on the European valuation, whereas you were doing business under a 45 per cent tariff.

Mr. DALZELL. The war was helping us out.

Senator REED. We will take before the war.

Mr. DALZELL. In 1913 and 1914 we were not doing very much.

Senator REED. What were you doing in 1909, 1910, 1911, 1912, and so on?

Mr. DALZELL. We had 60 per cent.

Senator REED. All right. You are asking 240 per cent protection as against 60 per cent protection under which you did business at a great profit.

Senator MCLEAN. He is only asking for 60 per cent now.

Senator REED. He is asking for it based upon the American valuation, which is four times as high as the European valuation.

Is it your idea—and I want to get your idea—that the tariff should be so high as to keep out all foreign goods in your line?

Mr. DALZELL. Oh, no, sir.

Senator REED. Are you willing to have the tariff fixed so that there shall be an actual and potential competition in this country between your goods and foreign goods?

Mr. DALZELL. Yes, sir.

Senator REED. On all lines?

Mr. DALZELL. Yes, sir.

Senator REED. And do you think you have to have 240 per cent on the European valuation to continue to compete?

Mr. DALZELL. At the present time we need that.

Senator REED. I will ask you this further question. You have spoken about the closing of plants and the closing down of sales. That has been practically universal to some degree throughout the entire country. It has not been true to the same extent in all cases, but a diminution of business in every line in the United States in the last eight or nine months has been going on; that is true, is it not?

Mr. DALZELL. I think so.

Senator REED. Prices went down on farm products to less than half what they were during the war. Retail stores are forced to reduce prices, so that sales and business generally have been somewhat slack. Are you considering that? Don't you think that element should be considered in your business, too?

Mr. DALZELL. We are paying the highest peak of wages. The workmen will not consent to a reduction in wages.

Senator REED. Let us see about that. They may have to consent some day. I am trying to get at this point: In speaking of the fact that your plants have been closed down and that you are charging it up to competition from abroad, is it not at least in part due to the general depression in this country?

Mr. DALZELL. Yes. But we hear of more importations of glassware this year than ever before in my experience.

Senator REED. I thought that Senator Smoot produced the figures.

Mr. DALZELL. I say we hear.

Senator REED. Of course, the records show that.

Senator WATSON. We have no figures for 1921.

Mr. DALZELL. It is worse this year than in 1920.

Senator WATSON. Did Senator Smoot give the figures for 1921?

Senator SMOOT. I did not give them, but they are here for that year, in part at least.

**BRIEF OF THE AMERICAN ASSOCIATION OF FLINT AND LIME GLASS MANUFACTURERS (INC.), PITTSBURGH, PA.**

Acting as a committee representing the American Association of Flint and Lime Glass Manufacturers (Inc.) of Pittsburgh, Pa., having for its membership 93 glass manufacturers engaged in the production of table glassware, as covered by Schedule B of the tariff act of October 3, 1913, we beg to submit the following for consideration:

Our objections to paragraph 217 are as follows: We approve the following: "*Provided further*, That the terms 'bottles,' 'vials,' 'jars,' 'demijohns' and 'carboys' as used herein, shall be restricted to such articles when suitable for use as and of the character ordinarily employed as containers for the holding or transportation of merchandise"; but the first of the paragraph, "plain green or colored, molded or pressed, and flint, lime, or lead" is objectionable, because that is contradictory to the above that we mention as approving, so we have eliminated it in the paragraph we suggest as a substitute, because with that wording of the paragraph it included every glass bottle that can be made, and is therefore contradictory. We have added "and not to include bottles for table service use or thermos bottles." Bottles for table service use are bottles used in hotels and restaurants and include water bottles, oil bottles, vinegar bottles, salt bottles, pepper bottles, etc.

Paragraph 218: The table glassware manufacturers have always been told that this was their paragraph, designed to cover goods they manufacture. Statisticians give bottles credit and all goods that come in under this paragraph because it begins with "bottles." We have changed it and started it off with "table glassware," and bottles are only mentioned incidentally, and, of course, would include bottles when decorated. Paragraph 218 is designed to cover decorated and ornamented glassware. We can see no force in mentioning colored cut, engraved, etched, frosted, gilded, ground, painted, printed in any manner, sand-blasted, silvered, or stained, but to cover the same broadly (when decorated or ornamented in any manner).

We have added a new paragraph that we call "paragraph 218½" to cover table glassware that is not decorated or ornamented in any manner, not specially provided for, for the reason that in former and present tariff table glassware that is undecorated has always been classed in paragraph corresponding with paragraph 230, the "catch-all clause," and all that glassware is credited by the statisticians to stained or painted glass windows. The net result of this is that no one knows what table glassware is being imported from the statisticians reports, but we manufacturers know that there is a very large volume of it constantly being imported and will continue.

Paragraph 230: We have eliminated, "or of which glass or paste is the component material of chief value, not specially provided for," and have substituted "or of which sheet or flat glass or paste is the component material of chief value, not specially provided for."

*Rates of duties.*—The table glassware manufacturers will not make any suggestions as to the rates of duty in paragraph 217. You will have recommendations from the American bottle manufacturers as to that. As to paragraphs 218 and 218½, it will be absolutely necessary to have a higher rate of duty on this glassware than that provided under the Payne-Aldrich tariff, for the difference between wages paid by the American manufacturers and wages paid by our foreign competitors has been trebled. In this country it is not permissible to use child labor of any kind in making glass; whereas, abroad it is customary to make use of such labor for certain processes. We have to employ men to do the work formerly done by children and have to pay corresponding high wages. The difference of the wages paid by American manufacturers and our foreign competitors ranges from 7 to 10 times greater and our pay roll is more than 50 per cent of our selling price.

H. R. 7456, paragraph 75. Potassium: Carbonate (chemical used very extensively in the manufacture of glassware) provides for 25 per cent ad valorem and that for a period of five years, beginning on the day following the passage of this act, there shall be levied, collected, and paid on all the foregoing an additional duty of 15 per cent ad valorem, so that is equivalent to 50 per cent when the ocean freight is added, and will be a very heavy increase to the American manufacturers of glassware. The chemical

they use is hydrated carbonate of potash, and the members of the association we represent use annually between four and five thousand tons, most all of which comes from Germany. Before-the-war price was less than 4 cents per pound, f. o. b. New York; during-the-war price was advanced to 80 cents per pound, because there was none produced in the United States or elsewhere other than in the war zone. Congress on several occasions has appropriated money, trying to develop potash industries, but we have not heard of any hydrated carbonate of potash being manufactured in the United States being placed on the market. Heretofore, hydrated carbonate of potash has always been on the free list, but the new bill provides the above rate of duty.

New York City importers have boasted that the American table glassware factories would have to shut down once German glass could be shipped here, no odds how high rate of duty the new tariff bill contains, for the reason that they have such an advantage over us in the difference of wages paid. We pay a much higher rate of wages than they formerly paid when both countries' money was on a gold basis. We continue to pay on a gold basis, and while they are paying a somewhat higher rate of wages, on account of it being in paper marks, they actually pay a very much lower wage than they ever paid before. There is a great deal of truth in their statement, because they always did import large quantities of table glassware to the United States, and to-day they are in better shape to import table glassware than they ever were, and the American glass factories are all closed down, largely due to large importations of competitive goods at ridiculously low prices.

We approve of the American standard of valuation, but we shall need that on top of a high duty rate to in a measure overcome the vast difference in wages paid workmen in foreign countries as compared with ourselves.

The value of the entire production of this branch of the industry is, approximately, over \$100,000,000; the number of skilled workmen employed in this industry is, approximately, 7,000; the number of unskilled help employed is, approximately, 30,000. The approximate wages paid to labor is about \$55,000,000.

We claim our industries should have special consideration and higher duty rates, because more than 50 per cent of the price we sell our product at is in the pay roll and the other half is composed of fuel, material, general incidentals, taxes, and a small profit.

Table glassware is a production of manual labor. There is no possibility of quality glassware being made by machinery. Machines will make common run but not such as American families and hotels will use for table service.

The American table glassware manufacturers and their workmen are as capable of producing the best grades of glass as any foreign manufacturers. The rates we ask are not unreasonable but are absolutely necessary to enable us to pay American standard of wages to our workmen. Lower rates will not. And, permit us to emphasize, we have never had rates of duty high enough to pay wages equivalent to other artisans in America and low duties and low wages will keep young American men from learning this trade.

### GLASS BOTTLES.

[Paragraphs 217 and 218.]

#### STATEMENT OF JAMES MORRISON, TOLEDO, OHIO, REPRESENTING THE NATIONAL BOTTLE MANUFACTURERS' ASSOCIATION.

Senator SMOOT. Do I understand that you will speak for Mr. Porter and Mr. Stevenson?

Mr. MORRISON. Yes, sir. Mr. Chairman and gentlemen, with the gentlemen who are here with me I am representing the National Bottle Manufacturers' Association. I myself am directly connected with one of the companies as division sales manager of the Owens Bottle Co., Toledo, Ohio. We are here in connection with Paragraphs 217 and 218.

The bill as prepared in the House provides for certain specific rates on bottles and a 28 per cent ad valorem duty. The specific rates, when figured out, would amount on the present day market value of bottles, equivalent to 28 to 30 per cent; so there is really no difference based upon to-day's market price between the specific rates and the ad valorem rates.

The bottle industry is a part of a very big industry in this country. The glass industry is one of the major industries, and is a business that requires very considerable skill. It takes from two to six years to train the labor, and it is all high-priced labor. The prices of labor to-day are particularly high, and will no doubt continue high for some time. Workmen are resisting all efforts toward reductions, and I think it will be a long time before wages get back to anything approaching—if they ever will approach—the standard of four or five years ago.

Senator SMOOT. Do you want this 28 per cent increased?

Mr. MORRISON. We would like to see the rate made 60 per cent.

Senator SMOOT. You think that would be reasonable, do you?

Mr. MORRISON. We do think it would be reasonable. We are quite convinced that there are conditions developing that will make that probably not adequate, in view of the competition that we are encountering from both Germany and Japan. I had a little bottle that I brought up here as an exhibit, but it disappeared very quickly.

Senator McLEAN. It must have had something in it.

Mr. MORRISON. No; it happened to be an empty one, Senator.

Here [producing a bottle] is a bottle the present American selling price of which is \$2.15 without a cap. I saw a letter this morning dated July 14 from Kobe, quoting that bottle at 86 cents a gross, laid down in New York. The blowers' wages alone almost equal 86 cents on that bottle.

Japan is coming forward as a very active competitor in glass of all kinds, particularly bottle glass. We are going to feel the effect of that competition more and more, and we feel quite certain that we will be able to adjust the affairs of the industry to meet that competition, provided that we are given something like a fighting chance against them.

Senator McLEAN. What will 60 per cent ad valorem duty add to the cost of that bottle?

Mr. MORRISON. Sixty per cent based upon a \$2.15 price would be \$1.20, which would be added to that 86 cents—

Senator McLEAN. That bottle is used largely by druggists, I suppose?

Mr. MORRISON. Used largely by druggists. The price I gave you is a carload price. We sell these bottles almost invariably direct to users. There are very few of them sold to jobbers; \$2.15 would about represent the prevailing price. You are all familiar with Bayer's aspirin tablets. They are put in that identical bottle. The price of the bottle is \$2.15.

The wages of the workmen in the bottle industry run about \$22 to \$25 per week for the unskilled. The skilled workmen draw from \$35 to \$40 per week. Considering the class of labor, that has never seemed to me to be too high. It is quite certain that we will never get it very much lower if we intend to maintain the class of skill required in the glass industry. I think we are far in advance of all the foreign countries in the making of useful glass of all kinds. Decorative glass is probably a little in advance of us. We have attained that position because we have been careful in the selection of the young men, trained in the art, and we have made the industry attractive for them. So long as we can do that we think that with

proper tariff assistance we can maintain our supremacy in the American market.

Senator McLEAN. How do present prices compare with the prices a year ago?

Mr. MORRISON. I will cover that a little more broadly, Senator, if you wish. Take the range from 1915 to to-day. The increase has been about 120 per cent over 1914-15 prices. At that time the prices were extraordinarily low; 120 per cent would represent about the increase from 1914 to to-day. As compared with a year ago the prices are 20 per cent higher than they were, but are now tending downward. There has been in the last several months a noticeable reduction in price. There will be further reductions, because we realize that in order to make the use of bottles and glass packages attractive we have got to keep the price down to a point that will make their use attractive to the people who desire them.

Senator DILLINGHAM. Are you paying the same wages that you paid during the war?

Mr. MORRISON. There has just been concluded at Atlantic City a series of conferences between workmen and manufacturers on the question of wages. In 80 per cent of the different brackets, the different classes of labor, we failed to reach any agreement whatever. The workmen in some cases demand still higher wages than they have been receiving, and in some other cases they demand the same and are resisting any effort to lower them. In a few cases they submitted to some reductions, in the largest case, I do not think, exceeding 15 per cent.

Senator DILLINGHAM. How do the wages now compare with the wages you paid immediately preceding the war?

Mr. MORRISON. They are considerably higher now. I do not know that I have the figures, but I will say that they are probably 80 per cent higher. I give that as an estimate.

We understand from the best information we have—we are not in position to give you a definite figure on it, but Mr. Clark, the president of the American Flint Glass Workers' Union, completed a four months' trip through Germany, Austria, Czechoslovakia, and other foreign countries, looking into the question of wages and investigating wages from the workmen's point of view, not from the manufacturers' point of view. From him we have the information that the wages in those countries for this class of work run from \$3 to \$5 per week expressed in American values, as compared with our wages of from \$25 to \$40 per week.

Labor is a very large part of any glass article, because it follows all through the raw materials which invariably come out of a hillside. It costs nothing at all to put them there. The only cost is for the labor in getting them out, and then the labor on the completed raw product.

In the case of a bottle, just to illustrate how these differences in price would operate, the selling price in this country to-day of a 16-ounce bottle is from \$6 to \$7 per gross. Their costs will run from \$5.50 to \$6.50. If plants are running full—that is to say, up to 85 or 90 per cent of capacity—profits would run around 15 per cent.

In Germany and the other countries I have mentioned, from the best figures obtainable, the same bottle would cost from \$1.10 to

\$1.40 per gross. If we add the 28 per cent duty proposed in the House bill to the present selling price of that bottle, we would find a total cost, laid down in New York, of \$4.32 per gross for a 16-ounce bottle that is costing us from \$5.50 to \$6.50 per gross.

What is true of the countries I have mentioned is true also of Japan. Somehow—I do not know whether it is personal with me or whether I feel differently on this subject from some—somehow I fear the Japanese more than I do the other countries mentioned, because they do some things a little differently there. The Japanese catalogue prices are fully 50 per cent lower than the prices quoted in this country. The illustrations are copies, almost altogether in their entirety, from American catalogues. In other words, they come into this country and pick up catalogues of American business and catalogue them, and then come in and quote below us on the things that we in this country have created.

Mr. Chairman, I do not think I need to take up more of your time. I have here a brief that I will leave with the committee.

**BRIEF OF JAMES MORRISON, TOLEDO, OHIO, REPRESENTING THE NATIONAL BOTTLE MANUFACTURERS' ASSOCIATION.**

The bottle industry of this country is very much concerned with the inadequate rates proposed in Schedule 2, paragraphs 217 and 218, in H. R. 7456.

The specific rates provided for in paragraph 217 are with two exceptions only equivalent to less than a 30 per cent ad valorem, so that the net effect of this paragraph is practically to make the 28 per cent ad valorem rate apply to all bottles. A 28 per cent ad valorem duty will not protect the bottle industry.

Foreign competition in the bottle industry comes from two main sources. First, Germany, Austria, and Czechoslovakia, the industrial conditions in all three countries being so nearly alike that they may be considered as a unit from competitive standpoint; and, secondly, from Japan.

Wages in the bottle industry of this country average from \$35 to \$45 per week for skilled labor and from \$22 to \$27 per week for unskilled labor, making a total average for the industry as a whole of from \$25 to \$30 per week. The wages of skilled labor in Germany, Austria, and Czechoslovakia do not amount to more than \$6 or \$7 per week, the wages of unskilled labor amount to from \$3 to \$4 per week, making an average for the labor as a whole of from \$4 to \$5 per week. Our authority for these statements rests upon a report prepared by W. P. Clark, president of the American Flint Glass Workers' Union, who made a special trip to Germany, Austria, and Czechoslovakia this spring for the purpose of investigating glass-workers' wages in these countries.

Labor is an exceedingly important part of the cost of a bottle, but the raw materials which enter into the manufacture of a bottle—namely, lime, sand, soda ash, and coal—are all very much more expensive here than they are abroad, owing to the fact that the cost of these raw materials, which next to labor are the most important factors in the glass cost, are built up largely from labor, and the cost of these commodities is lower abroad in about the same proportion as foreign wages are lower than our wages.

As total costs depend finally upon the sum of all of the labor costs which have entered into the raw materials and the final fabrication of the article in question, it is evident that Germany, Austria, and Czechoslovakia are able to produce glass for about one-fifth to one-sixth of our American cost. Let us see how this will work out on a definite bottle.

For the purpose of illustration let us take a pint bottle. The selling price in this country to-day is between \$6 and \$7 per gross. Our domestic cost runs from \$5.50 to \$6.50 per gross. Based on the relation between the earnings of American labor and German labor it is evident that this bottle can be produced in Germany, Austria, and Czechoslovakia for from \$1.10 to \$1.40 a gross. Let us estimate then that with profit added the foreign selling price would be about \$1.50. To this we would have to add duty and ocean transportation. On the basis of the duty suggested in H. R. 7456, paragraph 217, this duty would be 28 per cent on the average American valuation of \$6.50, equivalent to \$1.82. Add this to the foreign cost of \$1.50 and we have

\$3.32. Let us add \$1 for ocean freight, insurance, etc., and we have a cost of \$4.32 a gross laid down in New York.

It is absolutely impossible for the American manufacturer to sell on anything approaching this price and live. Already firm quotations on German-made bottles in about this ratio have been made in this country and these quotations are only a preliminary index of what will happen if the present rate as proposed by the House of Representatives goes into effect.

Let us now consider the case of Japanese competition. Japan is becoming exceedingly active in the manufacture of bottles and is at the present time exporting considerable quantities to England. They are now beginning a drive to secure business in this country. Quotations are being furnished American importers and jobbers in large numbers and considerable quantities of Japanese ware have already made their appearance on the American market. Japanese wages are even lower than the wages paid in Germany, Austria, and Czechoslovakia.

As an example of Japanese competition, let us call your attention to a firm quotation recently made by a Japanese export house on a tablet bottle, sample of which has been handed to your committee marked "National Bottle Manufacturers' Association Exhibit A." This bottle is quoted without cap and cork at 86 cents a gross, c. i. f. New York. The American selling price is about \$2.15 and the American cost around \$1.85. If the 28 per cent ad valorem proposed in H. R. 7456, which amounts to 60 cents, is added, we see that the selling price of this bottle laid down in New York is \$1.46 as compared with the American cost of \$1.85. It is evident that it is impossible for the American bottle manufacturer to meet this competition. In other words, gentlemen, the bottle industry of this country will be seriously curtailed in the same way as the toy industry has been if we can not secure through the tariff adequate protection against these German, Austrian, Czechoslovakian, and Japanese bottles.

To protect the industry adequately, we should have at least a 60 per cent ad valorem duty in paragraph 217 and a 60 per cent ad valorem duty in paragraph 218, and even with these percentages we do not believe that the industry will be protected unless the principle of American valuation is adopted.

We believe that the amount of capital and the number of men employed in the bottle industry of this country entitle us to your careful consideration. For your information we submit the following figures bearing upon the size and importance of the industry:

#### *Employees.*

Number of employees at normal capacity, average.....	32, 051
Wages of employees, average year.....	\$30, 000, 000

#### *Size of industry.*

Capacity, gross of bottles per year.....	25, 000, 000
Actual production, average year.....	21, 775, 000
Approximate value.....	\$108, 875, 000

One further point which we wish to urge very strongly on your consideration is our approval and appreciation of the action of the House in excluding all articles of glassware covered by paragraphs 217 and 218 from the free list, as now allowed by paragraph 573 of the tariff act of October 3, 1913. Prior to the war practically no glassware for chemical and scientific uses was made in this country, owing to the fact that chemical and scientific glassware intended for the use of educational institutions was admitted free. This practically meant that all scientific and chemical glassware was admitted free.

During the war our industry developed and built up the manufacture of a complete and exceedingly high-grade line of chemical and scientific glassware, which freed us from the domination of foreign manufacturers in this important matter. Since the war, however, foreign manufacturers have again come into the market, and the industry which we built up during the war is being rapidly wiped out. The exclusion of these articles from the free list, as provided by the House, will enable us to make up the ground we have lost in the last three years and to maintain and develop further this important branch of the industry. We believe you will agree with us that it is vitally essential to the public welfare that America should have a strong and well-developed scientific and chemical glass industry.

Coming back to the main consideration, then, we urge you to earnestly consider what is going to happen to our industry unless your committee affords us the relief that we ask. We believe that unless your committee does afford us this relief that

this great industry is going to be seriously curtailed, that the capital invested in the industry will be destroyed, that the men whom we are now employing will be thrown out of employment, and that we will become dependent upon foreign sources for our supply of bottles.

Knowing that you and your committee desire to protect American industry and to conserve the capital and employment which our industries now use and furnish, we feel safe in leaving our case in your hands.

### GLASSWARE (ILLUMINATING).

[Paragraph 218.]

#### STATEMENT OF NICHOLAS KOPP, PITTSBURGH, PA., REPRESENTING ILLUMINATING-GLASS MANUFACTURERS.

Senator McCUMBER. Will you give your full name?

Mr. KOPP. My name is Nicholas Kopp. I live in Pittsburgh. I represent about 26 manufacturers of illuminating glass.

Senator McCUMBER. Whom did you say you represent?

Mr. KOPP. I speak in behalf of about 26 manufacturers of illuminating glass.

Senator WATSON. What is the paragraph?

Mr. KOPP. Paragraph 218. We are not listed now as such. There is a great deal of contention on account of that. We believe that there are a great many importers who would like to have better statistics.

The capital invested in our branch is \$20,000,000. We produce about \$25,000,000 worth of glass. We pay for labor \$12,500,000; for material about \$5,000,000; for coal about \$2,500,000.

Senator REED. What did you say your capital is?

Mr. KOPP. \$20,000,000.

Senator REED. And you produce what?

Mr. KOPP. \$25,000,000 worth of glass.

Senator REED. And how much is the labor?

Mr. KOPP. \$12,500,000.

Senator REED. What was the rest?

Mr. KOPP. Material, \$5,000,000; coal, \$2,500,000.

There is about 20 per cent left for overhead, sales costs, taxes, and all those things.

Senator WATSON. What is illuminating glass? What is it that you want specially classified?

Mr. KOPP. In the last 20 years we have made improvements in illuminating glassware in the scientific and artistic line. I have some pictures here, if you care to see them.

Senator WATSON. No; you can tell us about it.

Mr. KOPP. We make shades, globes, reflectors, bulbs, and so on.

Senator SMOOT. Have you any idea what the importations were for 1920?

Mr. KOPP. No.

Senator SMOOT. I will tell you. They were \$7,951.

Mr. KOPP. Yes. If you look at this industry from the American point of view you will find we have been thoroughly investigated by the Government and that we do not show an excessive profit. It costs only about \$25,000,000 to the people, or a little over 25 cents per capita.

Senator WATSON. In what countries are they making this glassware? I mean the countries with which you are in competition.

Mr. KOPP. Czechoslovakia, Germany, Belgium, and some in France.

Senator WATSON. The same kind that you make?

Mr. KOPP. Yes, sir.

Senator WATSON. What were the imports in 1921?

Mr. KOPP. I can not say.

Senator SMOOT. I will tell you.

Senator McCUMBER. While Senator Smoot is looking that up, you may proceed.

Senator REED. Just what is your contention? I did not catch it at first.

Mr. KOPP. As conditions exist to-day, they can pay the present duty and lay it down here for one-half of our labor cost.

Senator McCUMBER. Why are they not doing it now?

Mr. KOPP. Our price is higher. They get paid about half of what we get paid. They will do it more every day, but there is not a big demand for it just now.

I have tried to analyze the situation and give my views on it.

We have two main requests in our brief:

First, a special classification for illuminating glassware under Schedule B; and

Second, a duty equal in amount to the difference in the cost of labor between the United States and Europe and Japan or other countries.

Our reason for the first request is that on account of the great development in the glass industry in general, in volume, process, and variety, during the last 40 years since the present tariff classification was entered in Schedule B, it is a fallacy to continue to list every kind of glass under bottles, jars, etc., when these bottles, jars, window glass and other items are now mostly made by automatic machinery and form by far the greater portion of the volume and value of the total products of the glass industry.

For this reason such goods are in a different position than the handmade goods, hence we have prepared a special classification for illuminating glassware and ask that you give it a place under Schedule B.

Our reason for the second request for a duty equal in amount to the difference in labor cost is based on facts and figures our representatives have recently obtained in the various countries of Europe.

While in the illuminating glassware branch of the industry we also show great progress and development, it is, however, more apparent in the scientific and artistic direction. Our goods are produced by highly skilled as well as artistic labor, and hence we are more directly affected by the difference in cost of such labor between the United States and Europe, Japan, and especially Germany and Czechoslovakia, which countries can to-day lay illuminating glassware (after paying the present duty of 45 per cent) at our doors at less than one-half of our labor cost. While the German and Czechoslovakia glassworker has received from 1,000 per cent to 1,200 per cent more mark wages, yet as the mark to-day is only one-fifteenth of its prewar value, these laborers actually receive from 20 per cent to 33 per cent less dollar wages than in 1914, while the value of their product is on a gold or American dollar basis.

We have carefully computed their actual dollar wages and have averaged the wages of blowers, blockers, and gatherers, and find the

average wage is about 80 cents per day of 8 hours, or a yearly wage of from \$200 to \$240 at the present value of the mark.

We have also computed our wages in the same manner and find our men receive from \$8 to \$9 per day of eight hours, or ten to eleven times more than in Germany, or a possible yearly earning of from \$1,800 to about \$2,400, in our branch.

We have likewise made comparisons of the unskilled and semi-skilled laborers and find that wages in the United States are from seven and one-half to eight times greater.

After a careful comparison of the average wages of all skilled and other labor in our industry, we arrive at an average factor of nine times the labor scale of central Europe.

We will, however, make a further allowance and take eight only as our average factor.

The German glass manufacturer claims that 40 per cent of his sales value represents labor cost. Hence, in \$1 of German sales, 40 cents is labor cost. If we multiply this by eight we have \$3.20 as American labor cost, and as in our sales value one-half is labor cost, we would have to sell a like article for \$6.40. With 40 per cent duty this would amount to \$2.56 plus \$1 German value—\$3.56 against our \$6.40. For this reason we believe that at least 60 per cent is necessary, or \$3.84 plus \$1, German value, equals \$4.84 for plain glassware and 65 per cent for ornamented glassware, making \$4.16 plus \$1, or \$5.16, against our \$6.40.

France, Canada, Italy, and most foreign countries have already established, according to the German official paper, Sprechsaal, pages 191 to 241, inclusive, the following coefficient multiple for tariff purposes, to be added to German values of glass:

	Volume.	Page.
Franco used a coefficient multiple from 3 to 4, or 300 to 400 per cent, and a specific duty.....	17	191
Italy, 4 to 4½, 445 per cent and a specific duty.....	18	203
Roumania, 4, 400 per cent and a specific duty.....	18	203
Belgium, 3 to 6, or 300 to 600 per cent, and a specific duty.....	19	200
Canada, 50 per cent of normal value, 600 per cent and a specific duty.....	21	241
Czechoslovakia, 2 to 15, or 200 to 1,500 per cent and a specific duty.....	21	241

We also call to your attention and consideration the fact that the manufacturers of Europe, and specially those of Germany, Czechoslovakia, and Belgium, enjoy greater privileges than we do. They have the full support of their Governments to combine and form syndicates, cartels, and trusts. They are permitted to and do regulate sale prices and production. They insure members against loss caused by strikes and from export policies. Thus in many ways they secure advantages which we, as separate commercial units, can not possibly obtain.

It must also be remembered that while our labor organizations have similar privileges of regulating wages and terms of their services in the United States, the American manufacturer has no such equal rights in this respect. The foreign manufacturer can do business in our country under methods and practices which are not only denied to our own manufacturers, but are, in fact, considered unlawful.

I have here a table, taken from the official published statements, showing the dividends paid by German glass manufacturers in 1921, the profits ranging from 100,000 marks to 6,000,000 marks.

	Per cent dividend.	Per cent bonus.	Per cent total.	Volume.	Page.
Max Kray & Co., Berlin, Germany.....	20	15	35	21	242
A. G. Hofman, Bernsdorf, Germany.....	22	25	47	21	242
Bayrische Spiegel, Furth, Germany.....	49	.....	46	21	242
Aug. Waller, Moritzdorf, Germany.....	23	18	43	21	242
Adlers Hütte, Penzig, Germany.....	23	.....	23	17	192
Saxony Glassworks, Radeberg, Germany.....	40	.....	40	17	192
Hirsh, Radeberg, Germany.....	30	8	38	13	144
Genesheim, Reisholz, Germany.....	25	6	30	13	144
Sieglwart, Stolberg, Germany.....	30	.....	30	26	299
Thermos, Berlin, Germany.....	25	.....	25	26	299
Glassworks, Brockwitz, Germany.....	15	10	25	20	231
Krenznach, Krenznach, Germany.....	25	.....	25	20	231
Oldenburg Glass, Oldenburg, Germany.....	25	.....	25	20	221
Thuringen Glass, Ilmdnan, Germany.....	20	10	30	20	231
Siemens, Dresden, Germany.....	20	.....	20	.....	.....

Fifteen companies paid an average of 32½ per cent dividends.

Senator SIMMONS. For when?

Mr. KOPP. For this year. Some of them say that they made as high as 6,000,000 marks.

Senator SIMMONS. To whom have they been selling?

Mr. KOPP. They get us.

Senator SIMMONS. We are the best market in the world. I should think they would come here.

Senator McLEAN. If this product is included under the designation "all other glassware materials imported in 1920 and 1921," the imports are increasing very rapidly. They were, in 1919, valued at \$442,000. The amount is not given—that is, the character of the importation—but just the value. In 1920 it was \$998,000 and in 1921 \$2,668,000.

Senator SIMMONS. Where did you find that, Senator McLean?

Senator McLEAN. On page 11 of the Monthly Summary.

Senator SIMMONS. What is your production? What is the American production of these goods?

Mr. KOPP. Our production is about \$25,000,000.

Senator SIMMONS. \$25,000,000?

Mr. KOPP. Yes.

Senator REED. In regard to the point made by the Senator from Connecticut, I think this is the case, that in the tables for 1919 and 1920 these articles manufactured by this gentleman's houses are specified and their value is given, but in 1921, that being the table from which the Senator has read, they have not been segregated, but they have been thrown into the general clause, "all others," so that those figures do not guide us as to these particular articles.

Just one further question: Did you take into consideration the difference in the value of the mark in your testimony?

Mr. KOPP. Yes. It is 1½ cents.

Senator REED. Did you also take into consideration that the wages paid in marks are very much higher than they were before the war?

Mr. KOPP. The wages paid in marks?

Senator REED. Yes.

Mr. KOPP. They are 1,000 per cent higher. But the value is fifteen times lower.

Senator REED. The mark has gone down 1,500 per cent?

Mr. KOPP. No; not down 1,500 per cent—fifteen times.

Senator REED. That is 1,500, is it not?

Mr. KOPP. Not when you figure downward.

Senator REED. You are right about that. The mark has gone down fifteen times, you say, and the wages have gone up ten times. That is going up! If you figure the mark down—and it does not go by hundreds of per cent—you come to a point where the man is getting in value the same wages—

Mr. KOPP (interposing). It is 33 per cent lower than before the war.

Senator REED. Not unless they go down at the same rate.

Mr. KOPP. He gets fifteen times less, but only ten times more.

Senator REED. I never figured that out mathematically. I think you would find they were getting the same wages as before.

Mr. KOPP. It makes it lower.

Senator REED. Have the Germans any advantage over the Americans in the matter of machinery?

Mr. KOPP. No, sir.

Senator REED. You say they have not?

Mr. KOPP. We have the best machinery in the world.

Senator REED. Is it better than that of Germany?

Mr. KOPP. They are using our machines for glassware over there now.

Senator REED. So that the sole difference that you complain about is the difference in wages?

Mr. KOPP. Yes; for artistic goods, but not on other goods. The bulk of the products made in the United States are cheaper. They have about \$250,000,000 in production. The biggest part is cheaper.

Senator REED. But the industry has always clamored for protection, has it not?

Mr. KOPP. I do not believe they have.

Senator REED. You are asking for this protection on that class of goods upon which a considerable per cent of the cost is labor?

Mr. KOPP. Yes, sir.

Senator REED. You do not think you need protection on glass where labor is not a large percentage of the cost, because we have superior machinery; is that the idea?

Mr. KOPP. Under automatic production. I would not want you to legislate for that and get killed by it.

Senator REED. I am simply asking for information. We do not want to kill anybody here. I just want to get at the facts. The automatic work embraces what, generally, in the glassware industry?

Mr. KOPP. There is some percentage of labor.

Senator REED. Of course. How much is made by what you call the automatic process?

Mr. KOPP. I would say that out of \$250,000,000 it would be \$180,000,000.

Senator REED. That is automatic?

Mr. KOPP. Purely automatic.

Senator REED. Of course, nothing is absolutely automatic. There is some labor in everything. Then you come to a class where it is not automatic and where there is an element of labor.

Mr. KOPP. Yes.

Senator REED. And then you come to another class, in which you fall, where there is a large amount of labor.

Mr. KOPP. Yes.

Senator REED. Do you represent in any way the Pittsburgh Plate Glass Co.?

Mr. KOPP. No, sir. It is not automatic. The biggest part of the plate-glass industry is not an automatic proposition.

Senator REED. Then we differ on what is automatic.

Mr. KOPP. Well, you take Libby & Owen machines. They pull the glass out of tanks without the aid of the human hand. They pull it clear to the other end and it is then cut in sections.

Senator REED. Your idea is that you would not call the manufacture of an article in a modern plate-glass factory automatic because there is some labor that intervenes in the different steps?

Mr. KOPP. Yes. There are the polishers and others, and those people are all skilled to a more or less degree.

Senator REED. As a matter of fact, the element of labor is very small, is it not?

Mr. KOPP. Comparatively it is; yes, sir. I would say that.

Senator REED. I have been through some of these plants. You can hardly find a man in some of them.

Senator McLEAN. Are these high-priced goods?

Mr. KOPP. They range all the way from \$1.20 a dozen to \$60, \$70, and \$100 a dozen.

Senator McLEAN. I had an idea that they were rather expensive goods and possibly might be considered as luxuries.

Mr. KOPP. They are in a way and to a certain extent. They make beautiful things for the home.

Senator SIMMONS. There is one question that I want to ask this gentleman before he leaves.

Under the heading of the goods to which you have reference, as I understand it, there were imported during the year 1921 we will say, \$2,688,834 worth.

Mr. KOPP. In one month?

Senator SIMMONS. No; during this entire calendar year.

Mr. KOPP. Yes; 1921. We have not been working all year.

Senator SIMMONS. I say there were imported into this country a little over \$2,000,000 worth. There was exported in the same period from this country \$12,325,613 of that material. That is under the heading "All others."

Mr. KOPP. "All others" means an awful lot of things.

Senator SIMMONS. It is "All others" in both cases. You come under the heading "All others."

Mr. KOPP. We want to get a special classification.

Senator SIMMONS. That is the only special classification you have.

Mr. KOPP. That is the trouble.

Senator SIMMONS. I want to ask you now if the Germans are making these products, these glass products, at about one-quarter of our labor cost—

Mr. KOPP (interposing). One-half.

Senator SIMMONS. Well, one-quarter or one-half. If that is the case, where are we selling this enormous amount of exports?

Mr. KOPP. I do not believe we are selling them.

Senator SIMMONS. We exported of this glassware, during this year—1921—\$25,000,000 worth.

Mr. KOPP. Exported?

Senator SIMMONS. Yes, exported. That went to France, Canada, Mexico, Cuba, the Argentine, Brazil, Chile, Uruguay, China, Japan, New Zealand, and other countries. If Germany is making this stuff and putting it on the market at one-half or one-quarter the price that we are able to put it on the market at, how do we meet that competition in the market?

Senator McLEAN. They are entirely different products.

Senator SIMMONS. I am talking about the whole glass schedule. That last question was as to the whole glass schedule.

Senator McLEAN. The exports are limited largely to automatic products.

Mr. KOPP. Yes.

Senator SIMMONS. This is the proposition that I was trying to present to him: The records show that we exported last year \$25,000,000. We sold that largely in European markets. Now, if Germany can undersell us on all these products to the extent that you have been telling us they can, how can we go to the European markets and sell our products?

Mr. KOPP. We will not be able to do it.

Senator SIMMONS. You have been doing it.

Mr. KOPP. Not on lighting glass.

Senator SIMMONS. I was not talking about lighting glass. I was talking about it all. Every witness who has appeared here has told us that Germany was producing a product that they could produce at enormously reduced prices compared with ours and that we could not possibly live in competition with Germany, and yet we are selling \$25,000,000 worth of our glass products largely in Europe, right at the door of Germany.

Mr. KOPP. Where in Europe did you say?

Senator SIMMONS. I read the names of the countries. I will read them again if you want me to.

Senator SUTHERLAND. Senator Simmons, will you ask Mr. Dalzell that question? He says he can answer that question.

Senator REED. Before he does that, I would like to say that the figures put in here under the heading of general glass and all other glass are to show the heavy rate of increase of importations. Now, when we seek to compare the same items as to exportation, the cry is that it is not fair. If it is not fair on exports, it is not fair on imports.

Senator McLEAN. In the one case it is a hand-made product; in the other case it is a machine product. They have no relation to each other whatever.

Senator REED. Put the machine products in this section.

Senator McLEAN. That is what this gentleman wants.

Mr. DALZELL. Glassware that is exported from the United States is press-made and machine-made. The glassware imported into the United States is hand-made glassware.

Senator SIMMONS. The whole importations into the United States are about \$11,000,000 considering all glassware, and the whole exportations \$25,000,000. That was for 1921. There was more than twice as much exported as was imported.

Mr. KOPP. That may be correct.

Senator McLEAN. Is there any automatic glassware imported?

Mr. KOPP. No, sir.

Senator McLEAN. It seems to me that answers the question.

Senator SMOOT. Did you ask is any imported?

Senator McLEAN. Yes.

Senator McCUMBER. Did you export any of this glassware, this high-grade glassware, to Europe?

Mr. KOPP. No, sir. We can not do it. As to this press-made ware and machine-made ware, we export that all over the world.

Senator SUTHERLAND. There is no competition from Europe on that class of glassware?

Mr. KOPP. No, sir.

Senator SUTHERLAND. They do not manufacture that class of glassware?

Mr. KOPP. No, sir. Japan is trying to get started on that and make some of it.

**STATEMENT OF WILLIAM M. FRIEDLAENDER, REPRESENTING THE IMPORTERS OF LIGHTING GLASSWARE.**

Senator SMOOT. Mr. Friedlaender, give your full name for the record.

Mr. FRIEDLAENDER. William M. Friedlaender, Brooklyn, N. Y. I am representing importers of lighting glassware. Lighting glassware, as we term it, consists of shades for electric lamps, oil-lamp chimneys, etc. The present tariff under consideration calls for a duty of 40 per cent based upon the American valuation. Under that clause importations of any lighting glassware will be prohibited.

Senator SMOOT. Will it be prohibited?

Mr. FRIEDLAENDER. It will be prohibited; yes.

Senator SMOOT. One witness testified that he had to have 240 per cent. Do you agree to that?

Mr. FRIEDLAENDER. No, sir; I do not. The three items that probably have the largest sale are the 16-inch white bowl that they use for indirect lighting, the ordinary little electric shade, and the commonly known Rochester lamp chimney. The 16-inch bowl is sold in this country by American manufacturers at from \$13 to \$13.70 a dozen. The cheapest price at which that same bowl can be imported to-day under the present act, taking the foreign valuation, is \$14.

Senator WALSH. You mean under the Underwood bill?

Mr. FRIEDLAENDER. Under the Underwood bill. The cheapest price is \$14. The importer has to add one-third to that. It costs 10 per cent for his overhead expense; it costs 10 per cent to sell his merchandise, whether he pays a commission man or pays traveling expenses and salaries. That leaves the importer a clear 5 per cent. Then we add 33½ per cent to the importers' landed cost and—

Senator REED (interposing). You mean 10 per cent, do you not? Don't you mean 10 instead of 5?

Mr. FRIEDLAENDER. If it costs 10 per cent for overhead and 10 per cent to sell the merchandise, that would leave 5 per cent net.

Senator REED. That leaves 10 per cent, doesn't it?

Mr. FRIEDLAENDER. No; 33½ per cent of the cost would be 25 per cent of the selling price, and 5 per cent on the selling price that the importer has to figure as the profit.

Senator REED. Do you figure the profit on the selling price?

Mr. FRIEDLAENDER. Yes; so much on the annual turnover. That leaves the importers' selling price at \$18.50 a dozen, as compared with the domestic price at present of \$13.

Senator REED. How do you import them at present?

Mr. FRIEDLAENDER. We have not had any since the war. We have not imported any since because they have advanced so greatly on the other side.

The little white electric shades are sold to-day at \$1.40 per dozen. Adding the importers' expenses and profits to that brings the selling price up to \$2, as compared with the American price of \$1.40.

The third item is the oil-lamp chimney. That is being sold to-day at \$1.10, and it costs to import, landed at the dock, without any expense whatsoever—not even carting—\$1.16. That oil-lamp chimney has also been barred. In addition to this actual price advantage, the American manufacturer has a great advantage in the matter of prompt delivery. His customer can go to him and tell him he wishes his goods in two months' time or two weeks' time, and he can get them. On the other hand, if he goes to the importer he has to wait three or four months. He also has a big advantage in the matter of breakage. The domestic manufacturer makes a shipment and breakage occurs, due to rough handling. The customer complains to him, and he simply files a certificate under oath that these goods were packed in good order and shipped in good order, and the buyer files a claim against the transportation company and gets a refund under the rough-handling clause. The importer can not do that. He can not show a certificate. No matter what the breakage is he has to pay it.

Senator McLEAN. How does the present price compare with price of last year?

Mr. FRIEDLAENDER. Of glassware on the market to-day?

Senator McLEAN. Yes.

Mr. FRIEDLAENDER. It is lower, sir. As an illustration, I may mention the ordinary green shade that you see in offices. That was imported before the war and made in this country. They sold from \$2 to \$2.50 and \$3 a dozen. With the outbreak of the war there were no importations. The domestic price on that article went from \$3 to as high as \$15 per dozen. With the termination of the war and the first importation that was then offered on the market, the domestic price dropped about 50 per cent, and they can be bought for about that figure to-day.

Senator REED. But that is very much higher than before the war?

Mr. FRIEDLAENDER. So are the imported goods. The imported goods have increased considerably. At the hearing before the House Ways and Means Committee Mr. Edward D. Barry, representing the National Association of Blown and Pressed Glass Manufacturers, made the statement that the American production was approximately \$100,000,000 per annum and the total importations amounted to about \$7,000,000. During the lunch hour I verified some of those facts, and I find that the total value, according to

Government statistics in 1914, was a little over \$123,000,000, or \$123,085,019. The imports were 6.7 per cent of that. I have not been able to get the 1920 facts, but I understand that the total manufactures were \$267,000,000.

Mr. Joseph Gillooly, representing the Flint Glass Workers' Union, testified before the Ways and Means Committee of the House to the effect that the importations for the 11 months ended November, 1920, amounted to \$7,000,000. That would show, apparently, a big increase over the importations in 1914 and 1915, which averaged \$4,000,000, or somewhat over \$4,000,000, but when you stop to consider that the costs abroad have more than doubled—in many cases they have more than trebled—it shows a big decrease and not an increase.

There are also great quantities of ordinary lantern globes sold in this country, and of the ordinary cheap gas globes. Then there is the cheap lamp chimney, the pressed table glassware, and the lighting glassware. None of that can be imported to-day under the present act. In former years we imported trainloads, to-day none can be imported. Under the 40 per cent duty of the proposed tariff all imports will be similarly barred.

Senator SMOOT. Your claim is that the industry is sufficiently protected.

Mr. FRIEDLAENDER. Yes. The protection should be reduced. The 16-inch bowl, under the new act, would cost the importer \$16.25 a dozen, compared with the American cost of \$13. The importer has to add profit and expense. That bars the bowl entirely. The electric shades would cost the importer \$1.86. He would have to sell for \$2.40, as compared with the American price of \$1.40.

Senator McLEAN. Are the domestic articles equally as good as the imported articles?

Mr. FRIEDLAENDER. On the cheaper stuff there is so little difference that it is just a question of price. Our chimneys are better than those imported.

Senator McLEAN. Are the domestic manufacturers doing a good business?

Mr. FRIEDLAENDER. Their business is growing tremendously.

Senator McLEAN. That growth is in the automatic process, is it not?

Mr. FRIEDLAENDER. I do not quite understand your question.

Senator McLEAN. The cheaper pressed glass that they make with machinery here is made by a process that they do not use abroad, is it not?

Mr. FRIEDLAENDER. Yes.

Senator McLEAN. A very large percentage of our product is of that make, is it not?

Mr. FRIEDLAENDER. A good percentage, but not all, by any means. There is a great deal of hollow glassware made. A great deal of the glassware made here is made on machines, and the glassware made on these machines in this country can not be imported. As to the better class of glassware, we can compete, but only where there are no fine decorations, because the decorations made abroad are better than those put on here. Their execution is better, and the men who are doing that character of work have been doing it for generations.

Senator McLEAN. And when it is completed it is really a luxury and the labor cost is a large item?

Mr. FRIEDLAENDER. It is, sir.

I notice in looking at the fixtures in the room here those little drops [indicating]. They are sold in the market for about 10 cents. A few have been made here during the war. We had some made here because we could not get any others and we had to furnish them to keep our trade. We had them made here, but they were so poor and of such low quality that just as soon as the imported article came in we had to practically give away whatever we had left. We could not produce that item here.

That same article, if it is imported under the proposed act, would be worth at least 50 cents; that is, it would have to sell for at least 50 cents as compared with the present price of 10 cents.

Senator WALSH. Each one of them?

Mr. FRIEDLAENDER. Yes, sir.

Senator WALSH. What do you call them?

Mr. FRIEDLAENDER. Prisms. I made a smaller one than that, known as a "U" drop, and I believe it was 12 cents. It was not usable excepting as a necessity.

Senator WALSH. They would have to sell for 50 cents apiece and nobody would be protected?

Mr. FRIEDLAENDER. No, sir; I do not believe anybody would be protected.

Senator SMOOT. I notice that your time is up. Have you a brief?

Mr. FRIEDLAENDER. I have just notations. We request that the committee give consideration to a duty under the American valuation plan of from 10 to 15 per cent ad valorem, or of not more than 40 per cent under the foreign valuation clause.

Thank you, gentlemen.

Senator WALSH. Based upon revenue rather than protection?

Mr. FRIEDLAENDER. Yes, sir.

Senator SIMMONS. Do you think, then, that the American valuation covers the difference between the 10 per cent and the 40 per cent that you would want if the foreign valuation were to be the basis?

Mr. FRIEDLAENDER. I do, sir.

Senator SIMMONS. The American valuation is worth 30 per cent to you?

Mr. FRIEDLAENDER. Yes, sir.

Senator SMOOT. Or, in other words, you think the American valuation is four times the amount of the foreign valuation?

Mr. FRIEDLAENDER. It would work out that way in a great many instances.

Senator SMOOT. In what instances?

Mr. FRIEDLAENDER. For instance, a prism of that sort could be made, but it would have to be made at a very high cost, at a cost that would be almost prohibitive; and if duty had to be paid on that basis it would be about a 40 per cent difference.

Senator SMOOT. On items that we are not making in this country at the present time?

Mr. FRIEDLAENDER. And also on items that take artistic work.

Senator SMOOT. We are not artistic in this country?

Mr. FRIEDLAENDER. We have not the natural artistic trait among our workmen, sir.

Senator SMOOT. Only the importers have that.

## BRIEF OF WILLIAM M. FRIEDLAENDER, REPRESENTING THE IMPORTERS OF LIGHTING GLASSWARE.

I appear before you in the interest of the importers of lighting glassware.

The tariff bill now under consideration by your committee, Schedule 2, paragraph 218, names an ad valorem duty of 40 per cent, based upon the American valuation.

Under the head of lighting glassware, the three items which are probably sold in the largest quantities are the 16-inch opal semi-indirect bowls, the ordinary opal electric shade, and the commonly used so-called No. 2 Rochester oil-lamp chimney. The American manufacturers sell the 16-inch opal bowl at from \$13 to \$13.75 a dozen, in carload lots, and are selling a large quantity. The lowest cost at which this opal bowl can be imported is \$14 a dozen. This represents actual cost on the steamer in New York, duty paid. The importer, in order to make a profit, must add 33½ per cent to his cost, which would make a gross profit of 25 per cent on the selling price. It costs 10 per cent to sell merchandise, whether this be in commissions or in salaries and expenses; it costs at least 10 per cent for overhead expenses, which represents wages, rents of show rooms or display rooms, and other expenses of conducting the import business. This leaves an actual profit of 5 per cent to the importer. Adding 33½ per cent to \$14 leaves a minimum price of \$18.50 a dozen. This, of course, eliminates importations in any large quantity.

The ordinary opal electric shades, which are commonly used items, are sold by the American manufacturer at \$1.40. The imported shades cost the importer \$1.50. Adding 33½ per cent to this gives us a selling price of \$2, as compared with \$1.40 for the American-made product.

The third item which I would like to illustrate is the commonly used oil-lamp chimney. These chimneys cost to-day \$1.16 to import. The American-made chimney is sold for \$1.10, and I might incidentally mention, gentlemen, that the American-made chimney is of a better quality. I merely mention these three items as illustrative of the general situation. This is true of practically all items in this industry.

In addition to the price advantages the American manufacturer has the very great advantage of being in a position to make prompt deliveries, make up any special items his customer may require, and, of course, the fact that he is an American manufacturer selling American-made goods. In addition to this he has a very great advantage in the matter of breakage. He can pack his merchandise in smaller containers, which, of course, is a big advantage in handling the product. He furthermore, where there is breakage due to rough handling by the transportation company (and this, gentlemen, is quite an item), furnishes his buyer with a certificate signed by the packer, showing that they were carefully packed, and his customer obtains a refund from the transportation company for his loss. The importer, on the other hand, can not produce such a certificate and must pay any loss out of his profits.

The American manufacturer of this commodity may need protection, but I quote from the statement made by Mr. Edward J. Barry, representing the National Association of Blown and Pressed Glass Manufacturers, made before the House of Representatives Ways and Means Committee, published in the Tariff Information, part 1, page 606. Mr. Barry stated before that committee that the value of the American production of that industry was approximately \$100,000,000 per annum, and that the total importations were about \$7,000,000 per annum. Mr. Joseph Gillooly, representing the Flint Glass Workers' Union, appeared before the same committee and presented figures showing a total importation for the 11 months ending November, 1920, of about \$7,000,000. A great number of articles that were imported before the war can not be imported to-day, as they can be made cheaper in this country. Mr. Gillooly further makes the statement that the importations of glassware into the United States for the period 1910-1914 was an average of \$4,177,133. This will give the impression that there has been a big increase in importations, but when you consider that the cost abroad has more than doubled, there is actually a considerable reduction in importations rather than any increase.

We are unalterably opposed to the American valuation plan, as it will cause untold confusion, and will absolutely bar out importations of foreign merchandise. Even to-day, under the present act, it is impossible to import ordinary lantern globes, gas globes, lamp chimneys, pressed table glassware, and lighting glassware, of which items enormous quantities are sold in this country. If 40 per cent duty is assessed, as proposed, and assuming that the American manufacturer will not increase his selling prices (although there is no reason why he should not increase them to any limit he might desire, as he would have no competition), the items illustrated will show the following comparisons:

Sixteen-inch opal bowls: The imported merchandise would cost the importer \$16.35 per dozen, while the American manufacturer sells his merchandise, at a good profit, at \$13 to \$13.75.

Electric shades: The imported merchandise would cost the importer \$1.80, while the American manufacturer sells his merchandise at \$1.40.

Lamp chimneys: The imported merchandise would cost the importer \$1.42 a dozen, while the American manufacturer sells his merchandise at \$1.10.

In order to enable foreign merchandise to be imported, and to place it on a competitive basis with merchandise made locally, we would ask you to consider an ad valorem duty of 40 per cent, based on the foreign market value, or of not more than 10 to 15 per cent, based on American values.

### GLASSWARE (BLOWN).

[Paragraph 218.]

#### STATEMENT OF WILLIAM P. GRAHAM, NEW YORK CITY.

Senator SMOOT. You may state your name.

Mr. GRAHAM. William P. Graham, of Graham & Zenger, New York City.

Senator SMOOT. What paragraph are you interested in?

Mr. GRAHAM. Paragraph 218, known as glassware, which, I believe, includes blown stem ware.

Senator SMOOT. Yes.

Mr. GRAHAM. That is the only way I can find it in this schedule.

We are decorators of glass and we also import glass. We have been in the importing business for the last 20 years and manufacturing for the last 10 years. I brought with me a sample of the ordinary American goblet, which is the cheapest and most comparable article that we can get. I wish to show it to you gentlemen, an ordinary goblet that is more used than anything else, and I also show you the comparative article in foreign goods. It is the same with the foreigner, because he makes it for the same price, although he asks considerably more in this country.

Before the war, in 1918, these were made in this country for 81 cents. That was the trade price, and the importers' price was about 75 cents or 80 cents. To-day the importers' price is 200 per cent more from Holland. The American valuation is all kinds of figures. This is a goblet that is sold to-day by some of the leading manufacturers at \$3 a dozen, but that valuation is more or less mythical. It is more or less subject to possible decrease. It was up to \$4.25 during the war.

The labor in glassware is usually about one-third the cost of the completed article, the American labor and European labor as well. In this country the manufacturer has advanced the price to as high as \$4.25 a dozen during the war. They have come down now, and to-day the market is in rather a complicated situation. There are prices, some say, of \$1.60 for this article, but I know that the leading manufacturers to-day are asking \$3 for it. Under American valuation as proposed now we should have to pay \$1.20 duty on this article, instead of 45 per cent under the Payne-Aldrich bill. That would mean a difference of 15 per cent. It would mean the same duty. I mean, if the American valuation were 15 per cent duty, it would mean practically the same as 45 per cent under the Payne-Aldrich bill. It would figure out about the same.

Senator SMOOT. If you kept it at \$3.

Mr. GRAHAM. No. Do you mean if the American valuation is \$3?

Senator SMOOT. Yes.

Mr. GRAHAM. Yes; you are right, Senator Smoot.

Senator SMOOT. But you said there was a rumor they were selling it at \$1.60.

Mr. GRAHAM. There are all kinds of prices on the market to-day.

Senator SMOOT. As soon as there is an active demand for the goods, that will right itself.

Mr. GRAHAM. So far as that is concerned, there is no active demand on the market to-day.

Senator SMOOT. If there was no active demand, that would be the cause.

Senator WALSH. What is the cause of that situation? You say there is no active demand?

Mr. GRAHAM. It is caused by the general depression. There is no great demand to-day.

Senator SMOOT. That is the reason there is more than one price.

Mr. GRAHAM. That is the reason there is more than one price. You can buy from that same manufacturer to-day a decorated goblet at \$2 a dozen. In all the other countries with which I am rather familiar the price is practically the same as it is in Holland. We get a goblet from Holland costing us 9 or 10 cents, and the same thing can be bought in Germany, but they have all kinds of grades of glassware, and I find the rate according to American valuation that should be paid on glassware—

Senator SMOOT (interposing). I do not want you to spend any time on discussing American valuation. You are here to talk upon rates of duty. We have had hearings upon American valuation and that subject is closed.

Senator WALSH. He can show the kind of duty he desires placed upon this article, and how it will work out.

Senator SMOOT. He can refer to it, but not the advisability of it, or anything of that kind.

Mr. GRAHAM. If it should be American valuation, then the duty should be 15 per cent.

Senator SMOOT. Instead of 40?

Mr. GRAHAM. Instead of 45.

Senator SMOOT. It is 40 per cent here.

Mr. GRAHAM. Forty per cent is correct.

Senator SMOOT. You want 15 per cent?

Mr. GRAHAM. We want 15 per cent. We are manufacturers of glass, as I say, and decorators, and we decorate them in different ways. We have to have the European glass, because of its texture. The American glass will not fire. It is necessary to have the European glass.

Senator SMOOT. You are more interested in your importing business than in your manufacturing business?

Mr. GRAHAM. No; I am more interested in the manufacturing business than in the importing business.

Senator SMOOT. You are a manufacturer of glass?

Mr. GRAHAM. And decorator of glass.

Senator SMOOT. Oh, yes.

Mr. GRAHAM. We import the glass for the other decorators in this country, largely. If the American valuation of 40 per cent is in it, it naturally creates quite a hardship on us and decorators throughout the country also.

Senator DILLINGHAM. Your point is that it is too high under American valuation?

Mr. GRAHAM. Yes, sir; if it is going to be American valuation, it should be 15 per cent.

Senator WALSH. How much of that glass is decorated?

Mr. GRAHAM. The whole business is very small. In 1919 there were \$267,000,000 worth of glass made in this country, but the importations of that kind of goods did not amount to more than \$600,000 or \$700,000.

Senator WALSH. Altogether?

Mr. GRAHAM. Yes, sir.

Senator WALSH. And those are mostly glasses that can not be made here and are used for decorative purposes?

Mr. GRAHAM. It is nearly all of that kind. There is a good deal imported for decorating, and if we are to pay a high duty on our plain glass that puts us under a handicap also. We would ask for 15 per cent instead of 40.

Senator WALSH. It is not a very serious problem, the matter of competition of glass with American manufacturers.

Mr. GRAHAM. It has never been at any time in the question of stem ware. The difference between the cost of manufacture has never seriously entered into it.

Senator SMOOT. You do not agree with the manufacturer here that said that with 40 per cent it was impossible for him to survive?

Mr. GRAHAM. I do not quite agree with him.

### SHEET GLASS.

[Paragraph 219.]

#### STATEMENT OF OTTO W. HAMMER, REPRESENTING THE DRY PLATE INDUSTRY, ST. LOUIS, MO.

The CHAIRMAN. Mr. Hammer, where do you reside?

Mr. HAMMER. St. Louis, Mo.

The CHAIRMAN. What is your occupation?

Mr. HAMMER. I am vice president and counsel of the Hammer Dry Plate Co. of St. Louis, Mo.

The CHAIRMAN. What article are you interested in in this bill?

Mr. HAMMER. In unpolished sheet glass, commonly called photo dry-plate glass, paragraph 219.

The CHAIRMAN. What is it you want in connection with that?

Mr. HAMMER. I am here representing the Hammer Dry Plate Co., the G. Cramer Dry Plate Co., and the Central Dry Plate Co., all located in the city of St. Louis.

We are protesting and asking the assistance of this committee in connection with the tariff on unpolished sheet glass, commonly called window glass, but coming into this country under the tariff regulations as unpolished sheet glass, though the boxes in which these importations from Belgium are made designates the glass as "photo dry-plate glass." However, photo dry-plate glass, I may state for the information of the committee, is a high-grade window glass, devoid of all foreign substances, scratches, hubbles, etc.

I might also state for the information of the committee that there are four dry-plate manufacturing concerns in the United States—the Eastman Kodak Co., with its vast industries, manufacturing everything pertaining to photography, pays, of course, enough attention to the dry-plate industry, but devotes the most of its attention to its films, kodaks, cameras, sensitized paper, and at the present time they are manufacturing a dry plate made upon celluloid. They also, of course, manufacture a dry plate made upon glass.

The three companies, all located in the city of St. Louis, manufacture and derive their entire revenue from the manufacture and sale of photographic dry plates made upon glass. That is their entire source of revenue.

This paragraph, 219, which is as follows: "Cylinder, crown, and sheet glass, by whatever process made, unpolished, not exceeding 150 square inches, 1½ cents per pound; above that, and not exceeding 334 square inches, 1¼ cents per pound," etc., until it goes down to this part of it: "That none of the foregoing shall pay less duty than 35 per cent ad valorem: *Provided further*, That unpolished cylinder, crown, and sheet glass, imported in boxes," etc., and it designates the size of the glass to be placed in the boxes that are imported.

Now, gentlemen, we have no objection to the poundage tariff upon this glass, but none of the poundage tariff would come close to the 35 per cent ad valorem. I might state in this connection that there is only one manufacturing concern in the United States that is attempting the manufacture of photo dry-plate glass. Many concerns have gone into this industry, but the intricate and technical work and the amount of rejects which the dry-plate manufacturing companies are compelled to throw out have caused these companies to continue merely in the window-glass business. We are not here protesting, nor are we saying aught upon any tariff on window glass or upon any other commodity. All we are asking is a protection from this tariff, because the company manufacturing the photo dry-plate glass in the United States does not produce an amount which will supply the demands of the dry-plate manufacturers of the United States, and the glass manufactured in this country is not of the the superior quality of the glass manufactured in Belgium, where we receive most of our importations from.

The "rejects" in this glass manufactured in the United States is such that we find in our company it amounts to about 20 or 30 per cent, and with the price of glass in the United States at \$9 per box of a hundred square feet of light, with the rejects, exceeds that amount greatly.

However, glass, I should say, of a superior quality can be imported from Belgium for \$8 per box, including tariff, taxes, freight, etc.

Senator WATSON. What is it you object to in this particular 219 paragraph?

Mr. HAMMER. Here is the situation, Senator: We object to the 35 per cent ad valorem on the price of American manufacture on the date of exportation.

Senator WATSON. You are not objecting to anything in that paragraph down to the first proviso?

Mr. HAMMER. We feel that the poundage tax is a little high. However, we would have no objection to that. But we have an

objection to the 35 per cent ad valorem, for this reason: That the manufacturer making this glass in the United States charges \$9 per box, and 35 per cent of \$9 would be \$3.15. The tariff on a box of 8 by 10 photo dry-plate glass to-day is 70 cents, under the Underwood tariff bill. Under the Dingley tariff bill it was about \$1.05 or \$1.10; under this proposed tariff bill there will be an increase of 350 per cent and would be \$3.15.

Senator WATSON. That is, American valuation?

Mr. HAMMER. American valuation, an unheard of proposition, and with the photographic manufacturers who through years and years of striving to build up an industry which ranks with the industries of the world in the manufacture of photographic dry plates now make a profit of \$2 upon a box of dry plates, which takes about two-thirds of a case of the raw material, and if this tariff of \$3.15 is allowed to prevail our profit will be gone and we will be compelled to cease manufacturing.

Senator WATSON (interposing). Of course, you understand that the American valuation is, of itself, not a rate; it is only a basis for a rate.

Mr. HAMMER. It is only a basis for a rate; I appreciate that.

Senator WATSON. What per cent there would represent the difference in the cost of production at home and abroad on American valuation—you are opposed to the 35 per cent?

Mr. HAMMER. Yes, we are opposed to —to the 35 per cent, because there is no competition in this country.

Senator SMOOT. These rates are exactly the same as the Payne-Aldrich rate, just as we passed on them in the Payne-Aldrich bill. But you did not have the proviso there of the 35 per cent ad valorem?

Mr. HAMMER. That is the idea.

Senator SMOOT. You are not objecting at all to the rates above—the American valuation does not affect the rates, because they are all specific.

Mr. HAMMER. I understand that. I am not objecting seriously to these rates. But we are objecting to the 35 per cent, because the bill says—

Senator SMOOT. "Not less than 35 per cent."

Mr. HAMMER (reading):

*Provided, That none of the foregoing shall pay less duty than 35 per cent ad valorem.*

Senator WATSON. Then, you want the whole of that 35 per cent stricken out?

Mr. HAMMER. That is the idea. But you gentlemen can assist us—we are not here making a protest; we are merely trying to save a business which will be badly crippled, if not ruined, if we are not able to get this glass into this country, and if this 35 per cent ad valorem tax is going to be placed thereon.

If the committee here can in any way—I worked on the matter with the assistance of Mr. Cramer and with the other dry-plate manufacturers—if we could in some way differentiate between unpolished sheet glass, commonly known as window glass and photo dry-plate glass, in the regulation of the tariff, the matter would be simple and easily solved.

Senator SMOOT. We tried to solve that in 1909, and spent days working on it, and decided it could not be done.

Mr. HAMMER. It comes in designated on the boxes photo dry-plate glass, but I can understand, and you gentlemen appreciate as well as I, that could be camouflaged and window glass could come into this country marked "photo dry-plate glass," and our only suggestion after working on this quite awhile—

Senator WATSON (interposing). Photo dry-plate glass could not come in marked "window glass," could it?

Mr. HAMMER. I say if the foreign manufacturers would not want to send it into this country if we differentiated between photo dry-plate glass and window glass. But the only way we could solve this proposition would be: The main sizes used in the manufacture of photographic dry-plate glass, with very few exceptions do not exceed 150 square inches. Now, if the ad valorem were eliminated, as I drew an amendment here, that might assist the committee. We propose that if the committee feels that it will protect the dry-plate manufacturers of the United States and a higher tariff must be placed on unpolished sheet glass than is now in force, the committee will devise some means of differentiating between window glass and photo dry-plate glass; or if that does not seem feasible the manufacturers would be satisfied with a table of rates proposed as follows:

PAR. 219. Cylinder, crown, and sheet glass, by whatever process made, unpolished, not exceeding one hundred and fifty square inches,  $1\frac{1}{4}$  cents per pound; above that, and not exceeding three hundred and eighty-four square inches,  $1\frac{1}{4}$  cents per pound; above that, and not exceeding seven hundred and twenty square inches,  $1\frac{1}{4}$  cents per pound; above that, and not exceeding eight hundred and sixty-four square inches,  $2\frac{1}{4}$  cents per pound; above that, and not exceeding one thousand two hundred square inches,  $2\frac{1}{4}$  cents per pound; above that, and not exceeding two thousand four hundred square inches,  $3\frac{1}{4}$  cents per pound; above that, 4 cents per pound: *Provided further*, That unpolished cylinder, crown, and sheet glass, imported in boxes, shall contain one hundred square feet, as nearly as sizes will permit, and the duty shall be computed thereon according to the actual weight of the glass.

We make a little cut on the rates there and eliminate the ad valorem entirely.

Senator SIMMONS. Which one of these several brackets of section 219 is the article that you are interested in covered by?

Mr. HAMMER. The 35 per cent ad valorem.

Senator SIMMONS. I understand, but here is a paragraph that has a great many brackets in it, one is a specific duty of  $1\frac{1}{4}$ , another a specific duty of  $2\frac{1}{4}$ , and so on. Now, which one of those brackets is that?

Senator SMOOT. The first one.

Mr. HAMMER. The first one, I see.

Senator SIMMONS. The first one; that is,  $1\frac{1}{4}$ ?

Mr. HAMMER. Yes, sir.

Senator SIMMONS. Now, you object to that?

Mr. HAMMER. No; we do not object to that if the ad valorem is eliminated.

Senator SIMMONS. Your objections to the ad valorem is that under the  $1\frac{1}{4}$  rate the duty would be very much less than 35 per cent?

Mr. HAMMER. Yes, sir; that is the idea.

Senator SIMMONS. What you want is a product which you import and use in your business established at less than 35 per cent?

Mr. HAMMER. That is the idea. I might state for your information, Senator, that the main sizes used by dry-plate manufacturers of this

country are as follows: 5 by 7, 35 square inches; 6 by 8, 48 square inches; 8 by 10, 80 square inches; 10 by 12, 120 square inches.

These are the main sizes imported for the manufacture of dry plates. There are some sizes known as 11 by 14, 154 square inches, which goes 4 inches over 150 square inches, which we would be satisfied with if the per poundage was placed upon there, but if the ad valorem were eliminated.

And there are some sizes mainly used—not by our company, but by the Cramer Dry Plate Co.—known as 11 by 14, 154 square inches; 18 by 20, 360 square inches; and 20 by 24, 480 square inches.

Now, if an ad valorem of, say, 10 per cent were placed on sizes over 150 square inches, I think the matter could be easily solved in that way.

Senator SMOOT. That would be not less than 10 per cent, you mean?

Mr. HAMMER. Yes, sir.

Senator SMOOT. On sizes from what?

Mr. HAMMER. On sizes from 150 square inches, and no ad valorem on sizes to 150 square inches.

Senator SMOOT. In addition to the specific duty?

Mr. HAMMER. I know, in some the specific duty would prevail, and in others on account of the weight, the specific duty would prevail.

Senator REED. What do you say the price of a box of this glass, a hundred feet, is?

Mr. HAMMER. In the United States at the present time it is \$9.

Senator REED. What was it before the war?

Mr. HAMMER. \$4.50, and then it went to \$5.40, and it went as high as \$13.25 during the war.

Senator REED. But it can now be bought in Belgium at what price?

Mr. HAMMER. At \$8. That includes tariff or duty, taxes, freight, and all that.

Senator REED. Do you know what it can be bought for without these charges?

Mr. HAMMER. I would suggest that Mr. Cramer answer that.

**STATEMENT OF G. A. CRAMER, REPRESENTING THE DRY-PLATE INDUSTRY, ST. LOUIS, MO.**

Senator REED. The question I asked was what this glass could be bought for in Belgium without these charges.

Mr. CRAMER. In the neighborhood of \$6.50 f. o. b. Antwerp.

Senator REED. Is there a competitive article to this glass?

Mr. CRAMER. Made here in this country?

Senator REED. Yes.

Mr. CRAMER. By one manufacturer; yes, sir.

Senator REED. What is that?

Mr. CRAMER. The name of the concern?

Senator REED. Yes; and the name of the article.

Mr. CRAMER. Photo glass, which is a high-grade window glass, but known as "photo glass," and made by the American Window Glass Co.

Senator REED. You say made by that one concern. Do you agree with Mr. Hammer that that one concern does not make a glass that is practical to use?

Mr. CRAMER. I would not go so far as to say that; it is practicable, but not quite as good in quality as the Belgian.

Senator REED. Is there any article made that takes the place of glass?

Mr. CRAMER. Yes, sir.

Senator REED. What is that?

Mr. CRAMER. Celluloid.

Senator REED. Is that manufactured in this country?

Mr. CRAMER. Yes, sir.

Senator REED. By whom?

Mr. CRAMER. By the American Celluloid Co. and by the Eastman Kodak Co., themselves. We do not make films; that is used for films.

Senator REED. But is it used in the ordinary photographic business?

Mr. CRAMER. To a very small extent; for certain purposes; for instance, home portraiture.

Senator REED. Then that is really not in competition with your business?

Mr. CRAMER. No, sir.

Senator REED. The price has gone up to \$9 in this country. Is \$9 to-day, so that the ad valorem duty figured on the present value in this country would be about twice what the same rate of duty would be figured upon prewar prices. Prewar prices were about \$4.50, and now it is \$9. If you put a 35 per cent duty on the \$9 now, it would be about twice the charge that it would have been if it had been levied on the prewar price.

Mr. CRAMER. Had there been a 35 per cent ad valorem, but there was not.

Senator REED. This 35 per cent duty at this time upon these high prices amount to a rate of duty which would have been equivalent to about 70 per cent at that time on the prewar prices.

Mr. CRAMER. If there had been the same duty; yes, sir.

Senator REED. You object that this ad valorem duty levied upon these high prices would be so great that it will injure your business where you can get your raw materials?

Mr. CRAMER. Exactly, because the proposed rate increases the present duty 350 per cent, whereas the greatest protective duty that we know of that existed before was about 50 per cent greater than what it is now.

Senator SMOOT. That is only on certain sizes?

Mr. CRAMER. Those are the most salable sizes, Senator.

Senator SMOOT. Up to 150 inches?

Mr. CRAMER. Yes, sir.

Senator SMOOT. But below; that was above.

Mr. HAMMER. We might state also that importations on this glass are so small compared to the revenue which the Government will receive, compared to the damage which it will do the manufacturers—there are only from 100,000 to 120,000 boxes of dry-plate glass imported into the country each year.

Senator SMOOT. So that I may get what you really propose: You want the proviso taken out entirely, as your first proposition?

Mr. HAMMER. Exactly.

Senator SMOOT. But if the proviso is not taken out, then you want the ad valorem reduced to 10 per cent to take effect on all the sizes?

Mr. HAMMER. From 150 square inches.

Senator SMOOT. But up to 154 inches you want that to remain in the law just as reported in the House bill, which is the same as the Payne-Aldrich bill?

Mr. CRAMER. Excepting that you eliminate the ad valorem; Senator SMOOT. That is the way I understood your proposition.

Senator REED. Mr. Cramer, do you want to say anything further?

Mr. CRAMER. No; I think Mr. Hammer has covered the ground thoroughly. But I am prepared to answer any further questions.

The CHAIRMAN. I do not think there are any questions further.

Mr. HAMMER. If I may be permitted, I would like to file this brief.

The CHAIRMAN. The brief will be filed and included in your statement.

**BRIEF OF G. A. CRAMER, REPRESENTING THE DRY-PLATE INDUSTRY, ST. LOUIS, MO.**

Some of the objections of the G. Cramer Dry Plate Co., Central Dry Plate Co., and Hammer Dry Plate Co. to that part of the tariff bill pertaining to unpolished sheet glass (par. 219) are as follows:

**STATEMENT.**

There are four dry-plate manufacturing companies in the United States, namely, Eastman Kodak Co., located at Rochester, N. Y.; G. Cramer Dry Plate Co., Central Dry Plate Co., and Hammer Dry Plate Co., located in the city of St. Louis, Mo. The Eastman Kodak Co., as no doubt the committee is aware, manufactures kodaks, cameras, sensitized paper, films, celluloid plates and photographic dry plates, and practically all articles pertaining to the photographic industry, while the last three named companies manufacture photographic dry plates (made upon glass) exclusively and rely entirely upon the production and sale of their products for revenue.

Unpolished sheet glass, as designated in paragraph 219, takes into account photo dry-plate glass, window lights, and all unpolished sheet glass. The photo glass is a finer quality of unpolished sheet glass and made by a more careful process than window lights, for the reason that it must be perfectly clear and pure, entirely devoid of foreign substance, scratches, bubbles, etc.

There is one company in the United States manufacturing, in connection with its vast industry, unpolished sheet glass, which can be used in the manufacture of photographic dry plates, but this branch of this company's business is a very small item compared to its vast industry and its manufacture of window glass and other glass articles, and it produces only about one-fourth of the photo glass consumed by the manufacturers of this country.

**POINTS.**

The main sizes used by the dry-plate manufacturers of this country are as follows: 5 by 7 (35 square inches), 6 by 8 (48 square inches), 8 by 10 (80 square inches), 10 by 12 (120 square inches). These are the main sizes imported for the manufacture of dry plates. There are some sizes known as 11 by 14 (154 square inches), 18 by 20 (360 square inches), and 20 by 24 (480 square inches), but these sizes are few in comparison to the sizes heretofore mentioned.

The main importations of unpolished sheet glass are from Belgium and England, the greatest importation being, however, from Belgium. The manufacturers of Europe designate this glass as photo dry-plate glass, but under the tariff regulations it comes into this country as unpolished sheet glass or window lights. The usual way of packing same is in boxes of 100 square feet or as near thereto as possible.

The importations of this photo dry-plate glass are about 100,000 boxes yearly.

In the manufacture of dry plates the photo dry-plate glass comprises the main raw material contained in the manufactured product.

We submit herewith for your information the current rate of duty and the rate now proposed:

Size of sheet glass.	Current rate.	New rate.	Increase.
	Cents.	Cents.	Per cent.
Not exceeding 150 square inches.....	1 1/2	1 1/2	43
Not exceeding 384 square inches.....	1	1 1/2	75
Not exceeding 720 square inches.....	1 1/2	2 1/2	100

And in addition to the foregoing, paragraph 219 proposes a 35 per cent ad valorem on the American valuation.

The duty under the law as it now exists is about 70 cents per box of 100 square feet, while under the proposed law it will be increased to \$3.15 per box.

#### ARGUMENT.

Our objection to this paragraph, especially to the tariff on glass of the sizes used for the manufacture of photographic dry plates, is that it will practically destroy the manufacture of dry plates if this proposed law is enacted.

Before the war this glass could be bought from the American manufacturer for about \$5.40 per box, and during the war it increased in prices of various amounts, increasing as high as \$14 per box. To-day the American manufacturer is charging about \$9 f. o. b. its factory, while the glass of a higher quality and with far less percentage of rejects can be bought in Belgium for \$8 per box, including freight, taxes, drayage, duty, etc.

Let us see, for the sake of argument, how the tariff would work out if this proposed bill is enacted. Suppose, for the sake of argument, the manufacture of photographic dry plates in the United States of sizes 8 by 10 and 7 by 10 (hence those not exceeding 150 square inches) is \$9 per 100-foot box f. o. b. its factory and this value is, according to our understanding, the one which would be used in the assessment of a duty under the terms of this new bill. Net weight of this glass per 100-foot boxes in the sizes mentioned is approximately 80 pounds, and it follows therefore that when we import this material the duty based on the current rate of  $\frac{1}{4}$  cent per pound is 70 cents; based on the new proposed rate of  $1\frac{1}{4}$  cents it would be \$1; but with the proposed minimum 35 per cent ad valorem in effect (that is, taking the American manufacturer's goods at \$9 per box, it having the right at any time to increase this amount per box) it would make the actual duty 35 per cent of \$9 or \$3.15. In other words, the rate under the proposed changing would be increased from 70 cents per box to \$3.15 per box.

For the information of the committee we beg leave to advise further that many glass manufacturing concerns in the United States have attempted the manufacture of photo dry-plate glass but without success.

As mentioned above before the war this glass could be bought for \$5.40 in the United States and at a lesser price imported from Belgium, but during the war we were unable to receive the importations and the American manufacturer raised its prices (not having any competition in this country) to the price mentioned above, while the dry-plate manufacturers were driven to purchase old negatives and use a chemical process to remove the film therefrom, and was also driven to buy this glass at any price fixed by the American manufacturer while said dry-plate companies did not increase the price of their productions.

The committee will realize that if this clause of the bill passes without a reduction in the duty per pound and an elimination of the ad valorem tax, the American manufacturer will have absolutely no competition and can fix the price of photo dry-plate glass at any amount and it will not be able to supply the demand of the dry-plate manufacturing companies of this country.

One case of photographic dry plates (the finished product) contains about two-thirds of a box of photo dry-plate glass, and if the manufacturers of photographic dry plates makes a profit of about \$2 on each box of photo dry plate you can readily see that with a tariff of \$3.15 on a box of photographic dry-plate glass the profit of the manufacturer of dry plates will be entirely wiped out, as there is no chance of increasing the price of dry plates at this time, but rather a tendency on the part of the consumers demanding a reduction in prices.

We propose that if the committee feels that it will protect the dry-plate manufacturers of the United States and a higher tariff must be placed on unpolished sheet glass than is now in force the committee will devise some means of differentiating between window glass and photo dry-plate glass, or if that does not seem feasible the manufacturers would be satisfied with a table of rates proposed as follows:

"Par. 219. Cylinder, crown, and sheet glass, by whatever process made, unpolished, not exceeding one hundred and fifty square inches,  $1\frac{1}{4}$  cents per pound; above that, and not exceeding three hundred and eighty-four square inches,  $1\frac{1}{4}$  cents per pound; above that, and not exceeding seven hundred and twenty square inches,  $1\frac{1}{4}$  cents per pound; above that, and not exceeding eight hundred and sixty-four square inches,  $2\frac{1}{4}$  cents per pound; above that, and not exceeding one thousand two hundred square inches,  $2\frac{1}{4}$  cents per pound; above that, and not exceeding two thousand four hundred square inches,  $3\frac{1}{4}$  cents per pound; above that, 4 cents per pound: *Provided further*, That unpolished cylinder, crown and sheet glass, imported in boxes, shall contain one

hundred square feet, as nearly as sizes will permit, and the duty shall be computed thereon according to the actual weight of glass."

If the committee insists that an ad valorem duty be imposed on unpolished sheet glass used by the dry-plate manufacturers, then we respectfully submit that the ad valorem tax should be eliminated on all sizes under 150 square inches (the size most commonly used and imported), and a fair and equitable ad valorem placed on the larger sizes which are used for photo dry plates. In this connection we might suggest the following amendment:

"Par. 219. Cylinder, crown, and sheet glass, by whatever process made, unpolished, not exceeding one hundred and fifty square inches, 1½ cents per pound; above that, and not exceeding three hundred and eighty-four square inches, 1½ cents per pound; above that, and not exceeding seven hundred and twenty square inches, 1½ cents per pound; above that, and not exceeding eight hundred and sixty-four square inches, 2½ cents per pound; above that, and not exceeding one thousand two hundred square inches, 2½ cents per pound; above that, and not exceeding two thousand four hundred square inches, 3½ cents per pound; above that, 4 cents per pound: *Provided*, That all glass exceeding 150 square inches shall pay not less than 10 per centum ad valorem: *Provided further*, That unpolished cylinder, crown, and sheet glass, imported in boxes, shall contain one hundred square feet, as nearly as sizes will permit, and the duty shall be computed thereon according to the actual weight of glass."

By eliminating the ad valorem on sizes under 150 square inches and by placing a fair and equitable ad valorem on other sizes used for dry-plate purposes, the manufacturers making this protest would be permitted to exist, instead of having their business destroyed by this high tariff.

A further objectionable feature to this paragraph is contained in the clause compelling the importations to be in boxes of 50 square feet or as near thereto as the glass will permit, for the reason that at the present time the importations are received in boxes containing 100 square feet or as near as possible, which saves the manufacturers of this country an increase in packing charges and also in freight rates.

We trust the committee will give this matter its very careful consideration, because all statements herein contained are based upon facts and a desire on the part of the manufacturers to aid the committee in arriving at a fair and equitable tariff.

### PLATE GLASS (SILVERED).

[Paragraph 223.]

#### STATEMENT OF ENOS PORTER, REPRESENTING THE SHELBYVILLE MIRROR WORKS, SHELBYVILLE, IND.

Mr. PORTER. I want to call your attention to paragraph 223 and to say that I represent mirror manufacturers in the United States who have a capital invested of from \$7,000,000 to \$8,000,000 and employ in normal times between four and five thousand men.

Senator SMOOT. Can you tell us now just briefly what changes you want in that paragraph?

Mr. PORTER. There is no protection there for plate glass, silvered.

Senator WATSON. What is the paragraph in which you are interested?

Mr. PORTER. Two hundred and twenty-three. There is a half cent on some of the sizes, but that is no protection whatever under the present conditions. Heretofore in all of the tariff bills there has been a protection of from 2 to 3 cents, but the conditions were different then. The mirrors that were used in this country were beveled and cut to pattern, and it was not feasible to buy them over there and have them plated. Now 95 per cent of the mirrors are plain and they can bring them over here in the square and cut them to these patterns and put us out of business. They are offering to-day to sell these mirrors at 11 cents a foot above the price of plate glass, and it costs us about 22 to 25 cents a foot to do this work. Not very many of them have come in yet, but the reason for that is that there is no business in this country.

Senator SMOOT. On the smaller sizes do you want any increase?

Mr. PORTER. On all sizes we would like to have 10 cents a square foot, or 35 per cent ad valorem.

Senator SMOOT. Ten cents a square foot?

Mr. PORTER. Yes, sir. The conditions are different now. We have got to have that protection.

Senator SMOOT. You do not mean 10 cents a square foot and 35 per cent ad valorem?

Mr. PORTER. No; either one or the other.

Senator SMOOT. They are all higher than 10 cents a square foot.

Mr. PORTER. Not the silvered. There is no difference there. That includes polished plate glass. But I am interested in a rate 10 cents above the polished plate glass on silvered mirrors.

Senator SMOOT. It is paragraph 224, then.

Mr. PORTER. Cast polished plate glass, silvered or unsilvered, etc. Then it gives the price. The price is just exactly the same in the first bracket as the polished plate glass. In the next it is one-half cent higher, and in the next  $2\frac{1}{2}$  cents higher. That is no protection at all for the silver man.

Senator WATSON. There is no differential there?

Mr. PORTER. No differential there to protect us. I do not know what it costs them to silver over there. I have no data on that; but they are offering to sell here now at 11 cents a foot, when it costs us 22 to 25 cents a foot to do the work.

I have a very short brief that I would like to present, with your consent.

Senator SMOOT. Yes; it will be made a part of your remarks.

**BRIEF OF ENOS PORTER, REPRESENTING THE SHELBYVILLE MIRROR WORKS, SHELBYVILLE, IND.**

This brief is submitted on behalf of the mirror manufacturers of the United States, comprising approximately 150 factories, located in the towns and cities from Maine to California, where furniture and like merchandise is manufactured, requiring mirror plates.

These manufacturers represent a capital investment of from eight to ten million dollars and employ, when normally busy, from five to six thousand men.

Plate glass, polished, as well as cylinder, crown, and sheet glass, polished, represents their basic raw material and must of necessity be of a selected quality for mirror purposes. The production of finished mirrors is therefore a matter of labor and machinery, covering many processes entailing a production cost per square foot considerably in excess of the proposed assessed duty, under paragraph 223 of the Fordney bill.

Prior to the war period the importation of mirrors, except those silvered upon cylinder, crown, and sheet glass, known as German plates, was negligible, owing to the fact that at that period a very large percentage of mirror plates entering into the production of furniture were cut to pattern and beveled, since which time furniture styles have changed so that now approximately 98 per cent of all mirrors are plain, which would permit the importation of plain, square plates that can be easily cut to pattern by the American importer.

At the present time the syndicate of Belgian and French plate-glass manufacturers are offering in this market finished silvered mirror plates at exactly 11 cents per square foot above their price for clear, polished plate glass. Such a condition without adequate tariff protection will seriously damage the mirror industry of the United States.

The Fordney bill, as passed by the House, allows an adequate protection on cylinder, crown, and sheet glass, silvered, over the specific assessment on the same product when imported, unsilvered, but in the case of polished plate glass when silvered there appears to be little if any differential allowed.

Since fully 95 per cent of all the mirrors used in the United States are silvered upon cast polished plate glass, and since it is this product that will come directly in competition when imported with this industry, we feel that a wider range of protection

should be allowed on cast polished plate silvered, than is now indicated in the Fordney bill.

We have no definite data to present as to the difference in cost in silvering between this and foreign countries, but to the best of our knowledge and belief the difference will amount to not less than 15 cents per square foot.

We do not ask for a tariff to cover the entire difference as mentioned above, but suggest a duty of 10 cents per square foot in addition to the specific assessed valuation on cast polished plate glass unsilvered, provided that none of the foregoing shall pay a less duty than 35 per cent ad valorem.

### OPTICAL GLASS.

[Paragraphs 227 and 228.]

#### STATEMENT OF HARVEY N. OTT, REPRESENTING THE SPENCER LENS CO., OF BUFFALO, N. Y.

Mr. OTT. Mr. Chairman and members of the committee, I came down with reference to paragraphs 227 and 228, one relative to optical glass and the other optical instruments.

In the present bill, as it passed the House, there is a duty of 35 per cent ad valorem on optical glass. That is, of course, based on the American valuation. It helps out considerably over what it would be under the old valuation, but the unfortunate part of it is that of six of the more important kinds of optical glass our average cost is now \$2.43 per pound, due to some extent to recent increase in cost of natural gas. On the other hand, the average import price, or quotations, other dealers have been getting on these glasses plus 35 per cent ad valorem American valuation amounts to \$2.20 per pound. In other words, the average cost of these six kinds of glass is 23 cents more than they can be imported for on the 35 per cent ad valorem rate. We therefore ask for a 50 per cent duty.

Senator SMOOR. You say you want 50 per cent?

Mr. OTT. Yes, sir.

Senator SMOOR. That is, on the optical glass.

Mr. OTT. On the optical glass; yes.

Senator SMOOR. What do you want on photographic glass?

Mr. OTT. On photographic lenses, do you mean?

Senator SMOOR. Yes.

Mr. OTT. Optical glass is glass that goes into photographic lenses.

Senator SMOOR. In paragraph 228 you have photographic and projection lenses.

Mr. OTT. On those instruments we should have a duty of 45 per cent instead of 35 per cent.

The facts are that at the present prices at which these goods are coming in we could get along with a 35 per cent duty, but we all know, I think, that the Germans are getting all they can in this market and that they are not selling as cheaply in this market as they are at home. For instance, a gentleman of my acquaintance who has just returned from Berlin this last week, got a price on one of the instruments which he makes—the German price in Germany—which would be the equivalent of \$12, or 900 marks. That same instrument sells in this country for \$36. They are making it and selling it at \$12 in Germany. As you know, these manufacturers in Germany have united and formed what they call “bunds.” The manufacturers who make these instruments which are alike have agreed upon certain export

prices. These agreements are fixed by the association and are backed up by the Government, and the Government will not allow a certificate of exportation to be issued unless these goods are billed at these prices.

So we can see that they are getting all they can out of the American market, out of the Swedish market, out of the Danish market, and every market in which they sell. They have special prices for each country. If they can make these instruments and sell them in Germany at a low price, we know what they can do when they are compelled to, in selling in the American, South American, and any other market in the world.

One instrument that this gentleman spoke about, he could buy as a German consumer for \$21.75. He said to the manufacturer, "I want to buy at wholesale. I want to buy by the dozen. What price can you make by the dozen?" The producer said, "Where are you from?" My friend answered, "America." The man took down a schedule and said, "They will cost \$52.40 per dozen." This gentleman said, "You are making this and selling at a profit here at \$21.75, are you not?" He said, "Yes." Then he asked "What do you do with the difference? Does it go to the Government or the workingman or where does it go?" The producer said, "We put it right down here" [indicating pocket]. And that is what they do with it. They are going to put much less there as the market changes. However, they are not going to let the different markets get away from them. That is perfectly evident. One of the largest factories in Germany was paying its men only 7 marks an hour. They struck. They wanted 1½ marks more an hour. They struck in January and then they finally compromised. They struck for 8½ marks an hour. At the present value of the mark they get about 12 or 13 cents an hour, whereas we are paying our skilled workmen 30, 40, 60, and 75 cents an hour.

### STAINED OR PAINTED GLASS WINDOWS.

[Paragraph 230.]

#### STATEMENT OF OTTO HEINIGKE, OF NEW YORK CITY, REPRESENTING THE NATIONAL ORNAMENTAL GLASS MANUFACTURERS OF THE UNITED STATES.

The CHAIRMAN. Where do you reside, Mr. Heinigke?

Mr. HEINIGKE. New York City.

The CHAIRMAN. What is your business?

Mr. HEINIGKE. I am a manufacturer and designer of stained-glass windows.

The CHAIRMAN. What is it you want?

Mr. HEINIGKE. I want an increased rate on stained-glass windows.

Senator McLEAN. What is your paragraph?

Mr. HEINIGKE. Paragraph 230.

The CHAIRMAN. How much increase do you want?

Mr. HEINIGKE. I would like to be permitted to make a statement about the difference in cost of production in this country and Germany, and then let you gentlemen decide what we ought to have.

The CHAIRMAN. You have no suggestion to make as to the increase?

Mr. HEINIGKE. I will tell you of the differences in the cost of production, and we hope we will get that, of course.

The CHAIRMAN. What kind of stained glass do you make?

Mr. HEINIGKE. Painted and stained window glass, glass for completed windows for churches.

The CHAIRMAN. Where is your establishment?

Mr. HEINIGKE. My own establishment is in New York City. It is a small industry, numerically. We are scattered all over the country in almost every State, and it is hard to secure statistics for that reason; the plants are small. The status of our protection in the bill is that the Underwood law gave us 30 per cent protection, and then put us on the free list, taking away all our protection.

Senator WATSON. I do not know what you mean by the bill giving you 30 per cent and taking it away at the same time.

Mr. HEINIGKE. In the dutiable list they gave us 30 per cent ad valorem, and under paragraph 655, works of art—that is in the Underwood bill; it is now under 1688—they took away that 30 per cent by putting stained-glass windows on the free list when presented to churches. Churches are our whole market. We have no other market. So it virtually took away our whole protection. There was no protection.

Senator McLEAN. You have no protection at all?

Mr. HEINIGKE. We had no protection under the Underwood bill, and now we have none under the present bill, owing to the amendment on the floor of the House. There was 30 per cent protection in paragraph 230, but an amendment on the floor of the House put us back on the free list.

Senator McCUMBER. Put it back on the free list or simply provided the same as the Underwood bill, that it could not apply to those works of art and stained window glass?

Mr. HEINIGKE. That was the wording of it; yes; but it amounts to our whole market.

Senator McLEAN. You are satisfied with 30 per cent ad valorem?

Mr. HEINIGKE. No, sir; it does not represent the difference in cost of production.

Senator WATSON. Let us have that.

Mr. HEINIGKE. The difference in cost of production is 63 per cent, and the reason for that is that there is no possibility of using a machine in any part of our process. It is all handwork. It approximates very closely the work of portrait or landscape painting. Seventy per cent of our total cost of production is wages. I do not know of any other industry that has no possible way of using machinery. We need more protection as a matter of scientific tariff making than any other industry with which I am familiar.

Senator DILLINGHAM. What did you say your labor cost was?

Mr. HEINIGKE. Seventy per cent of our total manufacturing cost.

Senator McLEAN. Would not the American valuation help you?

Mr. HEINIGKE. It does.

Senator McLEAN. Thirty per cent ad valorem—would not that help you?

Mr. HEINIGKE. Thirty per cent ad valorem is less than half what we need to make up the difference.

Senator McLEAN. Under the American valuation?

Mr. HEINIGKE. Yes, sir. We arrived at these figures in this way: Two American manufacturers, who had big establishments in America up to 1913, opened factories in Munich, Bavaria, under the Underwood bill, and they were forced to do that because their whole market was taken away from them; they could not compete. There are several other men in the country contemplating the same action if this goes through as it is shown. Those men had been negotiating with German manufacturers and they have turned over to us the letters and the designs which these German manufacturers sent to them, showing exactly what they are willing to lay down windows for in New York. We have taken those prices and those designs and taken the man who manufactures most economically, probably, the most practical manufacturer we have, and had him figure out what those same designs would cost. The details of that are all given in the hearings of the Ways and Means Committee of the House.

Senator WALSH. In a word, what is the difference?

Mr. HEINIGKE. Sixty-three per cent of the American valuation.

Senator WALSH. You mean that it would cost 63 per cent more than the German price to produce the stained glass window in America?

Mr. HEINIGKE. Yes, sir.

Senator McLEAN. Do the importers have their offices here and take orders? What is the degree of your competition here with the importers of this product?

Mr. HEINIGKE. The German houses have agents in this country.

Senator McLEAN. What is the yearly value of the product?

Mr. HEINIGKE. A canvass showed that in 1914 the production in America was \$212,000. I would like to correct the record of the Ways and Means Committee. The brief showed that in 1920, when we had the protection of the war, our industry increased to \$500,000. That was incorrectly printed as \$500,000,000.

Senator McLEAN. Upon what page is that of the House hearings?

Mr. HEINIGKE. It is on page 680 of the House hearings?

Senator McLEAN. What is the value of the importations?

Senator Walsh. In 1914?

Mr. HEINIGKE. It is impossible for us to find that, Senator, because we are grouped with mirrors under the dutiable list and with all works of art under the free list. The Bureau of Statistics will not give us permission to segregate them.

Senator McLEAN. What is the effect of the competition upon your business?

Mr. HEINIGKE. During 1920, before the German importations began to come in after the war—of course, they were shut off entirely during the war—we had built up from \$212,000 to \$500,000, approximately. I was told the other day by one of the men who has opened this plant in Germany that he has now \$140,000 worth of orders to be executed in his German plant; almost none in his American plant. He has discharged one man after another until he is down now only to repairing.

Senator WATSON. Is Germany your principal competitor?

Mr. HEINIGKE. Yes; it is practically our only competitor.

Senator WALSH. Is not the claim made also that the German stained glass is superior?

Mr. HEINIGKE. It is.

Senator WALSH. Is that a fact?

Mr. HEINIGKE. No, sir.

Senator WALSH. But that is a popular notion?

Mr. HEINIGKE. That is the claim of the importers' agents in their brief.

Senator WALSH. But is it not pretty generally thought among particular ecclesiastics—I have discussed it with many of them—that the German window glass is superior?

Mr. HEINIGKE. That is propaganda, but in our supplemental brief before the Ways and Means Committee of the House we filed letters from upward of a dozen clergymen, who expressed their preference for American windows. We have ordered from Germany a window and we hoped to have it here for this hearing, but it has not yet arrived. We were going to let you judge for yourselves. It is a small window that could be placed on exhibition.

Senator McLEAN. What is the state of your business to-day?

Mr. HEINIGKE. I just had a statement the other day for the first six months of this year, and we have lost \$260 on six months' work.

Senator McLEAN. What is the total value of that business?

Mr. HEINIGKE. On my personal plant?

Senator McLEAN. Well, the plants with which you are acquainted. What is the condition of the trade to-day? Are they doing anything, and if they are, are they doing it at a loss?

Mr. HEINIGKE. They are working at about 30 per cent of their capacity. There are about 70 per cent of the men walking the streets, appealing to us for some means of getting a livelihood.

Senator McCUMBER. What do you pay your men?

Mr. HEINIGKE. A dollar an hour is, I think, about the average; \$1.50 for the flesh painters, and the same class of men get 20 cents in Germany. The men to whom we are paying \$1.50 get 20 cents in Germany. The details of the comparative wage scales in Germany and America are found on page 673 of the printed hearings of the House Ways and Means Committee, and the details of the comparative costs, all figured out in minute detail, are shown on page 674 of the printed hearings of the House Ways and Means Committee.

Senator DILLINGHAM. You say that you are running at about 30 per cent of your capacity?

Mr. HEINIGKE. Yes, sir.

Senator DILLINGHAM. That is a complaint that comes to us from substantially all of the different branches of industry.

Mr. HEINIGKE. Yes, sir; that is true.

Senator DILLINGHAM. Is that because of the lack of orders that come in owing to the fact that the people are economizing, or is it because of the duty?

Mr. HEINIGKE. I think it is because the bulk of the business is going abroad. My reason for saying that is that one of the smaller importers has \$140,000 worth; another of the comparatively small importers had \$80,000 worth of orders six months ago. He told me so himself. There are two larger importers who would ordinarily do four times as much business as those two. I should say that there

are \$800,000 worth of orders for windows now being executed in Germany.

Senator McLEAN. Is this expensive glass window used extensively in private dwellings as well as in churches?

Mr. HEINIGKE. They do not import stained-glass windows.

Senator WALSH. I was thinking that there has been quite an increase in the use of stained-glass windows in private residences in the past 5 or 10 years. Is that true?

Mr. HEINIGKE. It is comparatively small in volume; they are usually selected by architects of discrimination and all bought in America. They have them designed here. We have always had a very considerable amount of private-dwelling work, but it does not run into any volume. We could not run one-quarter of our plant on it. It is a comparatively small portion of the business.

Senator McCUMBER. Are these men to whom you are paying \$1 an hour artists? Do they design the works and draw the figures, and so forth, for these windows?

Mr. HEINIGKE. No, sir. As a usual thing, the employer does. I am a designer. I am the head of the firm, and my partner is also a designer. We employ these men; some of whom are entitled to be classified as artists; they are really artists.

Senator McCUMBER. Does it require years of special study in order to become proficient in that work?

Mr. HEINIGKE. Yes. Most of these men, as young men, study for years in the art schools. They go to the classes in drawing and spend all their leisure time there. They are really artists. They study for the work just as the portrait painter studies for his work.

Senator McCUMBER. I mean the men that do the physical work.

Mr. HEINIGKE. So do I, sir. That is what I do mean. Those men study just as hard as a professional man studies, and they are entitled to the standing of a professional man, but they do not get it.

Senator McCUMBER. But they are not designers.

Mr. HEINIGKE. No, sir. Of course, the designers are creators of designs, and they have the standing of professional men, usually.

Senator WATSON. For the calendar year 1920 the report of importations of works of art, including pictorial painting and paintings on glass, including stained or painted windows, to be used in houses of worship, etc., amounted, in the aggregate, to \$163,000 only. Are some coming in now?

Mr. HEINIGKE. They are increasing all the time.

Senator WATSON. How do you know that?

Mr. HEINIGKE. I know it from the statements of these men, who are manufacturers here and abroad. They are both members of our association, and they are perfectly frank. They say that they would a good deal rather manufacture here and that they would close up their business abroad if they could manufacture here at a profit. One of those men is in Europe now, and the other, when we went before the Ways and Means Committee of the House, gave us letters and telegrams which are printed in the brief.

Senator WATSON. Would the importation of \$163,000 of your product interfere with your business?

Mr. HEINIGKE. Yes, sir; on a \$212,000 basis. You see, that was our total output in 1914.

Senator WALSH. Of course, there has been a great reduction in building operations.

Mr. HEINIGKE. Yes, sir. In erecting a church building for the Roman Catholic Church, for instance, there are two grooves in the window, one for the protection glass, the sheet glass, which they can put in while the building is being erected. Then they can wait indefinitely for the luxury windows, the windows that are entirely luxurious. They have been doing that all through the war. The sentiment against buying luxuries has prevented them from buying any kind of stained-glass windows. They have just had these temporary windows in. Now they have the money that they have been accumulating for this purpose, and they are buying them in great numbers. There is no limit to the market just now, and we are not getting it. I do not believe that all of us together in this country have at present \$150,000 worth of work. I canvassed 15 of the largest shops for that information, and the indications are that they have not as much as one of these smallest importers has.

Senator WALSH. Is Tiffany in your association?

Mr. HEINIGKE. No, sir.

Senator WALSH. Is he independent?

Mr. HEINIGKE. He is independent in every way.

Senator WALSH. He does some of this work, does he not?

Mr. HEINIGKE. He does, but he does not compete. He does not make painted windows. He makes the opalescent window and runs that department as a sort of a play toy. It has been stated that he has never made a profit on his stained-glass window department. The Gorham Manufacturing Co., with practically unlimited capital, made up their minds to close their department.

May I file a brief, Mr. Chairman, showing some additional figures that we have accumulated?

The CHAIRMAN. Yes, sir.

### LIMESTONE.

[Paragraph 235.]

#### STATEMENT OF H. S. BRIGHTLY, BEDFORD, IND., REPRESENTING THE INDIANA LIMESTONE QUARRYMEN'S ASSOCIATION AND THE INDIANA LIMESTONE INDUSTRY.

Mr. BRIGHTLY. The speaker represents the Indiana Limestone Quarrymen's Association and a majority of the quarry producers and allied interests in southern Indiana.

We are interested in paragraph 235 and also in paragraph 232. At the present time we are classed in with freestone, granite, and sandstone in paragraph 235.

We feel that we are improperly classed and that that error has existed for a long time; also that the tariff rate proposed in the Fordney bill is entirely inadequate. I appeared before the Ways and Means Committee in February last—in order to present the facts to substantiate this and to present the need of safeguarding our industry.

Senator SMOOT. You want limestone to be put in paragraph 232, with marble, breccia, and onyx?

Mr. BRIGHTLY. Yes, sir; under a divided classification, as I will explain later. I pointed out to the Ways and Means Committee at the hearing in February that the freight alone on Indiana limestone, from the quarries in the Bedford-Bloomington district to our great eastern markets, New York, Boston, and Philadelphia, Washington, and other points in the East, was greater than the entire cost of the Bath, England, limestone, or other foreign limestones, on the dock in the United States, including the inland transportation, wharfage or dock dues, ocean freight, insurance, lighterage, and all expenses attendant to laying it down on this side, as well as the cost of the material.

Senator WALSH. That is, your cost for sending by freight limestone from Indiana to New York or Boston is more than the cost of production abroad and of freight by sea and by land?

Mr. BRIGHTLY. Yes, sir. Since that time the Interstate Commerce Commission has seen wise to authorize a reduction in freights to eastern points, which took effect July 25, but that only affects the delivered cost of our commodity by reducing it on an average of about 16 cents per cubic foot. We asked that we be classed with marble, at that time under the 50-cent rate, and we showed that that would not put us on an equal competitive basis with the imported product but that foreign limestone would still enjoy an advantage. We had in mind that this unfair advantage might be overcome by these probable freight-rate reductions, which have since taken effect.

Senator SMOOT. You are talking just about limestone?

Mr. BRIGHTLY. Just limestone; yes, sir.

Senator SMOOT. American limestone?

Mr. BRIGHTLY. Limestone such as you see on the facing of the court wall outside—Indiana limestone. Indiana limestone, however, is also extensively used for interior purposes. The unfair element of previous tariff bills is the line of definition drawn between what is classed as limestone and what is classed as marble. No really clear line has ever been drawn. They say that marble is a limestone that can be polished. Indiana limestone can be polished. Then they tried to define it by saying marble is a crystalline limestone. The line of demarcation between crystalline limestone and noncrystalline limestone is very hard to draw because the two kinds often are merged in part crystalline or semicrystalline stones. The consequence of this is that in past years all of the various fancy French and Italian limestones, which are used principally for elaborate interior work, have been brought over in the rough block under the low limestone tariff rate and then been sawed up and sold under their various trade terms as fancy French and Italian marble, chiefly for the more costly interior work.

Senator McLEAN. What is the cost of limestone as compared with the cost of marble?

Mr. BRIGHTLY. The cost of the Indiana limestone as compared with marble? I can not inform you accurately as to the cost of imported marbles. I would say the cost at the quarries would vary from somewhere around 70 cents, or probably considerably less than that in view of depreciated exchange, up to probably around \$2 a cubic foot. Indiana limestone sells at the quarry at from 45 to 75 cents per cubic foot, for the different regular grades.

Senator MCLEAN. What is the cost of the domestic marble?

Mr. BRIGHTLY. The price of domestic marble will probably vary from well under a dollar up to \$2 or \$3 at the quarries, for standard grades. Some of the highly colored and figured varieties of both domestic and foreign would sell at a higher price. I refer to standard grades, as the great bulk of the marble used would be of this kind and fall within the lower range of price.

We feel that our product belongs in with this other, or marble, classification, not necessarily at the higher rate which has been proposed for marble, but that as marble is a limestone and both are used for similar purposes that limestone belongs with marble, and that this paragraph should be divided into two classifications. Let the marble and crystalline limestone, breccia, and onyx, in the block, be the first division and take the 65-cent rate. Then all noncrystalline limestones suitable for use as a monumental or building stone, rough or squared only, and embracing all of these fancy foreign limestones be the second division, at another rate. The rate for this division need not be so high as that for marble, but should be substantially higher than the rate which would apply under the Fordney tariff bill. It is obviously unfair to keep limestone in with the freestone, granite, and sandstone class.

Senator MCLEAN. It is used for facings in expensive buildings largely?

Mr. BRIGHTLY. No; limestone is not. It is a universally-used stone. In fact, it constitutes about 70 per cent of all the stone used in the United States outside of marble and granite. It has created the impression of being an expensive stone because it is used for so many fine buildings; but it is also used very extensively for moderate-cost buildings, even for the cheaper homes, flats, and apartment buildings, not necessarily for the whole facing, but for sills, steps, and other trim. It is a very universally-used stone. At the same time it is extensively used for elaborately carved interiors for churches and other fine interior work.

Senator REED. How much do you say it costs a foot?

Mr. BRIGHTLY. Between 45 cents and 75 cents.

Senator REED. What makes that great difference?

Mr. BRIGHTLY. The different grades.

Senator REED. What is the average?

Mr. BRIGHTLY. It would average between 60 and 65 cents.

Senator REED. Would 65 cents be a fair average?

Mr. BRIGHTLY. I think 62½ cents would be a fair average.

Senator REED. How much is your labor cost in that?

Mr. BRIGHTLY. The labor cost is about one-half of the cost, I would say at least one-half the cost.

Senator REED. That is to say, it would be 31½ cents. What would be the labor cost in England where you compete?

Mr. BRIGHTLY. I do not know that or think I can give it to you on a cubic-foot basis. I can only give it to you by way of a comparison. Our labor cost to-day will average around 60 cents an hour for all labor employed.

Senator REED. What does theirs average?

Mr. BRIGHTLY. Twenty-nine cents under the present rates of exchange.

Senator REED. Can you not give this committee now the figures that will show the labor cost over there? That would be about 15 cents?

Mr. BRIGHTLY. I only have the wage rates; no knowledge of the rate of production and consequent cost under these rates, but we know the price for which it has been sold over there. There is a lot of it brought over to this country already. It can be brought over as ballast to a large extent at extremely low ocean rates.

Senator REED. Is their labor cost over there about 15 cents? Do they get it out more easily than you do?

Mr. BRIGHTLY. No; they do not get it out any more easily. In fact, they are putting in American machinery now to take full advantage of this market, which the inadequate tariff proposed assures them.

Senator REED. Their labor cost is then over 15 cents because they are changing to American machinery?

Mr. BRIGHTLY. It may be over that; we do not know.

Senator REED. They get 29 cents an hour?

Mr. BRIGHTLY. That would be the average cost of wage rates paid at the time our brief to the Ways and Means Committee was prepared. It may be less to-day.

Senator REED. Yours would average 60 cents?

Mr. BRIGHTLY. Sixty cents.

Senator REED. You use machinery more than they do?

Mr. BRIGHTLY. We use more modern machinery than they do.

Senator REED. Anyway, their labor cost is above 15 cents per cubic foot. What are your freight rates to New England?

Mr. BRIGHTLY. The freight rate to New York is 40 cents on the rough blocks, which weigh 200 pounds per cubic foot, which equals 80 cents per cubic foot. To Boston the freight rate is 42 cents a hundred pounds, which equals 84 cents per cubic foot. The freight rate to Philadelphia, Baltimore, and Washington is 38 cents, which equals 76 cents per cubic foot.

Senator REED. Eighty cents to New York and 84 cents to Boston?

Mr. BRIGHTLY. Yes, sir; and 76 cents to certain other eastern cities.

Senator REED. You want this committee to write this tariff bill so that, first, it will equalize the difference in wages, and, second, it will equalize the difference in freights?

Mr. BRIGHTLY. Yes, sir.

Senator REED. That is what you think ought to be done?

Mr. BRIGHTLY. Yes, sir.

Senator REED. So that the man in the East is to be denied the benefit of the natural proximity to the material—and when I say "natural proximity" I do not mean in miles, but in haulage.

Mr. BRIGHTLY. Indiana is not as far away as England or France.

Senator REED. No; not in miles, but in haulage.

Mr. BRIGHTLY. An American industry is obliged to pay American railroad rates. There is also the question of how it affects the rest of the country and also has reference to the preservation of American industry. We have been 50 years engaged in—

Senator REED. I understand. Let us stick to one thing. You want this tariff to be high enough so that the New Englander shall be denied the natural advantage of his situation, which is that he is

located where he can get water transportation. You want to add to the price enough so that he has to pay the high freight rates of this country and lose the advantage of cheap water transportation?

Mr. BRIGHTLY. Yes, sir; and of low foreign wages—

Senator REED. What is the capital stock of your concern?

Mr. BRIGHTLY. It is not one concern; there are 18 different companies represented by our association and other extensive interests affiliated therewith.

Senator REED. Are you connected with any one of them?

Mr. BRIGHTLY. No, sir. I am connected with the association representing all of those 18 companies

Senator REED. It is the general effort of them all to raise their price and shut out this competition?

Mr. BRIGHTLY. Not to raise their prices.

Senator REED. To shut out competition?

Mr. BRIGHTLY. I may say that they are not making any money now, because they are working way below normal production. We do not seek an increase of price; we seek to preserve our business. With production on a normal basis, we can profitably serve all domestic needs without increasing the price. We have been 40 or 50 years developing these quarry properties and building up our industry.

Senator REED. What did they make last year?

Mr. BRIGHTLY. I could not answer that question, because, as a matter of fact, the general statement is that the industry has made no money during recent years. Our entire industry was "down on its back" during the war. They were not doing anything. Last year it was operated at around 40 per cent of normal. You can not make money under those conditions in any quarrying industry.

Senator REED. That is because all building practically stopped. Not all, but there was great diminution in building during the war.

Mr. BRIGHTLY. New England has her marble and her granite right at hand. It will not deny New England anything, nor oblige them to pay any more than they are accustomed and entitled to pay. It is simply denying the foreigner the advantage of coming into this country, exploiting our markets on the basis of low wages and depreciated currency and destroying a well-established American industry involving more than a lifetime of effort and a large capital investment. Furthermore, we do not need any foreign building stone; the United States enjoys a wealth of building stones of all classes.

Senator REED. Let us see. If this foreigner lands his goods in New York he would have to pay the freight, the ocean freight?

Mr. BRIGHTLY. Yes, sir.

Senator REED. Then, if he desires to ship it into the interior he would immediately begin to pay these high freight rates the same as you would?

Mr. BRIGHTLY. He could ship to—

Senator REED. Just answer the question. Just as soon as this material reaches these shores and is unloaded, he then, in order to ship from that point, has to begin to pay the higher freight rates?

Mr. BRIGHTLY. Yes, sir.

Senator REED. And of course he soon reaches the point where the railroad rates are prohibitive as to him.

Mr. BRIGHTLY. If he is shipping inland, yes, sir; although the rates inland from seaports are not nearly so high as rates for equivalent mileage for shipments moving toward the seaboard.

Senator REED. So that you would have left that vast zone of the country lying, we will say, approximately halfway between Indiana and the Atlantic coast free from his competition?

Mr. BRIGHTLY. That is true.

Senator REED. And you would be left all that vast territory which runs to the west until you come into competition with something which is produced domestically in this country?

Mr. BRIGHTLY. We compete with stone produced near to the Pacific coast. We compete with stone produced in New England and in the South, including Florida.

Senator REED. All of those points are many hundreds of miles away from you. You are not content with that part of the country which, because of high freight rates, itself has a protection against invasion of its territory from the Pacific coast or from Florida or from the East. That leaves you about one-quarter of the United States for your Indiana quarries alone, does it not, free from that competition?

Mr. BRIGHTLY. It leaves us a large part free from foreign competition, but that territory would not utilize even the major portion of our output, and we look upon these eastern markets as the most important markets of the country. We do not consider any portion of this country not our rightful territory. Our product is a universally used American building stone. The exploitation of a foreign product should not be allowed to destroy 50 years of development.

I should like to file a brief. I do not have it with me.

Senator SMOOT. You have that privilege.



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